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

Fortenberry & Ballard, PC
Certified Public Accountants

Sharkey County Location in Mississippi

Sharkey County is located in the Mississippi Delta region of the United States state of Mississippi. As of 2010, the population was 4,916. Its County seat is Rolling Fork. It is named after William L. Sharkey, the provisional Governor of Mississippi in 1865. Sharkey County was formed in 1876.

Sharkey County, Mississippi

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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Sharkey County, Mississippi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting, as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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Brandon, Mississippi 39047
Telephone 601-992-5292 Fax 601-992-2033

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include the financial data for the County's legally separate component units. Accounting principles applicable to the County's cash basis of accounting require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the cash basis assets, net position, receipts and disbursements of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the cash basis financial position of the aggregate discretely presented component units of Sharkey County, Mississippi, as of September 30, 2015, or the changes in cash basis financial position thereof for the year then ended in accordance with accounting principles applicable to the County's cash basis of accounting.

Basis for Qualified Opinion on Cash

Management has not reconciled bank statements in a timely manner and, accordingly, has not booked numerous journal entries. Accounting principles applicable to the County's cash basis of accounting require that cash is recorded when it comes in or leaves the County, which would increase or decrease the assets, and fund balance and change the receips in the Governmental Activities, General Fund and Aggregate Remaining Fund Information.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Cash" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the County as of September 30, 2015, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the basis of accounting described in Note1.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the District 5 Road Maintenance Fund of the Sharkey County, Mississippi, as of September 30, 2015, and the respective changes in cash basis financial position, thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sharkey County, Mississippi's basic financial statements. The accompanying Schedule of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Operating Costs of Solid Waste 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 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 Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Budgetary Comparison Schedule, the Schedule of Capital Assets, the Schedule of Changes in Long-Term Debt, the Schedule of Surety Bonds for County Officials and corresponding notes have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2016, on our consideration of the Sharkey 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 Sharkey County, Mississippi's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC — Certified Public Accountants
May 5, 2016

FINANCIAL STATEMENTS

SHARKEY COUNTY, MISSISSIPPI Exhibit 1

Statement of Net Position - Cash Basis

September 30, 2015

		Governmental Activities
ASSETS		
Cash	$	1,440,597
Total Assets		1,440,597
NET POSITION		
Restricted:		
Expendable:		
General government		103,164
Public safety		111,541
Public works		581,554
Health and welfare		79,261
Culture and recreation		26,192
Conservation of natural resources		14,165
Economic development and assistance		8,090
Unrestricted		516,630
Total Net Position	$	1,440,597

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

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

		Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
					Primary Government
Functions/Programs	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	$ 1,573,180	200,573	12,733		(1,359,874)
Public safety	730,858	47,064	17,062	24,509	(642,223)
Public works	2,428,464	310,198	538,629	64,902	(1,514,735)
Health and welfare	425,346		19,376	159,555	(246,415)
Culture and recreation	97,654				(97,654)
Conservation of natural resources	38,615				(38,615)
Economic development and assistance	2,266			16,950	14,684
Debt service:					
Principal	151,728				(151,728)
Interest	27,062				(27,062)
Total Governmental Activities	5,475,173	557,835	587,800	265,916	(4,063,622)

General receipts:	
Property taxes	$ 3,007,225
Road & bridge privilege taxes	48,230
Grants and contributions not restricted to specific programs	88,112
Unrestricted interest income	21,989
Miscellaneous	288,307
Proceeds of long-term debt	760,401
Sale of county property	29,858
Total General Receipts and Other Cash Sources	4,244,122
Changes in Net Position	180,500
Net Position - Beginning	1,260,097
Net Position - Ending	$ 1,440,597

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

SHARKEY COUNTY, MISSISSIPPI Exhibit 3

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

September 30, 2015

		Major Fund			
		General Fund	District 5 Road Maintenance	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$	516,630	145,675	778,292	1,440,597
Total Assets	$	516,630	145,675	778,292	1,440,597
FUND BALANCES					
Restricted for:					
General government	$			103,164	103,164
Public safety				111,541	111,541
Public works			145,675	435,879	581,554
Health and welfare				79,261	79,261
Culture and recreation				26,192	26,192
Conservation of natural resources				14,165	14,165
Economic development and assistance				8,090	8,090
Unassigned		516,630			516,630
Total Fund Balances	$	516,630	145,675	778,292	1,440,597

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

SHARKEY COUNTY, MISSISSIPPI Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds

For the Year Ended September 30, 2015

	Major Funds			
	General Fund	District 5 Road Maintenance	Other Governmental Funds	Total Governmental Funds
RECEIPTS				
Property taxes	$ 1,960,260	63,845	983,120	3,007,225
Road and bridge privilege taxes		9,646	38,584	48,230
Licenses, commissions and other receipts	95,096		2,189	97,285
Fines and forfeitures	64,788		38,500	103,288
Intergovernmental receipts	153,844	108,446	679,538	941,828
Charges for services	140		357,122	357,262
Interest income	21,280	84	625	21,989
Miscellaneous receipts	140,109	11,181	137,017	288,307
Total Receipts	2,435,517	193,202	2,236,695	4,865,414
DISBURSEMENTS				
General government	1,483,969		89,211	1,573,180
Public safety	643,728		87,130	730,858
Public works		231,767	2,196,697	2,428,464
Health and welfare	257,967		167,379	425,346
Culture and recreation	52,622		45,032	97,654
Conservation of natural resources	38,615			38,615
Economic development and assistance	2,266			2,266
Debt service:				
Principal	10,765	8,501	132,462	151,728
Interest	673	1,681	24,708	27,062
Total Disbursements	2,490,605	241,949	2,742,619	5,475,173
Excess (Deficency) of Receipts over Disbursements	(55,088)	(48,747)	(505,924)	(609,759)
OTHER CASH SOURCES (USES)				
Proceeds of long-term debt		75,043	685,358	760,401
Sale of county property		5,883	23,975	29,858
Total Other Cash Sources and Uses	0	80,926	709,333	790,259
Excess (Deficency) of Receipts and other Cash Sources over Disbursements and other Cash Uses	(55,088)	32,179	203,409	180,500
Cash Basis Fund Balances - Beginning	571,718	113,496	574,883	1,260,097
Cash Basis Fund Balances - Ending	$ 516,630	145,675	778,292	1,440,597

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

SHARKEY COUNTY, MISSISSIPPI Exhibit 5

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

		Agency Funds
ASSETS		
Cash	$	44,567
Total Assets	$	44,567
LIABILITIES		
Intergovernmental payables	$	44,567
Total Liabilities	$	44,567

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

Sharkey County, Mississippi

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

Sharkey County, Mississippi

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

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

Sharkey County, Mississippi (the County), is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Sharkey County, Mississippi to present these financial statements on the primary government and its component units which have a significant operational or financial relationship with the County.

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

- Sharkey - Issaquena Community Hospital
- Sharkey - Issaquena County Library

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

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

B. Basis of Presentation

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

Government-wide Financial Statements:

The Statement of Net Position - Cash Basis and Statement of Activities - Cash Basis display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, receipts and other nonexchange receipts. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

C. Measurement Focus and Basis of Accounting

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

The County reports the following major Governmental Funds:

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

<u>District 5 Road Maintenance Fund</u> - This fund is used to account for district road maintenance and repair.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

FIDUCIARY FUND TYPE

<u>Agency Funds</u> - 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.

E. Deposits

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

F. Equity Classifications

Government-wide Financial Statements:

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

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

Unrestricted net position - All other net position not meeting the definition of "restricted."

Net Position Flow Assumption:

When a disbursement is paid for purposes for which both restricted and unrestricted resources are available, it is the County's general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted resources are available, and amounts in the unrestricted classification could be used.

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 disbursements paid for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

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

G. Property Tax Receipts

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

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

(2) Deposits

<u>Primary Government</u>

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was $1,440,597 in the governmental funds and $44,567 in the fiduciary funds. The bank balance was $1,605,919. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section

27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

(3) 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.

(4) Operating Leases

As Lessor:

On January 12, 2012, Sharkey County entered into a non-cancellable operating lease agreement with Lagniappe Planting Company for the lease of 214.62 acres of farm land owned by the County for agricultural purposes. Total income from such leases was $42,885 for the year ended September 30, 2015. The future minimum lease receivables for these leases are as follows:

Year Ended September 30		Amount
2016	$	42,885

(5) 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 disbursement of resources for allowable purposes. The County may be responsible for any disallowances.

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

(6) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

Delta Community Mental Health Services operates in a district composed of the Counties of Bolivar, Issaquena, Sharkey and Washington. The Sharkey County Board of Supervisors appoints one of the four members of the commissioners. The County appropriated $49,000 for financial support in fiscal year 2015.

Mississippi Delta Community College operates in a district composed of the Counties of Bolivar, Coahoma, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Sharkey County Board of Supervisors appoints three of the 20 members of the College Board of trustees. The County appropriated $112,156 for support in fiscal year 2015.

South Delta Planning and Development District operates in a district composed of the Counties of Bolivar, Humphreys, Issaquena, Sharkey, Sunflower and Washington. The Sharkey County Board of Supervisors appoints three of the 22 members of the Board of Directors. The County contributes only a small part of the entity's total revenues.

The Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Sharkey County Board of Supervisors appoints one of the 21 members of the Board of Commissioners. The County appropriated $32,441 for financial support in fiscal year 2015.

(7) Defined Benefit Pension Plan

Plan Description

Sharkey County 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 report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy

At September 30, 2015, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members 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 $212,421, $185,516, and $174,077, respectively, equal to the required contributions for each year.

SUPPLEMENTARY INFORMATION

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

Operating Disbursements, Cash Basis		
Salaries	$	184,346
Expendable Commodities:		
Gasoline and petroleum products		47,956
Repairs and parts		30,739
Garbage cans for customers		11,623
Solid waste pickup and disposal fees		91,722
Maintenance, supplies and utilities		4,402
Postage and box rent		5,368
Solid Waste Cash Basis Operating Costs Disbursements	$	376,156

OTHER INFORMATION

SHARKEY COUNTY, MISSISSIPPI
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)
RECEIPTS				
Property taxes	$ 1,740,922	1,965,867	1,965,867	0
Licenses, commissions and other receipts	81,700	95,096	95,096	0
Fines and forfeitures	65,000	64,788	64,788	0
Intergovernmental receipts	221,400	142,139	142,139	0
Charges for services	600	140	140	0
Interest income	9,000	21,281	21,281	0
Miscellaneous receipts	60,000	146,206	146,206	0
Total Receipts	2,178,622	2,435,517	2,435,517	0
DISBURSEMENTS				
Current:				
General government	1,569,833	1,495,407	1,483,969	11,438
Public safety	585,664	643,728	643,728	0
Health and welfare	260,874	257,967	257,967	0
Culture and recreation	17,000	52,622	52,622	0
Conservation of natural resources	42,985	38,615	38,615	0
Economic development and assistance	2,266	2,266	2,266	0
Debt service:				
Principal			10,765	(10,765)
Interest			673	(673)
Total Disbursements	2,478,622	2,490,605	2,490,605	0
Excess of Receipts over (under) Disbursements	(300,000)	(55,088)	(55,088)	0
Net Change in Fund Balance	(300,000)	(55,088)	(55,088)	0
Fund Balances - Beginning	300,000	571,718	571,718	0
Fund Balances - Ending	$ 0	516,630	516,630	0

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

SHARKEY COUNTY, MISSISSIPPI
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
District 5 Road Maintenance
For the Year Ended September 30, 2015
UNAUDITED

		Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS					
Property taxes	$	49,000	63,845	63,845	0
Road and bridge privilege tax		10,000	9,646	9,646	0
Licenses, commissions and other receipts		4,000	0	0	0
Intergovernmental receipts		88,000	108,446	108,446	0
Interest income		0	84	84	0
Miscellaneous receipts		0	211,774	211,774	0
Total Receipts		151,000	393,795	393,795	0
DISBURSEMENTS					
Current:					
Public works		151,200	159,453	159,453	0
Debt service:					
Principal		22,000	200,482	200,482	0
Interest		5,000	1,681	1,681	0
Total Disbursements		178,200	361,616	361,616	0
Excess of Receipts over (under) Disbursements		(27,200)	32,179	32,179	0
Net Change in Fund Balance		(27,200)	32,179	32,179	0
Fund Balances - Beginning		27,200	113,496	113,496	0
Fund Balances - Ending	$	0	145,675	145,675	0

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

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

The following is a summary of interfund balances for the year ended September 30, 2015:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Balance at Sept. 30, 2015
District 5 Road Maintenance	General Fund	$ 475
Other Governmental Funds	General Fund	11,305
		$ 11,780

B. Advances To/From Other Funds:

Receivable Fund	Payable Fund	Balance at Sept. 30, 2015
General Fund	District 5 Road Maintenance	$ 944
General Fund	Other Governmental Funds	38,567
District 5 Road Maintenance	General Fund	1,443
Other Governmental Funds	General Fund	27,024
Other Governmental Funds	Other Governmental Funds	40,000
		$ 107,978

SHARKEY COUNTY, MISSISSIPPI

Schedule of Capital Assets

For the Year Ended September 30, 2015

UNAUDITED

Governmental activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments	Balance Sept. 30, 2015
Land	$ 90,871				90,871
Infrastructure	21,426,125				21,426,125
Buildings	1,467,952				1,467,952
Mobile equipment	1,446,975		24,381		1,422,594
Furniture and equipment	81,540				81,540
Leased property under capital leases	1,292,774	815,612	505,039	(576,541)	1,026,806
Total capital assets	$ 25,806,237	815,612	529,420	(576,541)	25,515,888

Adjustments made to remove leased property bought back by lessor in previous periods.

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

SHARKEY COUNTY, MISSISSIPPI
Schedule of Changes in Long-Term Debt
For the Year Ended September 30, 2015
UNAUDITED

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

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2014	Issued	Principal Payments	Adjustments	Balance Sept. 30, 2015
Governmental Activities:								
A. Capital Leases:								
Motor Grader - District 4	05/2010	05/2015	3.25%	120,443		5,761	(114,682) *	-
Motor Grader - District 5	05/2010	05/2015	3.25%	126,785		6,818	(119,967) *	-
Backhoe - District 1	06/2010	06/2015	3.25%	40,832		3,147	(37,685) *	-
Bushhog - District 2	03/2013	03/2016	3.15%	6,237		4,094		2,143
10-wheel Loader - General Road	05/2013	05/2016	1.82%	78,185		13,634		64,551
2013 Mack Dump Truck - General Road	06/2013	06/2016	1.81%	87,867		8,808		79,059
Excavator - General Road	06/2013	07/2016	1.81%	56,476		5,981		50,495
Tractor - District 1	02/2012	03/2017	2.55%	22,674		1,927		20,747
Motor Grader - District 2	05/2012	06/2017	2.03%	132,878		5,900		126,978
IBM System Upgrade	09/2012	09/2017	2.19%	30,675		10,765		19,910
2015 Mack Dump Truck	06/2014	07/2016	1.83%	183,562		33,541		150,021
Caterpillar Bulldozer	11/2014	11/2018	2.01%		191,803	20,636		171,167
Backhoe - District 1	06/2015	06/2020	2.19%		73,555	1,596		71,959
Caterpillar Motor Grader - Districts 3 & 4	06/2015	06/2020	2.01%		210,000	2,535		207,465
Caterpillar Motor Grader - Districts 1 & 5	06/2015	06/2020	2.01%		210,000	2,535		207,465
Backhoe - Districts 4 & 5	07/2015	07/2020	2.23%		75,043	832		74,211
B. Other Loans:								
District 1 Loan	05/2012	08/2015	4%	12,828		12,828		-
District 3 Loan	07/2012	08/2015	4%	10,390		10,390		-
Total				$ 909,832	760,401	151,728	(272,334)	1,246,171

* equipment buyback
The accompanying notes to the Other Information are an integral part of this statement.

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

Name	Position	Company	Bond
Bill Newsom	Supervisor District 1	Travelers	$100,000
Leroy Smith, Jr.	Supervisor District 2	Travelers	$100,000
Sam Matthews	Supervisor District 3	Travelers	$100,000
W.T. Ewing	Supervisor District 4	Travelers	$100,000
Willie Smith	Supervisor District 5	Western Surety	$100,000
Murindia Williams	Chancery Clerk	Travelers	$100,000
Dianah Sutton	Deputy Clerk	Travelers	$50,000
Patricia Thrasher	Deputy Clerk	Travelers	$50,000
Donna Baugh	Deputy Clerk	Travelers	$50,000
Miran Hamilton	Deputy Clerk	Travelers	$50,000
Murindia Williams	Purchase Clerk	Travelers	$75,000
Donna Baugh	Assistant Purchase Clerk	Travelers	$50,000
Donna Anderson	Receiving Clerk	Travelers	$75,000
Dianah Sutton (General Road)	Assistant Receiving Clerk	Travelers	$50,000
Henry Dennis (District 1)	Assistant Receiving Clerk	Travelers	$50,000
Donald Carter (District 2)	Assistant Receiving Clerk	RLI Surety	$50,000
Charles Ray Coleman (District 3)	Assistant Receiving Clerk	Travelers	$50,000
James Davis (District 4)	Assistant Receiving Clerk	Travelers	$50,000
Dianah Sutton (District 5)	Assistant Receiving Clerk	Travelers	$50,000
Karenthia Jones	Assistant Receiving Clerk	Travelers	$50,000
Lynn Newman (DHS)	Assistant Receiving Clerk	Travelers	$50,000
Donna Baugh	Inventory Control Clerk	Travelers	$75,000
Terrance Alford	Constable Post 1	Travelers	$50,000
Charlie Marshall	Constable Post 2	Travelers	$50,000
Murindia Williams	Circuit Clerk	Travelers	$100,000
Dianah Sutton	Deputy Clerk	Travelers	$50,000
Patricia Thrasher	Deputy Clerk	Travelers	$50,000
Donna Baugh	Deputy Clerk	Travelers	$50,000
Lindsey Adams	Sheriff	Travelers	$100,000
Eugene Bell	Deputy Sheriff*	Travelers	$50,000
Carolyn Tillis	Deputy Sheriff*	Travelers	$50,000
Stanley Coleman	Deputy Sheriff*	Travelers	$50,000
William Bethley	Deputy Sheriff*	Travelers	$50,000
Darris Pinkins	Deputy Sheriff*	Travelers	$50,000
Michelle Larry	Sheriff's Office Manager	Travelers	$50,000
Treves H. Cooper	Justice Court Judge Post 1	Travelers	$50,000
Elvis C. Secoy	Justice Court Judge Post 2	Travelers	$50,000
Princess Turner	Justice Court Clerk	Travelers	$50,000
Kathy Sanderford	Deputy Justice Court Clerk	Travelers	$50,000
Tracy Brown	Tax Collector-Assessor	Travelers	$100,000
Donna Anderson	Deputy Collector-Assessor	Travelers	$50,000
Karenthia Jones	Deputy Collector-Assessor	Travelers	$50,000
Marcus Hooker	County Engineer	Travelers	$50,000

* hired under Section 45-5-9, Miss. Code Ann. (1972)

Notes to the Other Information
For the year ended September 30, 2015

(1) Budgetary Comparison Information

A. Budgetary Information

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

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

B. Basis of Presentation

The Budgetary Comparison Schedule - Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and one major Special Revenue Fund.

(2) Long-Term Debt Information

A. Legal Debt Margin

The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a County issues bonds to repair or replaced washed out or collapsed bridges on the public roads of the County. As of September 30, 2015, the amount of outstanding debt was less than 1% of the latest property assessments.

SPECIAL REPORTS

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
Sharkey 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 funds, and the aggregate remaining fund information of Sharkey County, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 5, 2016. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles applicable to the County's cash basis of accounting to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. Our report also includes a qualified opinion in the governmental activities, general fund and the aggregate remaining fund information on cash due to the numerous unbooked journal entries which are required by accounting principles applicable to the County's cash basis of accounting to be reported.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a

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deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as Finding 2015-001 and 2015-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings 2015-003, 2015-004, 2015-005 and 2015-006 to be significant deficiencies.

Compliance and Other Matters

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

However, we noted a certain matter that we reported to the management of Sharkey County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated May 5, 2016, included within this document.

Sharkey County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Sharkey 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.

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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard PC Certified Public Accountants
May 5, 2016

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
Sharkey County, Mississippi

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Sharkey 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, Sharkey County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC Certified Public Accountants
May 5, 2016

Sharkey County, Mississippi **Schedule 1**

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

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

Sharkey County, Mississippi **Schedule 2**

Schedule of Emergency Purchases

For the Year Ended September 30, 2015

Our test results did not identify any emergency purchases.

Sharkey County, Mississippi **Schedule 3**

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

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

LIMITED INTERNAL CONTROL
AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Sharkey County, Mississippi

In planning and performing our audit of the financial statements of Sharkey County, Mississippi (the County) for the year ended September 30, 2015, we considered Sharkey 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 Sharkey 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 May 5, 2016, on the financial statements of Sharkey 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 an immaterial instance of noncompliance with state laws and regulations that is an opportunity for strengthening internal controls and operating efficiency. Our finding and recommendation and your responses are disclosed below:

Sheriff.

<u>Finding #1</u>:

An effective system of internal control should include the separation of cash collection and disbursement functions. As reported in the prior ten years' audit reports, cash collection and disbursement functions are not adequately separated for effective internal control. One employee receipts funds, calculates monthly settlement reports, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to properly segregate accounting duties increases the possibility of loss or misappropriation of public funds.

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Recommendation:

The sheriff should implement a system of review of the accounting records by another person.

Sheriff's Response:

I will comply.

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

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 this party. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC Certified Public Accountants
May 5, 2016

SCHEDULE OF FINDINGS AND RESPONSES

Sharkey County, Mississippi

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

Section I: Summary of Auditor's Results

Financial Statements:

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

   Governmental Activities: **Qualified**
   Aggregate Discretely Presented Component Units: **Adverse**
   General Fund: **Qualified**
   District 5 Road Maintenance Fund: **Unmodified**
   Aggregate remaining fund information: **Qualified**

2. Internal control over financial reporting:

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

3. Noncompliance material to the financial statements noted? **Yes**

Section II: Financial Statements Findings

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

Finding 2015-001:

Board of Supervisors

Material Weakness and Material Noncompliance

Criteria:
A critical aspect of effective financial management is the preparation of accurate accounting records.

Cause:
Numerous journal entries were not booked by management.

Condition:
Reconciled bank statement balances did not match accounting records. Accounting records were understated by $128,035 when compared to reconciled bank statements. Additionally, bank statements were not reconciled in a timely manner. The bank statement reconciliation for the County's main depository for September 2015 was completed in June 2016.

Effect:
Without adequate controls in place *over* the reconciliation process for bank records in comparison to posted accounting records, risk is increased that inaccurate information may be contained on the financial statements and that some accounting transactions are not being properly reported (misstatement risk). Therefore, the audit report on the opinion units relating to the presentation of the financial statements inclusive of 1) Governmental Activities, 2) General Fund and 3) Aggregate Remaining Fund Information is modified for fiscal year 2015.

Recommendation:
The Board of Supervisors should establish adequate controls and procedures to ensure that accurate accounting records are prepared.

Response:
We are currently reconciling all accounts up to date. We have put another practice in place and bank statements will be reconciled in a timely manner.

Finding 2015-002

Material Weakness

Criteria:
It is required that the financial data of the County's component units be reported with the financial data of the County's primary government unless the County issues financial statements for the financial reporting entity that include the financial data of its component units.

Condition:
The County's financial statements do not include the financial data of the county's component unit.

Cause:
Audited financial statements were not provided for the required presentation of the aggregate discretely presented component units (not presented in this report).

Effect:
Failure to include the data required by generally accepted accounting principles resulted in an adverse opinion on the aggregate discretely presented component units.

Recommendation:
The Board of Supervisors should provide the financial data of all its component units.

Response:
We will comply.

<u>Finding 2015-003</u>:

Board of Supervisors

Significant Deficiency

<u>Criteria</u>:
The county is responsible for establishing and maintaining effective internal control over the payroll function including an adequate segregation of duties, calculating, maintaining, and reporting correct payroll information.

<u>Condition</u>:
During our audit payroll records were tested and we discovered five employees whose federal withholding taxes were not calculated or reported correctly.

<u>Cause</u>:
Internal controls have not been developed and/or implemented to detect this type of error.

<u>Recommendation</u>:
The Board of Supervisors should implement effective internal control polices that allow for proper segregation of duties throughout the payroll function. The Board should designate someone outside the payroll function to review the quarterly reporting of payroll taxes.

<u>Response</u>:
We will address this immediately and remedy any noted payment shortages.

<u>Finding 2015-004</u>:

Chancery Clerk

Significant Deficiency

<u>Criteria</u>:
The accounting system prescribed in the *Mississippi County Financial Accounting Manual* for the land redemption account requires that bank statements are to be reconciled.

<u>Cause</u>:
Lack of knowledge of what needs to be done in accordance with the *Mississippi County Financial Accounting Manual*.

<u>Condition</u>:
As reported in the prior year audit report, bank statements were not reconciled. As a result, reconciliations to the cash journal balance at month-end could not be performed.

<u>Effect</u>:
Failure of the Chancery Clerk to comply with the prescribed accounting system could result in undetected errors in the cash journal and improper or incomplete settlements being made to the County and/or other parties affected.

Recommendation:

The Chancery Clerk should make efforts to comply with the accounting system prescribed in the *Mississippi County Financial Accounting Manual*. Bank statements should be reconciled, and the reconciled total should match the cash journal total.

Response:

I will comply.

Finding 2015-005:

Justice Court Clerk

Significant Deficiency

Criteria:
An effective system of internal control should include an adequate segregation of duties.

Cause:
Failure to correct deficiencies noted in current and prior year's audit.

Condition:
As reported in the prior five years' audit reports, cash collection and disbursement functions were not adequately separated for effective internal control. One employee receipts funds, calculates the monthly settlement reports, posts the cash journal, reconciles the bank statements and disburses all funds.

Effect:
Failure to properly segregate accounting duties increases the possibility of misappropriation of public funds.

Recommendation:
The Justice Court Clerk should implement a system of review of the accounting records by another person.

Response:
I will comply.

Finding 2015-006:

Circuit Clerk

Significant Deficiency

Criteria:
An effective system of internal control should include an adequate segregation of duties within the office, maintaining cash journals, reconciling the bank statements to the cash journals and maintaining as subsidiary bond ledger.

Cause:
Failure to correct deficiencies noted in current and prior year's audit and implement controls that will ensure an adequate segregation of duties.

Condition:
During our audit, we observed several deficiencies in the Circuit Clerk's office. As reported in the prior two years' audit report, cash collection and disbursement functions are not adequately separated for effective internal control. One employee receipts funds, posts the cash journal, reconciles the bank statements and disburses all funds. Also, the criminal bank statements were not reconciled to the cash journal.

Effect:
Failure to have proper internal controls could result in the loss of public funds.

Recommendation:
The Circuit Clerk should ensure that proper internal controls are maintained within the office through segregation of duties and correctly reconciling bank statements to the cash journals.

Response:
I will comply.