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

**Fortenberry & Ballard, PC**  
Certified Public Accountants

## Stone County Location in Mississippi



Stone County was formed from the northern portion of Harrison County on June 5, 1916. The County was named for John M. Stone, who served as Governor of Mississippi from 1876 to 1882 and again from 1890 to 1896. The County has a total area of 448 square miles (1,160 km<sup>2</sup>), of which 445 square miles (1,150 km<sup>2</sup>) is land and 2.6 square miles (6.7 km<sup>2</sup>) (0.6%) is water.

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## FINANCIAL REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Stone County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Stone 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 basic financial statements of 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.

## **Basis for Qualified Opinion on Governmental Activities**

As discussed in Note 13 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities is not reasonably determinable.

The County did not properly maintain and preserve adequate subsidiary records documenting the County's financing of a portion of its exposure to risk of loss relating to employee health and dental coverage. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of this activity. Additionally, a fiduciary fund type is used to report the risk-financing activity in the financial statements. Accounting principles generally accepted in the United States of America stipulate that fiduciary funds are to be used solely to report resources held by the County as a trustee or agent on behalf of an outside entity that cannot be used to support the County's own programs. The amount by which this departure would affect the assets and liabilities of the governmental activities is not reasonably determinable. The County also has not recorded a liability for unpaid claims and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that claims be accrued as liabilities and expenses as they are incurred, which would increase the liabilities, reduce net position and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities is not reasonably determinable.

Additionally, the County did not properly maintain and preserve an adequate inventory control system. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of the County's investment in capital assets.

The County did not properly account for risk-financing activities. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of the County's risk-financing activities.

## **Qualified Opinion**

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



### **Basis for Qualified Opinion on Business-Type Activities and Correctional Facility Fund**

As discussed in Note 13 to the financial statements, the County has not recorded a liability for other postemployment benefits in the business-type activities and Correctional Facility Fund and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the business-type activities and Correctional Facility Fund. The amount by which this departure would affect the liabilities, net position and expenses of the business-type activities is not reasonably determinable.

Additionally, the County did not properly maintain and preserve an adequate inventory control system. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of the County's investment in capital assets.

### **Qualified Opinion**

In our opinion, except for the effects of the matters describe in the "Basis for Qualified Opinion on Business-Type Activities and Correctional Facility Fund" paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and Correctional Facility Fund of Stone County, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Qualified Opinion on the Aggregate Remaining Fund Information**

The County did not properly maintain and preserve adequate subsidiary records documenting the County's financing of a portion of its exposure to risk of loss relating to employee health and dental coverage. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of this activity. Additionally, a fiduciary fund type is used to report the risk-financing activity in the financial statements. Accounting principles generally accepted in the United States of America stipulate that fiduciary funds are to be used solely to report resources held by the County as a trustee or agent on behalf of an outside entity that cannot be used to support the County's own programs.

The amount by which this departure would affect the assets and liabilities of the aggregate remaining fund information is not reasonably determinable. The County also has not recorded a liability for claims unpaid as of the date of the financial statements. Accounting principles generally accepted in the United States of America require that claims be accrued as liabilities as they are incurred, which would increase the liabilities of the aggregate remaining fund information. The amount by which this departure would affect the liabilities of the aggregate remaining fund information is not reasonably determinable.

## **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on the Aggregate Remaining Fund Information” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of Stone County, Mississippi, as of September 30, 2015, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Road and Bridge Fund, Countywide Bridge and Culvert Fund of the Stone 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 Schedules and corresponding notes, the Schedule of the County’s Proportionate Share of the Net Pension Liability, 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**

Stone County, Mississippi, has omitted the Management’s Discussion and Analysis and the Schedule of Funding Progress – Other Postemployment Benefits 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 the Stone 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 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 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 February 20, 2018, on our consideration of the Stone 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 Stone County, Mississippi's internal control over financial reporting and compliance.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
February 20, 2018

Certified Public Accountants

## FINANCIAL STATEMENTS

**Stone County, Mississippi**

## Statement of Net Position

September 30, 2015

Exhibit 1

|  | Primary Government         |                             |             |
|--|----------------------------|-----------------------------|-------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total       |
| <b>ASSETS</b>                                |                            |                             |             |
| Cash and cash equivalents                    | \$ 1,996,272               |                             | 1,996,272   |
| Restricted assets - investments              |                            | 2,152,653                   | 2,152,653   |
| Property tax receivable                      | 4,920,850                  |                             | 4,920,850   |
| Fines receivable, net                        | 366,573                    |                             | 366,573     |
| Loans receivable, net                        | 66,939                     |                             | 66,939      |
| Capital lease receivable                     | 83,064                     |                             | 83,064      |
| Intergovernmental receivables                | 325,677                    | 405,831                     | 731,508     |
| Other receivables                            | 2,385                      |                             | 2,385       |
| Internal Balances                            | 303,165                    | (303,165)                   | -           |
| Capital assets:                              |                            |                             |             |
| Land and construction in progress            | 434,756                    | 12,957                      | 447,713     |
| Other capital assets, net of depreciation    | 9,716,183                  | 4,459,319                   | 14,175,502  |
| Total Assets                                 | 18,215,864                 | 6,727,595                   | 24,943,459  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>        |                            |                             |             |
| Deferred outflows related to pension         | 1,360,668                  | 629,570                     | 1,990,238   |
| Deferred amount on refunding                 |                            | 31,120                      | 31,120      |
| Total Deferred Outflows of Resources         | 1,360,668                  | 660,690                     | 2,021,358   |
| <b>LIABILITIES</b>                           |                            |                             |             |
| Claims payable                               | 375,669                    | 119,561                     | 495,230     |
| Intergovernmental payables                   | 410,156                    |                             | 410,156     |
| Short term debt                              | 400,000                    |                             | 400,000     |
| Accrued interest payable                     | 1,985                      | 33,638                      | 35,623      |
| Long-term liabilities                        |                            |                             |             |
| Due within one year:                         |                            |                             |             |
| Capital debt                                 | 375,827                    | 466,492                     | 842,319     |
| Due in more than one year:                   |                            |                             |             |
| Capital debt                                 | 1,255,155                  | 1,712,666                   | 2,967,821   |
| Non-capital debt                             | 81,015                     | 39,549                      | 120,564     |
| Net pension liability                        | 7,777,988                  | 3,598,811                   | 11,376,799  |
| Total Liabilities                            | 10,677,795                 | 5,970,717                   | 16,648,512  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>         |                            |                             |             |
| Deferred inflows related to pension          | 14,779                     | 6,839                       | 21,618      |
| Unavailable revenue - capital lease interest | 4,208                      |                             | 4,208       |
| Unavailable revenue - property taxes         | 4,920,850                  |                             | 4,920,850   |
| Total Deferred Inflows of Resources          | 4,939,837                  | 6,839                       | 4,946,676   |
| <b>NET POSITION</b>                          |                            |                             |             |
| Net investment in capital assets             | 8,519,957                  | 2,324,238                   | 10,844,195  |
| Restricted for:                              |                            |                             |             |
| Debt service                                 | 54,275                     | 410,535                     | 464,810     |
| Public safety                                | 465,512                    |                             | 465,512     |
| Public works                                 | 1,740,499                  |                             | 1,740,499   |
| Economic development                         | 234,790                    |                             | 234,790     |
| Unemployment compensation                    | 36,830                     |                             | 36,830      |
| Unrestricted                                 | (7,092,963)                | (1,324,044)                 | (8,417,007) |
| Total Net Position                           | \$ 3,958,900               | 1,410,729                   | 5,369,629   |

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

**Stone County, Mississippi**  
Statement of Activities  
For the Year Ended September 30, 2015

**Exhibit 2**

| Functions/Programs                               | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                       |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
|  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          | Total                 |
|  |                      |                      |                                    |                                  | Governmental Activities                           | Business-type Activities |                       |
| Primary government                               |                      |                      |                                    |                                  |   |                          |                       |
| Governmental activities                          |                      |                      |                                    |                                  |   |                          |                       |
| General government                               | \$ 3,083,636         | \$ 878,376           |                                    |                                  | \$ (2,205,260)                                    | \$ -                     | \$ (2,205,260)        |
| Public safety                                    | 2,210,328            | 252,879              | 270,295                            | 127,134                          | (1,560,020)                                       |                          | (1,560,020)           |
| Public works                                     | 2,755,908            | 369,320              | 111,872                            | 111,968                          | (2,162,748)                                       |                          | (2,162,748)           |
| Health and welfare                               | 184,993              |                      | 72,344                             |                                  | (112,649)   |                          | (112,649)             |
| Culture and recreation                           | 262,896              |                      |                                    | 11,889                           | (251,007)   |                          | (251,007)             |
| Education  |                      |                      |                                    |                                  | -   |                          | -                     |
| Conservation of natural resources                | 47,428               |                      |                                    |                                  | (47,428)  |                          | (47,428)              |
| Economic development and assistance              | 742,673              |                      | 17,543                             | 709,143                          | (15,987)  |                          | (15,987)              |
| Interest on long-term debt                       | 57,900               |                      |                                    |                                  | (57,900)  |                          | (57,900)              |
| Pension expense                                  | 921,568              |                      |                                    |                                  | (921,568)   |                          | (921,568)             |
| Total Governmental Activities                    | <u>10,267,330</u>    | <u>1,500,575</u>     | <u>472,054</u>                     | <u>960,134</u>                   | <u>(7,334,567)</u>                                |                          | <u>(7,334,567)</u>    |
| Business-type activities                         |                      |                      |                                    |                                  |   |                          |                       |
| Correctional Facility                            | 4,320,427            | 4,000,937            |                                    |                                  |   | (319,490)                | (319,490)             |
| Total Business-type Activities                   | <u>4,320,427</u>     | <u>4,000,937</u>     | <u>-</u>                           | <u>-</u>                         |   | <u>(319,490)</u>         | <u>(319,490)</u>      |
| Total Primary Government                         | <u>\$ 14,587,757</u> | <u>\$ 5,501,512</u>  | <u>\$ 472,054</u>                  | <u>\$ 960,134</u>                | <u>\$ (7,334,567)</u>                             | <u>\$ (319,490)</u>      | <u>\$ (7,654,057)</u> |
| General revenues                                 |                      |                      |                                    |                                  |   |                          |                       |
| Property taxes                                   |                      |                      |                                    |                                  | 6,541,697   |                          | 6,541,697             |
| Road & bridge privilege taxes                    |                      |                      |                                    |                                  | 211,574   |                          | 211,574               |
| Grants not restricted to specific programs       |                      |                      |                                    |                                  | 932,053   |                          | 932,053               |
| Unrestricted gifts and donations                 |                      |                      |                                    |                                  |   |                          | -                     |
| Unrestricted interest income                     |                      |                      |                                    |                                  | 7,577   | 206                      | 7,783                 |
| Miscellaneous                                    |                      |                      |                                    |                                  | 228,328   | 109,441                  | 337,769               |
| Transfers  |                      |                      |                                    |                                  | 1,898   | (1,898)                  | -                     |
| Total General Revenues and Transfer              |                      |                      |                                    |                                  | <u>7,923,127</u>                                  | <u>107,749</u>           | <u>8,030,876</u>      |
| Change in Net Position                           |                      |                      |                                    |                                  | <u>588,560</u>                                    | <u>(211,741)</u>         | <u>376,819</u>        |
| Net Position - Beginning, as previously reported |                      |                      |                                    |                                  | 14,081,132  | 4,503,996                | 18,585,128            |
| Prior period adjustments                         |                      |                      |                                    |                                  | (10,710,792)                                      | (2,881,526)              | (13,592,318)          |
| Net Position - Beginning, as restated            |                      |                      |                                    |                                  | <u>3,370,340</u>                                  | <u>1,622,470</u>         | <u>4,992,810</u>      |
| Net Position - Ending                            |                      |                      |                                    |                                  | <u>\$ 3,958,900</u>                               | <u>\$ 1,410,729</u>      | <u>\$ 5,369,629</u>   |

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

**Stone County, Mississippi**

## Balance Sheet - Governmental Funds

September 30, 2015

Exhibit 3

|  | Major Funds  |           |                  | Other        | Total        |
|--|--------------|-----------|------------------|--------------|--------------|
|  | General      | Road and  | Countywide       | Governmental | Governmental |
|  | Fund         | Bridge    | Bridge & Culvert | Funds        | Funds        |
|  |              | Fund      | Fund             |              |              |
| <b>ASSETS</b>  |              |           |                  |              |              |
| Cash   | \$ 292,139   | 39,519    | 506,920          | 1,157,694    | 1,996,272    |
| Property tax receivable  | 3,303,063    | 206,376   | 676,004          | 735,407      | 4,920,850    |
| Fines receivable (net of allowance for uncollectible of \$1,021,468) | 366,573      |           |                  |              | 366,573      |
| Loans receivable   | -            |           |                  | 66,939       | 66,939       |
| Capital Lease Receivable   |              |           |                  | 83,064       | 83,064       |
| Intergovernmental receivables  | 169,344      |           |                  | 156,333      | 325,677      |
| Other receivables  | 2,385        |           |                  |              | 2,385        |
| Due from other funds   |              | 927,775   | 13,811           | 17,762       | 959,348      |
| Advances to other funds  | 22,212       | 98,823    | 89,699           | 5,925        | 216,659      |
| Total Assets   | \$ 4,155,716 | 1,272,493 | 1,286,434        | 2,223,124    | 8,937,767    |
| <b>LIABILITIES</b>   |              |           |                  |              |              |
| Liabilities:   |              |           |                  |              |              |
| Claims payable   | \$ 160,725   | 24,085    | 25,703           | 165,156      | 375,669      |
| Intergovernmental payables   | 174,886      |           |                  |              | 174,886      |
| Short term debt  | 400,000      |           |                  |              | 400,000      |
| Due to other funds   | 637,195      |           |                  |              | 637,195      |
| Advances from other funds  | 255,668      | 20,027    |                  | 195,222      | 470,917      |
| Total Liabilities  | 1,628,474    | 44,112    | 25,703           | 360,378      | 2,058,667    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                 |              |           |                  |              |              |
| Deferred revenue - property taxes                                    | 3,303,063    | 206,376   | 676,004          | 735,407      | 4,920,850    |
| Deferred revenue - capital lease receivable                          |              |           |                  | 83,064       | 83,064       |
| Deferred revenue - fines   | 366,573      |           |                  |              | 366,573      |
| Total Deferred Inflows of Resources                                  | 3,669,636    | 206,376   | 676,004          | 818,471      | 5,370,487    |
| <b>FUND BALANCES</b>   |              |           |                  |              |              |
| Nonspendable   |              |           |                  |              |              |
| Advances   | 22,212       | 98,823    | 89,699           | 5,925        | 216,659      |
| Restricted   |              |           |                  |              |              |
| Debt service   |              |           |                  | 56,260       | 56,260       |
| Public safety  |              |           |                  | 465,512      | 465,512      |
| Public works   |              | 923,182   | 495,028          | 322,289      | 1,740,499    |
| Economic development and assistance                                  |              |           |                  | 155,934      | 155,934      |
| Unemployment compensation  |              |           |                  | 36,830       | 36,830       |
| Unassigned   | (1,164,606)  |           |                  | 1,525        | (1,163,081)  |
| Total Fund Balances  | (1,142,394)  | 1,022,005 | 584,727          | 1,044,275    | 1,508,613    |
| Total Liabilities, Deferred Inflows and Fund Balances                | \$ 4,155,716 | 1,272,493 | 1,286,434        | 2,223,124    | 8,937,767    |

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

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

|   |                            |
|---|----------------------------|
| Total fund balances for governmental funds  | \$ 1,508,613               |
| Amounts reported for governmental activities in the statement of net position are different because:  |                            |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                                       | 10,150,939                 |
| Other long-term assets are not available to pay current period expenditures and therefore are not reported in the funds                                       | 366,573                    |
| Deferred outflows of resources related to pension reported in governmental activities is not a financial resource and therefore is not reported in the funds. | 1,360,668                  |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.  | (1,711,997)                |
| Net pension liability are not due and payable in the current period and therefore are not reported in the funds   | (7,777,988)                |
| Accrued interest are not due and payable in the current period and therefore are not reported in the funds  | (1,985)                    |
| Deferred inflows of resources related to pension are not due and payable in the current period and therefore are not reported in the funds.                   | (14,779)                   |
| Capital leases not available to pay for current period expenditures and, therefore, are deferred in the funds.  | <u>78,856</u>              |
| Net position of governmental activities   | <u><u>\$ 3,958,900</u></u> |

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



**Stone County, Mississippi**Exhibit 4

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2015

|   | Major Funds    |           |                    | Other        | Total        |
|---|----------------|-----------|--------------------|--------------|--------------|
|   | General        | Road and  | Countywide         | Governmental | Governmental |
|   | Fund           | Bridge    | Bridge and Culvert | Funds        | Funds        |
|   |                | Fund      | Fund               |              |              |
| <b>REVENUES</b>   |                |           |                    |              |              |
| Property taxes  | \$ 4,504,559   | 266,764   | 861,228            | 909,146      | 6,541,697    |
| Road and bridge privilege taxes                           |                | 211,574   |                    |              | 211,574      |
| Licenses, commissions, and other revenues                 | 338,006        | 1,691     | 910                | 29,727       | 370,334      |
| Fines and forfeitures                                     | 396,413        |           |                    | 29,233       | 425,646      |
| Intergovernmental revenues                                | 643,092        | 774,523   | 80,068             | 895,037      | 2,392,720    |
| Charges for services                                      | 192,348        | 369,320   |                    |              | 561,668      |
| Interest income   | 1,170          | 786       | 898                | 1,482        | 4,336        |
| Miscellaneous revenues                                    | 90,802         | 42,229    | 19,755             | 97,690       | 250,476      |
| Total Revenues  | 6,166,390      | 1,666,887 | 962,859            | 1,962,315    | 10,758,451   |
| <b>EXPENDITURES</b>                                       |                |           |                    |              |              |
| Current:  |                |           |                    |              |              |
| General government  | 3,194,139      |           |                    | 25,323       | 3,219,462    |
| Public safety   | 2,418,768      |           |                    | 296,090      | 2,714,858    |
| Public works  | 2,000          | 888,774   | 911,021            | 757,768      | 2,559,563    |
| Health and welfare  | 156,493        |           |                    |              | 156,493      |
| Culture and recreation                                    | 233,551        |           |                    | 10,045       | 243,596      |
| Conservation of natural resources                         | 49,222         |           |                    |              | 49,222       |
| Economic development and assistance                       | 8,025          |           |                    | 851,011      | 859,036      |
| Debt service:   |                |           |                    |              |              |
| Principal   | 69,823         | 339,809   |                    | 275,733      | 685,365      |
| Interest and other fiscal charges                         | 6,071          | 20,622    |                    | 31,207       | 57,900       |
| Total Expenditures  | 6,138,092      | 1,249,205 | 911,021            | 2,247,177    | 10,545,495   |
| Excess (Deficiency) of Revenues over (under) Expenditures | 28,298         | 417,682   | 51,838             | (284,862)    | 212,956      |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                |           |                    |              |              |
| Proceeds from issuance of long term debt                  | 95,898         | 100,422   |                    | 372,248      | 568,568      |
| Proceeds from sale of capital assets                      | 11,588         | 3,465     |                    | 8,819        | 23,872       |
| Compensation for loss of capital assets                   |                | 59,836    |                    | 9,173        | 69,009       |
| Transfers in  | 304,140        | 1,381     |                    | 269,833      | 575,354      |
| Transfers out   | (187,719)      | (881)     |                    | (384,856)    | (573,456)    |
| Lease principal payments                                  |                |           |                    | 25,238       | 25,238       |
| Net Other Financing Sources (Uses)                        | 223,907        | 164,223   | -                  | 300,455      | 688,585      |
| Net Change in Fund Balances                               | 252,205        | 581,905   | 51,838             | 15,593       | 901,541      |
| Fund Balances - Beginning, as previously reported         | (1,335,355)    | 439,033   | 532,889            | 1,008,817    | 645,384      |
| Prior period adjustments                                  | (59,244)       | 1,067     |                    | 19,865       | (38,312)     |
| Fund Balances - Beginning, as restated                    | (1,394,599)    | 440,100   | 532,889            | 1,028,682    | 607,072      |
| Fund Balances - Ending                                    | \$ (1,142,394) | 1,022,005 | 584,727            | 1,044,275    | 1,508,613    |

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

**Stone County, Mississippi****Exhibit 4-1**

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

For the Year Ended September 30, 2015

|  |            |
|--|------------|
| Net change in fund balances - total governmental funds | \$ 901,541 |
|--|------------|

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$678,035 exceeded depreciation expense of \$651,577.

26,478

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$164,083 less the proceeds from the sale of \$23,872 in the current period.

(140,211)

Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.

142,927

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount of the debt repayments of \$685,365 exceeded debt proceeds of \$568,568.

116,797

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 pension expense for the current period

(921,568)

Recording of contributions made prior to the measurement date

384,601

Recording of contributions made subsequent to the measurement date

115,826

Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences

(12,593)

In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from changes in fund by the principal collections on the capital lease.

(25,238)

Change in net position of governmental activities

|            |
|------------|
| \$ 588,560 |
|------------|

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

**Stone County, Mississippi**  
Statement of Net Position - Proprietary Funds  
For the Year Ended September 30, 2015

Exhibit 5

|                                       | Business-type<br>Activities<br>Enterprise Funds<br>Correctional<br>Facility<br>Fund |
|---------------------------------------|---|
| <b>ASSETS</b>                         |   |
| Current assets:                       |   |
| Restricted - Investments              | \$ 2,152,653  |
| Intergovernmental receivables         | 405,831   |
| Advances to other funds               | 55,668  |
| Total Current Assets                  | <u>2,614,152</u>  |
| Noncurrent assets:                    |   |
| Capital assets:                       |   |
| Land and construction in progress     | 12,957  |
| Other capital assets, net             | 4,459,319   |
| Total Noncurrent Assets               | <u>4,472,276</u>  |
| Total Assets                          | <u>7,086,428</u>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |   |
| Deferred amount on refunding          | 31,120  |
| Deferred outflows related to pension  | 629,570   |
| Total Deferred Outflows of Resources  | <u>660,690</u>  |
| <b>LIABILITIES</b>                    |   |
| Current liabilities:                  |   |
| Claims payable                        | 119,561   |
| Due to other funds                    | 357,423   |
| Advances from other funds             | 1,410   |
| Accrued interest payable              | 33,638  |
| Capital debt:                         |   |
| Capital leases payable                | 36,492  |
| Other long-term liabilities           | 430,000   |
| Total Current Liabilities             | <u>978,524</u>  |
| Noncurrent liabilities:               |   |
| Capital debt:                         |   |
| Capital leases payable                | 38,573  |
| Other long-term liabilities           | 1,674,093   |
| Non-capital debt:                     |   |
| Compensated absences payable          | 39,549  |
| Net Pension Liability                 | 3,598,811   |
| Total Noncurrent Liabilities          | <u>5,351,026</u>  |
| Total Liabilities                     | <u>6,329,550</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |   |
| Deferred inflows related to pension   | 6,839   |
| Total Deferred Inflows of Resources   | <u>6,839</u>  |
| <b>NET POSITION</b>                   |   |
| Net investment in capital assets      | 2,324,238   |
| Restricted for:                       |   |
| Debt service                          | 410,535   |
| Public safety                         | (1,324,044)   |
| Total Net Position                    | <u>\$ 1,410,729</u>   |

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

**Stone County, Mississippi****Exhibit 6**

## Proprietary Funds

## Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended September 30, 2015

|  | Business-type<br>Activities -<br>Enterprise Funds<br>Correctional<br>Facility |
|--|---|
| Operating Revenues                               |   |
| Charges for services                             | \$ 4,000,937  |
| Miscellaneous                                    | 109,441   |
| Total Operating Revenues                         | <u>4,110,378</u>  |
| Operating Expenses                               |   |
| Personal services                                | 2,129,351   |
| Contractual services                             | 703,352   |
| Materials and supplies                           | 790,759   |
| Depreciation expense                             | 171,772   |
| Pension expense                                  | 426,402   |
| Total Operating Expenses                         | <u>4,221,636</u>  |
| Operating Income (Loss)                          | <u>(111,258)</u>  |
| Nonoperating Revenues (Expenses):                |   |
| Interest income                                  | 206   |
| Transfer out                                     | (1,898)   |
| Interest expense                                 | (98,791)  |
| Net Nonoperating Revenues (Expenses)             | <u>(100,483)</u>  |
| Change in Net Position                           | <u>(211,741)</u>  |
| Net Position - Beginning, as previously reported | 4,503,996   |
| Prior period adjustments                         | (2,881,526)   |
| Net Position - Beginning, as restated            | <u>1,622,470</u>  |
| Net Position - Ending                            | <u>\$ 1,410,729</u>   |

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

**Stone County, Mississippi**

Proprietary Funds

Statement of Cash Flows

For the Year Ended September 30, 2015

**Exhibit 7**

|  | Business-type<br>Activities -<br>Enterprise Funds |
|--|---|
|  | Correctional<br>Facility                          |
| Cash Flows From Operating Activities   |   |
| Cash receipts from customers   | \$ 3,773,585                                      |
| Cash payments to suppliers for goods and services  | (1,106,592)                                       |
| Cash payments to employees for services  | (2,278,535)                                       |
| Other operating cash receipts  | 91,817  |
| Net Cash Provided by (Used for) Operating Activities   | 480,275   |
| Cash Flows From Noncapital Financing Activities  |   |
| Transfers out  | (1,898)   |
| Cash received from other funds:  |   |
| Loans from other funds   | 357,423   |
| Cash paid to other funds:  |   |
| Interfund loan repayments  | (374,123)   |
| Net Cash Provided by (Used for) Noncapital<br>Financing Activities   | (18,598)  |
| Cash Flows From Capital and Related Financing Activities   |   |
| Proceeds from long term debt   | 67,821  |
| Acquisition and construction of capital assets   | (126,274)   |
| Principal paid on long-term-debt   | (457,657)   |
| Interest paid on debt  | (93,107)  |
| Compensation for loss of capital assets  | 39,125  |
| Net Cash Provided by (Used for) Capital and Related<br>Financing Activities                                  | (570,092)   |
| Cash Flows From Investing Activities   |   |
| Investment income  | 206   |
| Net Cash Provided by (Used for) Investment Activities  | 206   |
| Net Change in Cash and Cash Equivalents  | (108,209)   |
| Cash and Cash Equivalents - Beginning  | 2,260,862   |
| Cash and Cash Equivalents - Ending   | \$ 2,152,653                                      |
| Reconciliation of Operating Income (Loss) to Net Cash<br>Provided by (Used for) Operating Activities         |   |
| Operating income (loss)  | \$ (111,258)                                      |
| Adjustments to reconcile operating income (loss) to<br>net cash provided by (used for) operating activities: |   |
| Depreciation expense   | 171,772   |
| Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:             |   |
| (Increase) decrease in assets and deferred outflows of resources:  |   |
| Intergovernmental receivables  | 128,213   |
| Deferred outflow related to pensions   | (578,816)   |
| Increase (decrease) in liabilities and deferred inflows of resources:  |   |
| Claims payable   | 97,292  |
| Net pension liability  | 766,835   |
| Compensated absences payable   | (602)   |
| Deferred inflow - Pensions   | 6,839   |
| Total adjustments  | 591,533   |
| Net Cash Provided by (Used for) Operating Activities   | \$ 480,275  |

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

**Stone County, Mississippi**  
Statement of Fiduciary Assets and Liabilities  
September 30, 2015

Exhibit 8

|                            | Agency<br>Funds   |
|----------------------------|-------------------|
| <b>ASSETS</b>              |                   |
| Cash                       | \$ 402,066        |
| Due from other funds       | 35,270            |
| Advances to other funds    | <u>200,000</u>    |
| Total Assets               | <u>\$ 637,336</u> |
| <b>LIABILITIES</b>         |                   |
| Intergovernmental payables | \$ <u>637,336</u> |
| Total Liabilities          | <u>\$ 637,336</u> |

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

**Stone County, Mississippi**

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

## Stone County, Mississippi

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

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

##### A. Financial Reporting Entity

Stone 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 Stone 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. 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's legal entity and therefore are reported as part of the primary government financial statements.

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

##### B. Basis of Presentation

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

##### Government-wide Financial Statements:

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



## Stone County, Mississippi

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

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

#### Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in 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, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

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

## Stone County, Mississippi

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

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 Funds:

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

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

Countywide Bridge and Culvert Fund - This fund is used to account for monies from specific revenue sources that are restricted for bridge maintenance.

The County reports the following major Enterprise Fund:

Correctional Facility Fund - This fund is used to account for monies from inmate housing agreement income with the MS Department of Corrections for housing state prisoners.

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 restricted to expenditure principal and interest activity.

Capital Project Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital

## Stone County, Mississippi

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

outlays, including the acquisition or construction of capital facilities and other capital assets.

#### PROPRIETARY FUND TYPE

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

#### FIDUCIARY FUND TYPE

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

#### 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 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.

#### 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/

## Stone County, Mississippi

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

borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as “due to/from other funds.” Noncurrent portions of interfund receivables and payables are reported as “advances to/from funds.” Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources.

However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

#### H. Restricted Assets

Proprietary Fund assets required to be held and used as specified in bond indentures have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first. Certain resources set aside for the repayment of the County’s enterprise fund revenue bonds are classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The “revenue” account is used to account for all revenues of the correctional facility and to provide payment for operating and maintenance expenses as well as required monthly deposits to other accounts to meet minimum requirements of the trust agreement. The “depreciation and operating reserve” account is used to pay the costs of major repairs and replacements to the correctional facility, the costs of which are such that they should be spread over a number of years rather than charged as a current expense in a single year. The “excess revenue” account is used to pay the maintenance expense when other funds are insufficient to pay these expenses within established limitations. The “debt service reserve” account is used to segregate resources set aside to subsidize potential deficiencies from the County’s operation of the correctional facility that could adversely affect debt service payments. The “general” account is used to accumulate funds to pay the principal and interest payments due on the County’s enterprise fund revenue bonds. When both restricted and nonrestricted assets are available for use, the policy is to use the restricted assets first.

#### I. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets

## Stone County, Mississippi

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

in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. 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. Stone County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

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

|                                      | Capitalization<br>Thresholds | Estimated<br>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 | *                            | *                        |

## Stone County, Mississippi

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

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

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

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

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

Deferred outflows related to pensions - This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 19 for additional details.

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

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

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

Unavailable revenue - fines - When an asset is recorded in the governmental fund financial statements but the revenues is not available, the government should

## Stone County, Mississippi

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

report a deferred inflow of resources until such time as the revenue becomes available.

Deferred inflows related to pensions - This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 19 for additional details.

#### K. 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.

#### L. Long-term Liabilities

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

#### M. Equity Classifications

Government-wide Financial Statements:

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

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

## Stone County, Mississippi

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

2. Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

#### Net Position Flow Assumption:

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

#### Fund Financial Statements:

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

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

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

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

*Unassigned fund balance* is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes



## Stone County, Mississippi

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

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

#### N. Property Tax Revenues

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

## Stone County, Mississippi

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

#### O. Intergovernmental Revenues in Governmental Funds

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

#### P. Compensated absences

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and proprietary fund financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires. The County’s policy caps the amount of accumulated unpaid employee personal leave at 30 days.

#### Q. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*; 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.

## Stone County, Mississippi

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

#### (2) Prior Period Adjustments

A summary of significant net position / fund balance adjustments are as follows:

##### Exhibit 2 - Statement of Activities

| <u>Explanation</u>   | <u>Amount</u>          |
|--|------------------------|
| <u>Governmental Activities</u>   |                        |
| 1. To correct prior years errors in recording capital assets.          | \$ (4,849,828)         |
| 2. To implement GASB 68 and 71.  | (6,010,958)            |
| 3. Net effect of prior year errors in recording revenues and expenses. | 149,994                |
| Total  | <u>\$ (10,710,792)</u> |
| <br><u>Business-Type Activities</u>                                    | <br><u>Amount</u>      |
| 1. See explanation below.  | \$ (2,781,223)         |
| 2. See explanation below.  | (117,968)              |
| 3. See explanation below.  | 17,665                 |
| Total  | <u>\$ (2,881,526)</u>  |

##### Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

| <u>Explanation</u>   | <u>Amount</u>      |
|--|--------------------|
| 1 Net effect of prior years errors in recording revenues and expenditures. | <u>\$ (38,312)</u> |

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

| <u>Business-Type Activities</u>                              | <u>Amount</u>         |
|--|-----------------------|
| 1. To implement GASB 68 and GASB 71.                         | \$ (2,781,223)        |
| 2. To correct prior year errors in recording capital assets. | (117,968)             |
| 3. To correct prior year errors in recording expenditures.   | 17,665                |
| Total  | <u>\$ (2,881,526)</u> |

## Stone County, Mississippi

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

#### (3) Deposits and Investments

##### Deposits:

##### Primary Government

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$1,996,272 in the governmental funds and \$402,066 in the fiduciary funds and the bank balance was \$2,973,570. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

##### Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the County are handled through a trust indenture between the County and the trustee related to the operations of the Stone County Regional Correctional Facility.

Investment balances at September 30, 2015 are as follows:

| Investment Type                    | Matures            | Fair Value   | Rating |
|------------------------------------|--------------------|--------------|--------|
| SEI Daily Income Trust Mutual Fund | Less than one year | \$ 2,152,653 | AAA    |

**Interest Rate Risk** - The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

## Stone County, Mississippi

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

*Credit Risk* - State law limits investments to those prescribed in Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The County does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy that addresses custodial credit risk. Of the County's investments, all of the underlying securities were uninsured, unregistered, and held in trust accounts by the investment's counterparty on behalf of the County, not in the name 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:

| <u>Receivable Fund</u>             | <u>Payable Fund</u> | <u>Amount</u>     |
|------------------------------------|---------------------|-------------------|
| Road and Bridge Fund               | General Fund        | \$ 570,352        |
| Road and Bridge Fund               | Enterprise Fund     | 357,423           |
| Countywide Bridge and Culvert Fund | General Fund        | 13,811            |
| Other Governmental Funds           | General Fund        | 17,762            |
| Agency Funds                       | General Fund        | 35,270            |
| Total                              |                     | <u>\$ 994,618</u> |

The majority of the receivables represent amounts received from various funds to cover deficit cash balances, errors in posting revenues and debt service expenditures. All other receivables represent either 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.

## Stone County, Mississippi

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

#### B. Advances To/From Other Funds:

| Receivable Fund                    | Payable Fund             | Amount            |
|------------------------------------|--------------------------|-------------------|
| General Fund                       | Road and Bridge Fund     | \$ 15,512         |
| General Fund                       | Other Governmental Funds | 6,700             |
| Road and Bridge Fund               | Other Governmental Funds | 98,823            |
| Countywide Bridge and Culvert Fund | Other Governmental Funds | 89,699            |
| Other Governmental Funds           | Road and Bridge Fund     | 4,515             |
| Other Governmental Funds           | Enterprise Fund          | 1,410             |
| Enterprise Funds                   | General Fund             | 55,668            |
| Agency Funds                       | General Fund             | 200,000           |
| Total                              |                          | <u>\$ 472,327</u> |

The advances represent errors in posting revenues, debt proceeds, and debt service expenditures in prior years.

#### C. Transfers In/Out:

| Transfers In             | Transfers Out            | Amount            |
|--------------------------|--------------------------|-------------------|
| General Fund             | Other Governmental Funds | \$ 304,140        |
| Road and Bridge Fund     | General Fund             | 1,375             |
| Road and Bridge Fund     | Other Governmental Funds | 6                 |
| Other Governmental Funds | General Fund             | 186,344           |
| Other Governmental Funds | Road and Bridge Fund     | 881               |
| Other Governmental Funds | Other Governmental Funds | 80,710            |
| Other Governmental Funds | Enterprise Funds         | 1,898             |
| Total                    |                          | <u>\$ 575,354</u> |

The principal purpose of the interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlays. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

## Stone County, Mississippi

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

#### (5) Intergovernmental Receivables

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

##### Governmental Activities:

| Description                                | Amount            |
|--|-------------------|
| Grant Reimbursements                       | \$ 13,268         |
| Reimbursement for school resource officers | 19,005            |
| DHS Reimbursement                          | 10,381            |
| Phone Commissions and Fees                 | 33,373            |
| Legislative tag credit                     | 93,317            |
| Sales Commissions                          | 4,662             |
| Miscellaneous                              | 8,078             |
| E-911 Commissions                          | 143,593           |
| Total                                      | <u>\$ 325,677</u> |

##### Business-Type Activities:

| Description                          | Amount            |
|--------------------------------------|-------------------|
| Reimbursements for housing prisoners | \$ 392,931        |
| Other                                | 12,900            |
| Total                                | <u>\$ 405,831</u> |

#### (6) Loans Receivable

Loan receivable balances at September 30, 2015, are as follows:

| Description                           | Date of Loan | Interest Rate | Maturity Date | Receivable Balance |
|---------------------------------------|--------------|---------------|---------------|--------------------|
| Emergency Medical Services District   | 06-1987      | N/A           | N/A           | \$ 22,439          |
| Crown Castle Towers 09, LLC           | 03-2013      | 2.00%         | 03-2018       | <u>66,939</u>      |
|                                       |              |               |               | 89,378             |
| Less: allowance for doubtful accounts |              |               |               | <u>(22,439)</u>    |
| Total                                 |              |               |               | <u>\$ 66,939</u>   |

The Emergency Medical Services District's loan has been dormant for decades. The Crown Castle Towers 09, LLC's loan is a 5 year loan (Tower Lease) which the County maintained.

## Stone County, Mississippi

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

#### (7) Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

|   | <u>Amount</u>       |
|---|---------------------|
| General Account                         | \$ 428,219          |
| Revenue fund                            | 309,398             |
| Depreciation and operating reserve fund | 500,176             |
| Debt service reserve fund               | 410,535             |
| Excess reserve fund                     | 504,197             |
| Mandatory redemption fund               | <u>128</u>          |
| Total restricted assets                 | <u>\$ 2,152,653</u> |



## Stone County, Mississippi

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

#### (8) Capital Assets

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

##### Governmental activities:

|   | Balance<br>Oct. 1, 2014 | Additions | Deletions | Adjustments | Balance<br>Sept. 30, 2015 |
|---|-------------------------|-----------|-----------|-------------|---------------------------|
| Non-depreciable capital assets:             |                         |           |           |             |                           |
| Land  | \$ 440,756              |           |           | (6,000)     | 434,756                   |
| Construction in progress                    | 556,900                 | 118,739   |           | (675,639)   | 0                         |
| Total non-depreciable capital assets        | 997,656                 | 118,739   | 0         | (681,639)   | 434,756                   |
| Depreciable capital assets:                 |                         |           |           |             |                           |
| Infrastructure                              | 1,733,126               |           |           | (818,503)   | 914,623                   |
| Buildings                                   | 12,772,168              |           |           | (4,088,249) | 8,683,919                 |
| Improvements other than buildings           | 188,960                 |           |           | 482,324     | 671,284                   |
| Mobile equipment                            | 4,504,881               | 60,045    | 276,073   | 395,535     | 4,684,388                 |
| Furniture and equipment                     | 508,648                 | 26,581    | 11,261    | 79,781      | 603,749                   |
| Leased property under capital leases        | 1,353,007               | 472,670   | 356,400   | (452,394)   | 1,016,883                 |
| Total depreciable capital assets            | 21,060,790              | 559,296   | 643,734   | (4,401,506) | 16,574,846                |
| Less accumulated depreciation for:          |                         |           |           |             |                           |
| Infrastructure                              | 71,403                  | 9,305     |           | (50,818)    | 29,890                    |
| Buildings                                   | 2,107,338               | 165,943   |           | (120,630)   | 2,152,651                 |
| Improvements other than buildings           | 22,674                  |           |           | (22,674)    | 0                         |
| Mobile equipment                            | 3,540,484               | 241,699   | 239,134   | 189,606     | 3,732,655                 |
| Furniture and equipment                     | 419,300                 | 38,104    | 7,781     | 3,700       | 453,323                   |
| Leased property under capital leases        | 782,747                 | 196,506   | 256,608   | (232,501)   | 490,144                   |
| Total accumulated depreciation              | 6,943,946               | 651,557   | 503,523   | (233,317)   | 6,858,663                 |
| Total depreciable capital assets, net       | 14,116,844              | (92,261)  | 140,211   | (4,168,189) | 9,716,183                 |
| Governmental activities capital assets, net | \$ 15,114,500           | 26,478    | 140,211   | (4,849,828) | 10,150,939                |

Adjustment were made to correctly present capital assets.

## Stone County, Mississippi

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

#### Business-Type Activities:

The following is a summary of business-type activities' capital assets activity for the year ended September 30, 2015:

|  | Balance<br>Oct. 1, 2014 | Additions | Deletions | Adjustments | Balance<br>Sept. 30, 2015 |
|--|-------------------------|-----------|-----------|-------------|---------------------------|
| Non-depreciable capital assets:                    |                         |           |           |             |                           |
| Land   | \$ 12,957               |           |           |             | 12,957                    |
| Construction in progress                           | 23,374                  |           |           | (23,374)    | 0                         |
| Total non-depreciable capital assets               | 36,331                  | 0         | 0         | (23,374)    | 12,957                    |
| Depreciable capital assets:                        |                         |           |           |             |                           |
| Buildings  | 5,912,157               |           | 8,603     | (46,051)    | 5,857,503                 |
| Mobile equipment                                   | 159,994                 |           |           | 2,125       | 162,119                   |
| Furniture and equipment                            | 197,312                 | 61,722    | 57,550    | 5,902       | 207,386                   |
| Leased property under capital leases               | 149,217                 | 64,552    |           | (88,261)    | 125,508                   |
| Total depreciable capital assets                   | 6,418,680               | 126,274   | 66,153    | (126,285)   | 6,352,516                 |
| Less accumulated depreciation for:                 |                         |           |           |             |                           |
| Buildings  | 1,500,033               | 117,156   | 346       | (84)        | 1,616,759                 |
| Mobile equipment                                   | 133,689                 | 3,570     |           | (2,948)     | 134,311                   |
| Furniture and equipment                            | 125,363                 | 28,450    | 48,377    | 3,121       | 108,557                   |
| Leased property under capital leases               | 42,754                  | 22,596    |           | (31,780)    | 33,570                    |
| Total accumulated depreciation                     | 1,801,839               | 171,772   | 48,723    | (31,691)    | 1,893,197                 |
| Total depreciable capital assets, net              | 4,616,841               | (45,498)  | 17,430    | (94,594)    | 4,459,319                 |
| Total business-type activities capital assets, net | \$ 4,653,172            | (45,498)  | 17,430    | (117,968)   | 4,472,276                 |

Adjustments were made to correctly present capital assets.

## Stone County, Mississippi

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

Depreciation expense was charged to the following functions:

|                                     | <u>Amount</u>                |
|-------------------------------------|------------------------------|
| Governmental Activities:            |                              |
| General government                  | \$ 121,810                   |
| Public safety                       | 186,113                      |
| Public works                        | 289,626                      |
| Health and welfare                  | 28,500                       |
| Culture and recreation              | 23,132                       |
| Economic development and assistance | 2,376                        |
| Total governmental activities       | <u>651,557</u>               |
| Business-Type Activities            |                              |
| Correctional Facility               | <u>171,772</u>               |
| <br>Total depreciation expense      | <br>\$ <u><u>823,329</u></u> |

#### (9) 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.

#### (10) Operating Leases

##### As Lessee:

The County entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$41,508 for the year ended September 30, 2015. The future minimum lease receivables for these leases are as follows:

## Stone County, Mississippi

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

| Year Ended September 30,        | Amount            |
|---------------------------------|-------------------|
| 2016                            | \$ 41,508         |
| 2017                            | 41,508            |
| 2018                            | 41,508            |
| 2019                            | 41,508            |
| 2020                            | 41,508            |
| 2021 - 2023                     | 117,606           |
| Total Minimum Payments Required | \$ <u>325,146</u> |

#### (11) Capital Leases

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2015:

| Classes of Property | Amount            |
|---------------------|-------------------|
| Buildings           | \$ <u>269,842</u> |

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

| Year Ended September 30,        | Principal        | Interest     |
|---------------------------------|------------------|--------------|
| 2016                            | \$ 26,136        | 2,343        |
| 2017                            | 27,065           | 1,414        |
| 2018                            | 25,655           | 451          |
| Total Minimum Payments Required | \$ <u>78,856</u> | <u>4,208</u> |

## Stone County, Mississippi

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

As Lessee:

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

| Classes of Property                  | Governmental<br>Activities | Business-type<br>Activities |
|--------------------------------------|----------------------------|-----------------------------|
| Mobile equipment                     | \$ 1,016,883               | 125,508                     |
| Less: Accumulated depreciation       | (490,144)                  | (33,570)                    |
| Leased Property Under Capital Leases | <u>\$ 526,739</u>          | <u>91,938</u>               |

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

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

| Year Ended<br>September 30, | Governmental activities |               | Business-type activities |              |
|-----------------------------|-------------------------|---------------|--------------------------|--------------|
|                             | Principal               | Interest      | Principal                | Interest     |
| 2016                        | \$ 183,194              | 10,351        | 36,492                   | 1,098        |
| 2017                        | 180,722                 | 6,975         | 29,982                   | 464          |
| 2018                        | 138,701                 | 3,569         | 8,591                    | 48           |
| 2019                        | 77,529                  | 1,237         |                          |              |
| 2020                        | 13,090                  | 37            |                          |              |
| Total                       | <u>\$ 593,236</u>       | <u>22,169</u> | <u>75,065</u>            | <u>1,610</u> |

## Stone County, Mississippi

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

#### (12) Short-Term Debt and Liquidity

The following is a summary of short-term debt activity for the year ended September 30, 2015:

| Description of Debt                   | Beginning<br>10-01-14 | Additions | Reductions | Ending<br>09-30-15 |
|---------------------------------------|-----------------------|-----------|------------|--------------------|
| 2014 tax anticipation promissory note | \$ 550,000            |           | 550,000    | 0                  |
| 2015 tax anticipation promissory note |                       | 400,000   |            | 400,000            |
| Total                                 | \$ 550,000            | 400,000   | 550,000    | 400,000            |

During the month of September 2014, the County issued a \$550,000 tax anticipation note with an interest rate of 1.23% and a maturity date of April 2015 in order to alleviate an operating cash flow deficiency. The note was repaid in February 2015.

During the month of September 2015, the County issued a \$400,000 tax anticipation note with an interest rate of 0.95% and a maturity date of April 2016 in order to alleviate an operating cash flow deficiency. The note was repaid in February 2016.

#### (13) Other Postemployment Benefits

##### Plan Description

The Stone County Board of Supervisors administers the County's health, dental and vision insurance plans which are authorized by Sections 25-15-101 et. Seq., Mississippi Code Ann. (1972). The County's health, dental and vision insurance plans may be amended by the Stone County Board of Supervisors. The County purchases health, dental and vision insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). The County is also self-insured in respect to supplemental health insurance. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

# Stone County, Mississippi

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

## (14) Long-Term Debt

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

| <u>Description and Purpose</u>    | <u>Amount<br/>Outstanding</u> | <u>Interest<br/>Rate</u> | <u>Final<br/>Maturity Date</u> |
|-----------------------------------|-------------------------------|--------------------------|--------------------------------|
| <u>Governmental Activities:</u>   |                               |                          |                                |
| A. General Obligation Bonds:      |                               |                          |                                |
| GOB, Series 2003                  | \$ <u>515,000</u>             | 3.37-3.7%                | 03/2018                        |
| B. Capital Leases                 |                               |                          |                                |
| 2007 Ford F-150 pickup truck      | \$ 7,582                      | 1.45%                    | 04/2017                        |
| Kubota M108SHDC tractor           | 31,498                        | 1.71%                    | 11/2017                        |
| Kubota M9960 HDC & Rhino Flex     | 46,387                        | 1.89%                    | 03/2018                        |
| Tiger boom mower                  | 22,930                        | 1.90%                    | 05/2017                        |
| (2) Mack rear load garbage trucks | 307,094                       | 2.24%                    | 11/2019                        |
| Motorola MC5500 consoles          | 4,935                         | 4.27%                    | 07/2016                        |
| Ford F-150 pickup truck           | 24,372                        | 1.99%                    | 09/2018                        |
| 2013 Ford F150 pickup             | 14,355                        | 3.00%                    | 02/2018                        |
| Caterpillar backhoe/loader        | 55,224                        | 1.94%                    | 04/2018                        |
| 2014 Dodge 1500 truck             | 12,829                        | 1.71%                    | 09/2017                        |
| 2014 Dodge Charger                | 19,015                        | 1.71%                    | 09/2017                        |
| 2014 Dodge Charger                | 14,290                        | 1.78%                    | 10/2016                        |
| (2) 2014 Dodge Rams               | 32,725                        | 1.60%                    | 10/2017                        |
| Total Capital Leases              | \$ <u>593,236</u>             |                          |                                |
| C. Other Loans:                   |                               |                          |                                |
| HVAC control system               | \$ 12,603                     | 1.35%                    | 09/2017                        |
| 2012 road paving note             | 463,767                       | 1.55%                    | 05/2017                        |
| MDA revolving loan - CMI Bldg.    | <u>46,376</u>                 | 3.00%                    | 06/2018                        |
| Total Other Loans                 | \$ <u>522,746</u>             |                          |                                |

## Stone County, Mississippi

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

#### Business-Type Activities:

##### A. Limited Obligation Bonds:

|                                |    |                  |          |         |
|--------------------------------|----|------------------|----------|---------|
| Regional Correctional Facility | \$ | <u>2,115,000</u> | 3.1-4.0% | 11/2019 |
|--------------------------------|----|------------------|----------|---------|

##### B. Capital Leases:

|                                  |    |               |       |         |
|----------------------------------|----|---------------|-------|---------|
| 2014 Ford F150 truck             | \$ | 21,192        | 1.45% | 04/2017 |
| 2015 Ford police interceptor SCR |    | 23,249        | 1.94% | 02/2018 |
| 2015 Ford F-150 truck, SCRCF     |    | 30,624        | 1.94% | 02/2018 |
|                                  | \$ | <u>75,065</u> |       |         |

Pledge of Future Revenues - The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$4,105,000 in limited obligation urban renewal revenue bonds issued in September 2009, which were used for the construction of the Stone County Regional Correctional Facility. The bonds are not a general obligation of the County and, therefore, are not secured by the full faith and credit of the County. The bonds are payable solely from income derived from an inmate housing agreement with the MS Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through November 2019. Annual principal and interest payments on the bonds are expected to require less than 24 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,316,365. Principal and interest paid for the current year and total inmate housing net revenues were \$507,240 and \$4,000,937, respectively.

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

| Year Ending<br>September 30, | Governmental Activities  |               |                |               | Business-type Activities |                |
|------------------------------|--------------------------|---------------|----------------|---------------|--------------------------|----------------|
|                              | General Obligation Bonds |               | Other Loans    |               | Limited Obligation Bonds |                |
|                              | Principal                | Interest      | Principal      | Interest      | Principal                | Interest       |
| 2016                         | \$ 165,000               | 15,657        | 27,633         | 7,589         | 430,000                  | 74,065         |
| 2017                         | 170,000                  | 9,720         | 481,407        | 6,975         | 440,000                  | 58,600         |
| 2018                         | 180,000                  | 3,330         | 13,706         | 188           | 460,000                  | 40,600         |
| 2019                         |                          |               |                |               | 475,000                  | 21,900         |
| 2020 - 2023                  |                          |               |                |               | 310,000                  | 6,200          |
| Total                        | \$ <u>515,000</u>        | <u>28,707</u> | <u>522,746</u> | <u>14,752</u> | <u>2,115,000</u>         | <u>201,365</u> |

#### Legal Debt Margin

The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater



## Stone County, Mississippi

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

than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased by 20% whenever a County issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2015, the amount of outstanding debt was equal to 0.46% 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<br>Oct. 1, 2014 | Additions      | Reductions     | Adjustment       | Balance<br>Sept. 30, 2015 | Amount<br>due<br>one year |
|---------------------------------|-------------------------|----------------|----------------|------------------|---------------------------|---------------------------|
| <u>Governmental Activities:</u> |                         |                |                |                  |                           |                           |
| General obligation bonds        | \$ 670,000              |                | 155,000        |                  | 515,000                   | 165,000                   |
| Capital leases                  | 451,393                 | 568,568        | 238,418        | (188,307)        | 593,236                   | 183,194                   |
| Other loans                     | 814,693                 |                | 291,947        |                  | 522,746                   | 27,633                    |
| Compensated absences            | 68,422                  | 12,593         |                |                  | 81,015                    |                           |
| Total                           | \$ <u>2,004,508</u>     | <u>581,161</u> | <u>685,365</u> | <u>(188,307)</u> | <u>1,711,997</u>          | <u>375,827</u>            |

|                                  | Balance<br>Oct. 1, 2014 | Additions     | Reductions     | Balance<br>Sept. 30, 2015 | Amount<br>due<br>one year |
|----------------------------------|-------------------------|---------------|----------------|---------------------------|---------------------------|
| <u>Business-type Activities:</u> |                         |               |                |                           |                           |
| Limited obligation bonds         | \$ 2,535,000            |               | 420,000        | 2,115,000                 | 430,000                   |
| Discount                         | (13,632)                |               | 2,725          | (10,907)                  |                           |
| Capital leases                   | 44,901                  | 67,821        | 37,657         | 75,065                    | 36,492                    |
| Compensated absences             | 40,151                  |               | 602            | 39,549                    |                           |
| Total                            | \$ <u>2,606,420</u>     | <u>67,821</u> | <u>460,984</u> | <u>2,218,707</u>          | <u>466,492</u>            |

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road and Bridge Fund, Garbage and Solid Waste Fund and Correctional Facility Fund.

## Stone County, Mississippi

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

#### (15) Deficit Fund Balances of Individual Funds

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

| Fund                             | Deficit Amount |
|----------------------------------|----------------|
| General Fund                     | \$ 1,142,394   |
| Perkinston Elementary Shelter    | 57,495         |
| Stone Elementary Shelter         | 57,496         |
| Stone High School Shelter        | 57,495         |
| Storm Shelters Debt Fund         | 12,580         |
| CIAP/Old Wire Road Trail Project | 3,408          |

#### (16) 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.

#### (17) Joint Ventures

Stone County is a participant with the counties of Greene and Perry in a joint venture authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library System. This joint venture was created to provide free library service for the citizens of the respective counties and is governed by a five-member board of trustees. Each County appoints at least one board member and may appoint two at the discretion of the County. By contractual agreement, the County's appropriation to the joint venture was \$59,483 in fiscal year 2015. Complete financial statements for the Pine Forest Regional Library can be obtained at P.O. Box 1208, Richton, Mississippi 39476.

## Stone County, Mississippi

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

Stone County is a participant with the City of Wiggins in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Stone-Wiggins Airport Board. The joint venture was created to provide an airport for the citizens of Stone County and is governed by a board of commissioners consisting of five members, with Stone County and the City of Wiggins appointing two members each and one member appointed jointly by the City and County. By contractual agreement, the County's appropriation to the joint venture was \$2,000 in fiscal year 2015. Complete financial statements for the Stone Wiggins Airport Board can be obtained from 2016 Big Four Road, Wiggins, Mississippi 39577.

#### (18) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

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 Stone County Board of Supervisors appoints one of the 27 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County appropriated \$12,697 for support of the district in fiscal year 2015.

Region XIII Commission for Mental Health and Mental Retardation operates in a district composed of the counties of Hancock, Harrison, Pearl River and Stone. The governing body is a four-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties. The County appropriated \$20,625 for support of the agency in fiscal year 2015.

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 member counties and one appointed at large. The counties generally provide no financial support to the organization.

Mississippi Gulf Coast Community College operates in a district composed of the counties of George, Harrison, Jackson and Stone. The college's board of trustees is composed of 23 members, three each appointed by George and Stone Counties, eight each appointed by Harrison and Jackson Counties, and one appointed at large. The County appropriated \$717,961 for maintenance and support of the college in fiscal year 2015.

Stone County Economic Development Partnership is governed by a 15 member board consisting of the President of the Board of Supervisors; five members appointed by the Board of Supervisors; three members appointed by the City of Wiggins; one member

## Stone County, Mississippi

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

appointed by the Mississippi Gulf Coast Community College; and five members appointed at large by the Partnership. The organization is supported primarily by a sales tax collected by the County and remitted to the Partnership. The amount remitted in the 2015 fiscal year was \$408,985.

Southeast Mississippi Air Ambulance District operates in a district composed of the counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Stone County Board of Supervisors appoints one of the nine members of the board of directors. The County contributed \$23,600 for support of the district in fiscal year 2015.

#### (19) Defined Benefit Pension Plan

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

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

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

## Stone County, Mississippi

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

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 \$731,971, \$693,334 and \$614,572, 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 \$11,376,799 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 .073598 percent, which was a decrease of .0002 from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County governmental activities and business-type activities recognized pension expense of \$921,568 and \$426,402, respectively. At September 30, 2015, the County governmental activities and business-type activities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## Stone County, Mississippi

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

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| <b>Governmental Activities:</b>   |                                      |                                     |
| Differences between expected and actual experience  | \$ 119,699                           |                                     |
| Net difference between projected and actual earnings on pension plan investments                            | 455,096                              |                                     |
| Change of assumptions   | 670,047                              |                                     |
| Changes in proportion and differences between County contributions and proportionate share of contributions |                                      | 14,779                              |
| County contributions subsequent to the measurement date   | 115,826                              |                                     |
| Total   | <u>\$ 1,360,668</u>                  | <u>14,779</u>                       |
| <b>Business-Type Activities:</b>  |                                      |                                     |
| Differences between expected and actual experience  | \$ 55,384                            |                                     |
| Net difference between projected and actual earnings on pension plan investments                            | 210,569                              |                                     |
| Change of assumptions   | 310,025                              |                                     |
| Changes in proportion and differences between County contributions and proportionate share of contributions |                                      | 6,839                               |
| County contributions subsequent to the measurement date   | 53,592                               |                                     |
| Total   | <u>\$ 629,570</u>                    | <u>6,839</u>                        |

Deferred outflows of resources reported in the governmental activities, in the amount of \$115,826, and the business-type activities, in the amount of \$53,592, are related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

## Stone County, Mississippi

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

Year ending September 30:

|       |    |                         |
|-------|----|-------------------------|
| 2016  | \$ | 583,158                 |
| 2017  |    | 583,158                 |
| 2018  |    | 466,471                 |
| 2019  |    | 166,415                 |
| Total | \$ | <u><u>1,799,202</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                 | 3.0 percent   |
| Salary increases          | 3.75 - 19.00 percent, including inflation                                 |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

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

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

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

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

## Stone County, Mississippi

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

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

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

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

|  | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| County's proportionate share of<br>the net pension liability | \$ 14,995,664          | \$ 11,376,799                       | \$ 8,373,819           |

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



## Stone County, Mississippi

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

#### (20) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of (\$7,092,963) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$115,826 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. The \$1,244,842 balance of the deferred outflow of resources related to pensions at September 30, 2015, will be recognized in pension expense over the next 4 years.

The governmental activities' unrestricted net position amount of (\$7,092,963) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$14,779 balance of deferred inflows of resources at September 30, 2015, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The governmental activities' unrestricted net position amount of (\$7,092,963) includes the effect of recognition of deferring the recognition of revenue resulting from capital lease interest. The \$4,208 balance of deferred inflows of resources at September 30, 2015, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The governmental activities' unrestricted net position amount of (\$7,092,963) includes the effect of recognition of deferring the recognition of revenue resulting from property tax. The \$4,920,850 balance of deferred inflows of resources at September 30, 2015, will be recognized as revenue and will increase the unrestricted net position over the next few years.

The business-type activities' unrestricted net position amount of (\$1,324,044) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$53,592 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. The \$575,978 balance of the deferred outflow of resources related to pensions at September 30, 2015, will be recognized in pension expense over the next 4 years.

The business-type activities' net investment in capital assets amount of \$2,324,238 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from refunding of County debt. The \$31,120 balance of the deferred outflow of sources at September 30, 2015, will be recognized as an expense and decrease the net investment in capital assets net position over the next year.

The business-type activities' unrestricted net position amount of (\$1,324,044) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from

## Stone County, Mississippi

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

pensions. The \$6,839 balance of deferred inflows of resources at September 30, 2015, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

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

The County issued the following debt obligation:

| Issue Date | Interest Rate | Issue Amount | Type of Financing | Source of Financing |
|------------|---------------|--------------|-------------------|---------------------|
| 02-08-16   | 1.94%         | \$ 52,436    | Capital lease     | Advalorem taxes     |
| 03-08-16   | 1.92%         | 31,754       | Capital lease     | Advalorem taxes     |
| 05-02-16   | 1.35%         | 1,124,065    | Other loan        | Advalorem taxes     |
| 06-30-16   | 1.66%         | 154,073      | Capital lease     | Advalorem taxes     |
| 07-29-16   | 1.87%         | 97,159       | Capital lease     | Advalorem taxes     |
| 12-02-16   | 2.04%         | 389,448      | Capital lease     | Advalorem taxes     |
| 12-02-16   | 2.14%         | 314,857      | Capital lease     | Advalorem taxes     |
| 12-23-16   | 2.39%         | 14,143       | Capital lease     | Advalorem taxes     |
| 12-30-16   | 2.24%         | 34,848       | Capital lease     | Advalorem taxes     |
| 03-30-17   | 2.69%         | 40,352       | Capital lease     | Advalorem taxes     |
| 08-28-17   | 2.47%         | 117,500      | Other Loan        | Advalorem taxes     |

## REQUIRED SUPPLEMENTARY INFORMATION

**STONE COUNTY, MISSISSIPPI**

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

General Fund

For the Year Ended September 30, 2015

|  | Original<br>Budget  | Final<br>Budget     | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|--------------------------------|---|
| <b>REVENUES</b>  |                     |                     |                                |   |
| Property Taxes   | \$ 4,383,621        | \$ 4,417,961        | \$ 4,417,961                   | -   |
| Licenses, commissions and other revenue                      | 328,200             | 420,237             | 420,237                        | -   |
| Fines and forfeitures  | 425,000             | 369,080             | 369,080                        | -   |
| Intergovernmental revenues                                   | 470,163             | 657,202             | 657,202                        | -   |
| Charges for services   | 170,000             | 168,926             | 168,926                        | -   |
| Interest income  | 750                 | 1,162               | 1,162                          | -   |
| Miscellaneous revenues                                       | 24,100              | 26,144              | 26,144                         | -   |
| Total revenues   | <u>5,801,834</u>    | <u>6,060,712</u>    | <u>6,060,712</u>               | <u>-</u>  |
| <b>EXPENDITURES</b>  |                     |                     |                                |   |
| Current:   |                     |                     |                                |   |
| General government   | 3,822,317           | 3,847,451           | 3,847,451                      | -   |
| Public Safety  | 2,242,627           | 2,461,409           | 2,461,409                      | -   |
| Public Works   | 5,710               | 2,000               | 2,000                          | -   |
| Health & Welfare   | 170,332             | 156,911             | 156,911                        | -   |
| Education  | 198,066             |                     |                                |   |
| Culture and recreation                                       |                     | 225,140             | 225,140                        | -   |
| Conservation of Natural Resources                            | 58,177              | 48,222              | 48,222                         | -   |
| Economic Development and assistance                          | 3,500               | 8,275               | 8,275                          | -   |
| Total Expenditures   | <u>6,500,729</u>    | <u>6,749,408</u>    | <u>6,749,408</u>               | <u>-</u>  |
| Excess (Deficiency) of Revenues over<br>(under) Expenditures | <u>(698,895)</u>    | <u>(688,696)</u>    | <u>(688,696)</u>               | <u>-</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                                |   |
| Proceeds from sale of capital assets                         |                     |                     |                                | -   |
| Transfers in   | 941,184             | 967,990             | 967,990                        | -   |
| Transfers out  |                     | (6,502)             | (6,502)                        | -   |
| Total Other Financing Sources (Uses)                         | <u>941,184</u>      | <u>961,488</u>      | <u>961,488</u>                 | <u>-</u>  |
| Net Change in Fund Balances                                  | <u>242,289</u>      | <u>272,792</u>      | <u>272,792</u>                 | <u>-</u>  |
| Fund Balances - Beginning                                    | <u>(1,016,250)</u>  | <u>(683,498)</u>    | <u>(683,498)</u>               | <u>-</u>  |
| Fund Balances - Ending                                       | <u>\$ (773,961)</u> | <u>\$ (410,706)</u> | <u>\$ (410,706)</u>            | <u>\$ -</u>   |

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

**STONE COUNTY, MISSISSIPPI**

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

Road and Bridge Fund

For the Year Ended September 30, 2015

|   | Original<br>Budget | Final<br>Budget   | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Over (Under) |
|---|--------------------|-------------------|--------------------------------|---|
| <b>Revenues</b>                                 |                    |                   |                                |   |
| Property taxes                                  | \$ 259,605         | \$ 266,887        | \$ 266,887                     | \$ -  |
| Road and bridge privilege taxes                 | 200,000            | 210,530           | 210,530                        | -   |
| Licenses, commissions and other revenue         | 2,600              | 1,691             | 1,691                          | -   |
| Intergovernmental revenues                      | 555,525            | 774,523           | 1,143,843                      | 369,320                                       |
| Interest income                                 | 200                | 786               | 786                            | -   |
| Miscellaneous revenues                          | 10,200             | 41,944            | 42,229                         | 285   |
| Total Revenues                                  | <u>1,028,130</u>   | <u>1,296,361</u>  | <u>1,665,966</u>               | <u>369,605</u>                                |
| <b>Expenditures by Major Budgetary Function</b> |                    |                   |                                |   |
| Public works                                    | 695,197            | 875,188           | 874,305                        | 883   |
| Debt service:                                   |                    |                   |                                |   |
| Principal                                       | 322,518            | 339,937           | 339,937                        | -   |
| Interest  |                    | 20,494            | 20,494                         | -   |
| Total Expenditures                              | <u>1,017,715</u>   | <u>1,235,619</u>  | <u>1,234,736</u>               | <u>883</u>                                    |
| Excess of Revenues Over (Under)<br>Expenditures | <u>10,415</u>      | <u>60,742</u>     | <u>431,230</u>                 | <u>370,488</u>                                |
| <b>Other Financing Sources (Uses)</b>           |                    |                   |                                |   |
| Other financing sources                         |                    | 109,968           | 109,682                        | (286)   |
| Other financing uses                            |                    |                   | (881)                          | (881)   |
| Total Other Financing Sources (Uses)            | <u>-</u>           | <u>109,968</u>    | <u>108,801</u>                 | <u>(1,167)</u>                                |
| Net Change in Fund Balance                      | 10,415             | 170,710           | 540,031                        | 369,321                                       |
| Fund Balances - Beginning                       | <u>425,000</u>     | <u>405,392</u>    | <u>405,392</u>                 | <u>-</u>                                      |
| Fund Balances - Ending                          | <u>\$ 435,415</u>  | <u>\$ 576,102</u> | <u>\$ 945,423</u>              | <u>\$ 369,321</u>                             |

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

**STONE COUNTY, MISSISSIPPI**

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

Countywide Bridge and Culvert Fund

For the Year Ended September 30, 2015

|   | Original<br>Budget | Final<br>Budget   | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Over (Under) |
|---|--------------------|-------------------|--------------------------------|---|
| <b>Revenues</b>                                 |                    |                   |                                |   |
| Property taxes                                  | \$ 839,417         | \$ 861,942        | \$ 861,942                     | \$ -  |
| Licenses, commissions, and other revenue        | 2,300              | 910               | 910                            | -   |
| Intergovernmental revenues                      | 100,000            | 80,068            | 80,068                         | -   |
| Interest income                                 | 350                | 898               | 898                            | -   |
| Miscellaneous revenues                          | 15,000             | 19,755            | 19,755                         | -   |
| Total Revenues                                  | <u>957,067</u>     | <u>963,573</u>    | <u>963,573</u>                 | <u>-</u>                                      |
| <b>Expenditures by Major Budgetary Function</b> |                    |                   |                                |   |
| Public works                                    | 943,646            | 888,103           | 888,103                        | -   |
| Total Expenditures                              | <u>943,646</u>     | <u>888,103</u>    | <u>888,103</u>                 | <u>-</u>                                      |
| Excess of Revenues Over (Under)                 |                    |                   |                                |   |
| Expenditures                                    | <u>13,421</u>      | <u>75,470</u>     | <u>75,470</u>                  | <u>-</u>                                      |
| <b>Other Financing Sources (Uses)</b>           |                    |                   |                                |   |
| Other financing sources                         |                    |                   |                                | -   |
| Transfers out                                   |                    |                   |                                |   |
| Total Other Financing Sources (Uses)            | <u>-</u>           | <u>-</u>          | <u>-</u>                       | <u>-</u>                                      |
| Net Change in Fund Balance                      | 13,421             | 75,470            | 75,470                         | -   |
| Fund Balances - Beginning                       | <u>420,000</u>     | <u>431,450</u>    | <u>431,450</u>                 | <u>-</u>                                      |
| Fund Balances - Ending                          | <u>\$ 433,421</u>  | <u>\$ 506,920</u> | <u>\$ 506,920</u>              | <u>\$ -</u>                                   |

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

**Stone County, Mississippi**

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

Last 10 Fiscal Years\*

|  | <u>2015</u>   |
|--|---------------|
| County's proportion of the net pension liability (asset)   | 0.073598%     |
| County's proportionate share of the net pension liability (asset)  | \$ 11,376,799 |
| County's covered-employee payroll  | \$ 4,647,435  |
| County's proportionate share of the net pension liability (asset)<br>as a percentage of its covered-employee payroll | 244.80%       |
| Plan fiduciary net position as a percentage of the total<br>pension liability  | 61.70%        |

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

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

**Stone County, Mississippi**  
Schedule of County Contributions  
Last 10 Fiscal Years\*

|  | <u>2015</u>        |
|--|--------------------|
| Contractually required contribution                                  | \$ 731,971         |
| Contributions in relation to the contractually required contribution | <u>731,971</u>     |
| Contribution deficiency (excess)                                     | <u><u>\$ -</u></u> |
| County's covered-employee payroll                                    | \$ 4,647,435       |
| Contributions as a percentage of covered-employee payroll            | 15.75%             |

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

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until, a full 10-year is compiled, the County has only presented information for the years in which information is available.



## Stone County, Mississippi

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

### Budgetary Comparison Schedules

#### A. Budgetary Information.

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

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

#### B. Basis of Presentation.

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

## Stone County, Mississippi

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

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

|  | <u>Governmental Fund Types</u> |                         |  |
|--|--------------------------------|-------------------------|--|
|  | General<br>Fund                | Road and<br>Bridge Fund | Countywide<br>Bridge and<br>Culvert Fund |
| Budget (Cash Basis)                      | \$ 272,792                     | 540,031                 | 75,470                                   |
| Increase (Decrease)                      |                                |                         |  |
| Net adjustments for revenue accruals     | (448,998)                      | 56,343                  | (715)                                    |
| Net adjustments for expenditure accruals | 428,411                        | (14,469)                | (22,917)                                 |
| GAAP Basis                               | <u>\$ 252,205</u>              | <u>581,905</u>          | <u>51,838</u>                            |

#### Pension Schedules

A. Changes in benefit terms

None.

B. 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.

## SUPPLEMENTARY INFORMATION

**Stone County, Mississippi**

## Schedule of Expenditure of Federal Awards

For the Year Ended September 30, 2015

| Federal Grantor/<br>Pass-through Grantor/<br>Program Title              | Federal<br>CFDA<br>Number | Agency or<br>Pass-through<br>Number | Federal<br>Expenditures |
|---|---------------------------|-------------------------------------|-------------------------|
| <b><u>U.S. Department of Agriculture</u></b>                            |                           |                                     |                         |
| Passed-through the Mississippi Office of the State Treasurer            |                           |                                     |                         |
| Schools and Roads - Grants to States                                    | 10.665                    | N/A                                 | \$ 157,868              |
| Total passed-through the Mississippi Office of the State Treasurer      |                           |                                     | 157,868                 |
| <b>Total U.S. Department of Agriculture</b>                             |                           |                                     | <b>157,868</b>          |
| <b><u>U.S. Department of Interior</u></b>                               |                           |                                     |                         |
| Passed-through the Mississippi Department of Marine Resources           |                           |                                     |                         |
| Coastal Impact Assistance Program (CIAP)*                               | 15.426                    | M09AF16101                          | 709,143                 |
| Total passed-through the Mississippi Department of Marine Resources     |                           |                                     | 709,143                 |
| <b>Total U.S. Department of Interior</b>                                |                           |                                     | <b>709,143</b>          |
| <b><u>U.S. Department of Transportation</u></b>                         |                           |                                     |                         |
| Passed-through the Mississippi Department of Transportation             |                           |                                     |                         |
| Highway Planning and Construction                                       | 20.205                    | BR NBIS 081 B(66)                   | 23,000                  |
| National Priority Safety Programs                                       | 20.616                    | M5X-2015-MD-16-61                   | 75,555                  |
| Total passed-through the Mississippi Department of Transportation       |                           |                                     | 98,555                  |
| <b>Total U.S. Department of Transportation</b>                          |                           |                                     | <b>98,555</b>           |
| <b><u>U.S. Department of Homeland Security</u></b>                      |                           |                                     |                         |
| Passed-through the Mississippi Department of Emergency Management       |                           |                                     |                         |
| Emergency Management Performance Grants                                 | 97.042                    | N/A                                 | 1,180                   |
| Emergency Management Performance Grants                                 | 97.042                    | N/A                                 | 23,994                  |
| Total passed-through the Mississippi Department of Emergency Management |                           |                                     | 25,174                  |
| <b>Total U.S. Department of Homeland Security</b>                       |                           |                                     | <b>25,174</b>           |
| Total Expenditures of Federal Awards                                    |                           |                                     | \$ 990,740              |

\* Denotes major federal award program

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

**Stone County, Mississippi****Reconciliation of Operating Costs of Solid Waste****For the Year Ended September 30, 2015****OPERATING EXPENDITURES, CASH BASIS:**

|  |    |                |
|--|----|----------------|
| Salaries                                       | \$ | 132,118        |
| Contractual Services                           |    | 131,343        |
| Expendable Commodities:                        |    |                |
| Gasoline and petroleum products                |    | 61,040         |
| Repairs and parts                              |    | 17,549         |
| Clothing                                       |    | 1,504          |
| Maintenance                                    |    | 2,588          |
| Insurance on equipment                         |    | 4,137          |
| Utilities                                      |    | 6,967          |
| Interest on capital leases                     |    | 7,352          |
| Solid Waste Operating Expenditures, Cash Basis | \$ | <u>364,598</u> |

**FULL COST EXPENSES:**

|  |    |                       |
|--|----|-----------------------|
| Indirect administrative cost             | \$ | 1,843                 |
| Depreciation on equipment                |    | <u>64,152</u>         |
| Solid Waste Full Cost Operating Expenses | \$ | <u><u>430,593</u></u> |

## OTHER INFORMATION

**Stone County, Mississippi**

## Schedule of Surety Bonds for County Officials

For the Year Ended September 30, 2015

UNAUDITED

| Name                   | Position                   | Company    | Bond      |
|------------------------|----------------------------|------------|-----------|
| Joseph Davenport       | Supervisor District 1      | RLI Surety | \$100,000 |
| Daniel Harris          | Supervisor District 2      | RLI Surety | \$100,000 |
| Lance Pearson          | Supervisor District 3      | RLI Surety | \$100,000 |
| Scott Strickland       | Supervisor District 4      | RLI Surety | \$100,000 |
| Dale Bond              | Supervisor District 5      | RLI Surety | \$100,000 |
| Gerald Bond            | County Administrator       | RLI Surety | \$100,000 |
| Shella Lott            | Purchase Clerk             | RLI Surety | \$75,000  |
| Brian Ross             | Assistant Purchase Clerk   | RLI Surety | \$50,000  |
| Glenda Joyce Cobb      | Receiving Clerk            | RLI Surety | \$75,000  |
| Rickey McDonald        | Assistant Receiving Clerk  | RLI Surety | \$50,000  |
| Melissa Turan          | Assistant Receiving Clerk  | RLI Surety | \$50,000  |
| Lynn Stokes            | Assistant Receiving Clerk  | RLI Surety | \$50,000  |
| Wanda Berry            | Assistant Receiving Clerk  | RLI Surety | \$50,000  |
| Linda Sumrall          | Assistant Receiving Clerk  | RLI Surety | \$50,000  |
| Julia W. Davis         | Assistant Receiving Clerk  | RLI Surety | \$50,000  |
| Chris Walters          | Assistant Receiving Clerk  | RLI Surety | \$50,000  |
| Micholyn Harris Ramsey | Inventory Control Clerk    | RLI Surety | \$75,000  |
| Robert Victor Clark    | Road Manager               | RLI Surety | \$50,000  |
| Everett Compston       | Constable                  | RLI Surety | \$50,000  |
| Victor Simmons         | Constable                  | RLI Surety | \$50,000  |
| Kenny Hatten           | Circuit Clerk              | RLI Surety | \$100,000 |
| Wanda Fairley          | Deputy Circuit Clerk       | RLI Surety | \$50,000  |
| Treba E. Davis         | Deputy Circuit Clerk       | RLI Surety | \$50,000  |
| Mike Farmer            | Sheriff                    | RLI Surety | \$100,000 |
| Jeffery O'Neal         | Justice Court Judge        | RLI Surety | \$50,000  |
| Ricky Farmer           | Justice Court Judge        | RLI Surety | \$50,000  |
| Glenda Joyce Cobb      | Justice Court Clerk        | RLI Surety | \$50,000  |
| Sonya Warren           | Deputy Justice Court Clerk | RLI Surety | \$50,000  |
| Aletha Parker          | Deputy Justice Court Clerk | RLI Surety | \$50,000  |
| Leila Geiger           | Deputy Justice Court Clerk | RLI Surety | \$50,000  |
| Debra Patrick          | Deputy Justice Court Clerk | RLI Surety | \$50,000  |
| Samantha Mann          | Deputy Justice Court Clerk | RLI Surety | \$50,000  |
| Charles Williams, Jr.  | Tax Collector-Assessor     | RLI Surety | \$100,000 |
| Lola Marie Bond        | Deputy Tax Collector       | RLI Surety | \$50,000  |
| Violet Georgian        | Deputy Tax Collector       | RLI Surety | \$50,000  |
| Diane Reed             | Deputy Tax Collector       | RLI Surety | \$50,000  |
| Charlotte Taylor       | Deputy Tax Collector       | RLI Surety | \$50,000  |
| Tom Smith              | Deputy Tax Assessor        | RLI Surety | \$10,000  |
| Kenneth Shelton        | Deputy Tax Assessor        | RLI Surety | \$10,000  |

## SPECIAL REPORTS



FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors  
Stone County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Stone 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 February 20, 2018. Our report includes a qualified opinion on the Governmental Activities, the Business-Type Activities and Correctional Facility Fund because the County did not record a liability for other postemployment benefits and accordingly, has not recorded an expense for the current period change in that liability and also because the County failed to maintain an inventory control system. Our report also includes a qualified opinion on the Governmental Activities and the Aggregate Remaining Fund Information because the County did not properly account for risk-financing activities.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Stone County's, Mississippi 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 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 considered the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: Finding 2015-001, 2015-002, 2015-003, 2015-004, 2015-005 and 2015-006.

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 Finding 2015-007 and 2015-008 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Stone 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 matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2015-001.

### **Stone County's Responses to the Findings**

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

### **Purpose of this Report**

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard PC  
February 20, 2018

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors  
Stone County, Mississippi

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

We have audited Stone County, Mississippi's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on Stone County, Mississippi major federal program for the year ended September 30, 2015. Stone County, Mississippi's major federal program is 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 Stone County, Mississippi's major federal program 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 Stone 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 on Stone County, Mississippi's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Stone 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 Stone 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 Stone 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 Stone County, Mississippi'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.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
February 20, 2018

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors  
Stone County, Mississippi

We have examined Stone 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 Stone 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 Stone 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, Stone County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
February 20, 2018

Certified Public Accountants

**Stone 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.

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

**Schedule 2**

Our test results did not identify any emergency purchases.



**Stone 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  
Stone County, Mississippi

In planning and performing our audit of the financial statements of Stone County, Mississippi for the year ended September 30, 2015, we considered Stone 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 Stone 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 February 20, 2018, on the financial statements of Stone 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 instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. The receipt and expenditure of 911 service charges should be accounted for in a separate fund.

Finding:

Section 19-5-313, Miss. Code Ann. (1972) authorizes the Board of Supervisors to levy an emergency telephone service charge to defray the costs of providing 911 service to the County. As reported in the prior three years' audit reports, the receipt and expenditure of the County's 911 service charges are accounted for in the general fund of the County. The failure of the County to account for the receipt and disbursement of 911 service

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charges in a separate fund could result in these fees being used for purposes other than those authorized by law, namely the provision of 911 services to the citizens of the County and limited other purposes in the case of a surplus.

Recommendation:

The Board of Supervisors should immediately establish a separate fund to account for the receipt and expenditure of all 911 service charges.

Board of Supervisors' Response:

The Board of Supervisors starting in fiscal year 2016 decided to segregate 911 into its own fund.

2. The Board of Supervisors has no statutory authority to pay for the utilities of volunteer fire departments.

Finding:

No statutory authority exists for the Board of Supervisors to directly pay the utility bills incurred by volunteer fire departments. As reported in the prior year's audit report, it was noted that the Board of Supervisors paid the utility bills for all of the County's volunteer fire departments. This resulted in the misappropriation of public funds and noncompliance with state statute.

Recommendation:

The Board of Supervisors should immediately cease payment of the volunteer fire departments' utility bills. In compliance with Section 83-1-39(3)(d), Miss. Code Ann. (1972), the operating expenses of the departments should be paid from the proceeds of their fire protection contract with the County.

Board of Supervisors' Response:

Contracts between the Stone County Board of Supervisors and the various volunteer fire departments have been amended starting in 2016 with a provision allowing for utility payments by the County on behalf of the volunteer fire departments.

3. Stone County Should Strengthen Passwords and Set All Individual Passwords to Expire on a Periodic Basis.

Finding:

During our review, and as reported in prior year's audit report, we noted Stone County is using some parameters associated with password strength that meet industry standard best practices. However, the County has some password parameters that do not meet these standards, thereby creating unnecessary risk for Stone County information assets. Also, security settings revealed that users' passwords were not set to expire. All passwords should be set to expire in accordance with a policy to be determined by Stone County.

Recommendation:

We recommend that Stone County improve its password strength by changing password

parameters to comply with password management best practices and industry standards. Also, we recommend that a policy be implemented to ensure all passwords expire on a regular basis. In addition, Stone 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:

Stone County does not employ a dedicated Information Technology officer. The County outsources our IT needs to a third-party vendor. The Comptroller will request our IT vendor provide the County with password parameters associated with password strength and regular expiration times that meet industry standards and best practices.

4. Stone County Should Improve Its Server Room Environment Management.

Finding:

As reported in prior year's audit report, although Stone County's computer room is located in a locked room that has backup power, the room is not environmentally protected (e.g., fire and smoke protection, backup air conditioner, etc.). In addition, no log is kept of entrance into the room and periodic access reviews are not performed to determine that only authorized personnel have access to this room.

Recommendation:

We recommend that Stone County consider the purchase of equipment that can monitor environmental conditions that might affect computerized equipment such as fire, smoke, heat and humidity. This equipment should have the capability of notifying the proper personnel when monitored environmental conditions vary outside of preset ranges. Periodic access reviews of personnel authorized to access the computer room should be performed. Documentation of such reviews should be retained for use by auditors at a later date.

Board of Supervisors' Response:

Stone County does not employ a dedicated Information Technology officer. The County outsources our IT needs to a third-party vendor. Management will review the recommendations and make changes as considered appropriate.

5. Stone County Should Install Network Banners on Its Internal Network.

Finding:

As reported in the prior year audit, the information system did not display appropriate network banners on its internal network. Network banners are electronic messages that provide notice of legal rights to users of computer networks. Bannering assists in the prosecution of computer-related incidents by helping prevent certain defenses made by the perpetrator.

Recommendation:

We recommend that Stone County implement appropriate network banners on its internal network.

Board of Supervisor's Response:

Stone County does not employ a dedicated Information Technology officer. The County outsources our IT needs to a third-party vendor. The Comptroller will work with our IT vendor to install network banners on its internal network.

6. Stone County Needs to Replace Obsolete Computer Hardware and Software.

Finding:

As reported in prior year's audit report, Stone County is running operating systems as well as applications on some of its personal computers (PCs) that might not be supported by vendors. Due to lack of such support, these systems could become vulnerable to hackers and malware such as viruses.

Recommendation:

We recommend that Stone County develop a plan to replace the operating systems, applications, and hardware where necessary that is associated with lack of support from vendors as soon as possible. Computers that originally came loaded with operating systems or applications that are no longer supported by vendors will have hardware that most likely cannot run the newest operating systems or applications, thereby requiring replacement of hardware, operating systems and applications in many cases. Due to the possible large number of PCs that need replacing, this could involve a sizable expenditure by the County. Due to the cost and effort involved in such a project, this project should be begun as soon as possible.

Board of Supervisors' Response:

Stone County does not employ a dedicated Information Technology Officer. The County outsources our IT needs to a third-party vendor. However, the County does replace on a regular basis outdated operating systems, applications, and hardware. County departments include budgeted expenditures for system upgrades. In fiscal year 2016, an updated IBM AS400 system was installed.

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

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
February 20, 2018

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Stone County, Mississippi

### Schedule of Findings and Questioned Costs 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:

|   |            |
|---|------------|
| a. Governmental activities              | Qualified  |
| b. Business-type activities             | Qualified  |
| c. General Fund                         | Unmodified |
| d. Road and Bridge Fund                 | Unmodified |
| e. Countywide Bridge and Culvert Fund   | Unmodified |
| f. Correctional Facility Fund           | Qualified  |
| g. 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 financial statements noted? Yes.

##### Federal Awards:

4. Internal control over major federal program:
  - a. Material weakness identified? No.
  - b. Significant deficiency identified? None reported.
5. Type of auditor's report issued on compliance for major federal program: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section \_\_\_\_\_.510(a) of OMB Circular A-133? No.
7. Identification of major federal program:

|                     |   |
|---------------------|---|
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 15.426              | Coastal Impact Assistance Program (CIAP)  |
8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
9. Auditee qualified as a low-risk auditee? No.

## Section II: Financial Statement Findings

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

### **Finding 2015-001**

#### County signed warrants without sufficient funds.

Board of Supervisors

#### **Material Weaknesses and Material Noncompliance**

##### Criteria:

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same.

##### Condition:

As reported in the prior eight years' audit reports, warrants were issued on funds which did not have sufficient money to pay the warrants. As of September 30, 2015, the following funds had negative cash balances:

- a. General Fund \$813,240
- b. Stone County Regional Correctional Facility Revenue Fund \$357,423
- c. CIAP Old Wire Trail Project \$3,408

##### Cause:

Insufficient cash balances

##### Effect:

Failure to have sufficient cash balances in County funds prior to the signing and delivery of warrants on these funds resulted in the use of the cash balances of other funds for purposes other than the intended purpose. These types of transactions could result in the Board of Supervisors being held personally liable for such amounts.

##### Recommendation:

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



## **Finding 2015-002**

Reconciliations of the County's general depository accounts should be properly prepared.

Comptroller

### **Material Weaknesses**

#### Criteria:

An effective system of internal control should ensure that bank reconciliations are properly prepared.

#### Condition:

As reported in the prior three years' audit reports, discrepancies were noted in several transactions between the amount recorded in the general ledger and the actual amount per the bank statement, with some transactions being recorded in the general ledger for incorrect amounts and some transactions not being recorded at all in the general ledger.

#### Cause:

Lack of adequate oversight

#### Effect:

The failure to record transactions in the general ledger for the correct amounts resulted in a misstatement of the bank balance in the general ledger and could result in the loss of public funds.

#### Recommendation:

Every effort should be made to ensure that transactions are recorded in the general ledger for the correct amounts and that all transactions are recorded in the general ledger. Furthermore, when errors in the general ledger are discovered during the reconciliation process, the corrections should be made to the balance per the general ledger, not the balance per the bank statement on the reconciliation. Journal entries should also be recorded to correct all errors noted during the reconciliation.

## **Finding 2015-003**

Cash collections and general ledger maintenance functions are not adequately segregated.

Board of Supervisors

### **Material Weaknesses**

#### Criteria:

An effective system of internal controls should include an adequate segregation of duties.

#### Condition:

As reported in the prior seven year's audit reports, cash collections and general ledger maintenance functions are not adequately segregated for effective internal control. The

comptroller receipts funds, prepares all deposits, reconciles the County's bank statements and posts the receipts to the general ledger.

Cause:

Lack of controls to ensure there is appropriate segregation of duties.

Effect:

Failure to have an adequate segregation of duties could result in the loss of public funds.

Recommendation:

The Board of Supervisors should implement effective internal control policies that allow for the proper segregation of duties for the cash collection and general ledger maintenance functions.

**Finding 2015-004**

Stone County has inadequate controls over billing and receipt of revenues for housing prisoners.

Board of Supervisors

**Material Weaknesses**

Criteria:

An effective system of internal control over the recording of transactions for housing prisoners should include timely billing of invoices, the proper classification of revenues and expenditures/expenses, and adequate segregation of duties.

Condition:

As reported in the prior four years' audit reports, we noted the following deficiencies in the recording of transactions for housing prisoners:

- Some invoices for housing prisoners were not billed in a timely manner
- The Comptroller records revenues and expenditures/expenses based on the trust statements that are received; however, these transactions are not reconciled to the records maintained by the administrative assistant at the correctional facility.
- The correctional facility administrative assistant prepares the billing for various agencies and receives some of the funds.

Cause:

None.

Effect:

Failure to bill invoices in a timely manner and reconcile recorded transactions could result in the incorrect classification of revenues and expenditures/expenses in the County's accounting records, as well as the misappropriation or loss of public funds. The lack of adequate segregation of duties for the billing and cash receipt functions could also result in the loss of public funds.

Recommendation:

The Board of Supervisors should implement a system of internal control that will ensure that all transactions are recorded and correctly classified in the County's accounting records; that all invoices for housing prisoners are billed in a timely manner; and that there is an adequate segregation of duties at the correctional facility.

**Finding 2015-005**

Liability for postemployment benefits not recorded/note disclosures for postemployment benefits not reported.

Board of Supervisors

**Material Weaknesses**

Criteria:

Stone County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage to active employees and retirees through the county's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as a single employer defined health benefit care plan. GASB Statement No. 45 requires the County to report on an accrual basis the liability associated with other postemployment benefits.

Condition:

The County does not issue a publicly available financial report for its health insurance plan. Also, as reported in the prior three years' audit reports, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

Cause:

Noncompliance with applicable GASB standard

Effect:

The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities, business type activities and Correctional Facility Fund.

Recommendation:

The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.

## **Finding 2015-006**

Processing of payroll and other payroll duties not adequately segregated.

Board of Supervisors

### **Material Weaknesses**

#### Criteria:

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

#### Condition:

As reported in the prior seven years' audit reports, the maintenance of the general ledger, processing of payroll and other payroll duties are not adequately segregated for effective internal control. Based upon our test work, we noted the following internal control weaknesses in the payroll function:

- a. The Comptroller, who maintains the general ledger, also prepares the payroll.
- b. Time cards/attendance records are not checked for computations of payroll period hours.
- c. Unclaimed W-2s are returned directly to the Comptroller.

#### Cause:

Lack of segregation of duties

#### Effect:

Failure to have an adequate segregation of duties could result in the loss of public funds.

#### Recommendation:

The Board of Supervisors should implement a system of internal control that will ensure that proper segregation of duties exists with respect to control of the general ledger, the processing of payroll and other payroll duties.

## **Finding 2015-007**

Stone County should establish and test a disaster recovery process.

Board of Supervisors

### **Significant deficiency**

#### Criteria:

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 re-create. *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.

Condition:

As reported in the prior two audit reports, the County has not established a disaster recovery process. As a result, Stone 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.

Cause:

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

Effect:

Without proper assurance that back-up 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 building and servers. Risk and probabilities of material loss escalate the longer an exposure goes unmitigated. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

Recommendation:

We recommend that Stone 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 Stone 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.

**Finding 2015-008**

Stone County should implement a formal information security policy.

Board of Supervisors

**Significant deficiency**

Criteria:

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

Condition:

As reported in the prior two audit reports, the County has not adopted a formal information security policy or enterprise security plan.

Cause:

Lack of a formal information security policy

Effect:

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:

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

Section III: Federal Award Findings and Questioned Costs

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

# STONE COUNTY

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## BOARD OF SUPERVISORS

P. O. DRAWER 7 • WIGGINS, MISSISSIPPI 39577

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### AUDITEE'S CORRECTIVE ACTION PLANS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (UG), Stone County, Mississippi, has prepared and hereby submits the following corrective action plans for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2015:

#### Finding 2015-001

Brian Ross, Comptroller  
(601) 928-5266

The insufficient cash balances for the Stone County Regional Correctional Facility and the CIAP Old Wire Road Trail Project were due to timing issues. Reimbursement requests had been filed with the appropriate agencies, but the monies were not yet received.

The County General Fund has had issues with negative cash balances for a number of years. Three mills were added to the Fund in 2014 and an additional mill was added in 2018. The county had a reappraisal in 2017, increasing the value of a mill. We are anticipating collecting \$103,000.00 revenues over expenditures at the end of Fiscal 2018 in the General Fund. We will also be saving \$180,000.00 annually in the General Fund beginning in Fiscal 2019 with the retirement of bonded debt.

With the \$103,000.00 increased revenue, \$180,000.00 paid debt, and value of four mills (\$420,000.00) added, we anticipate having sufficient funds in the General Fund within two to three years.

anticipated completion date 9/30/2021

#### Finding 2015-002

Brian Ross, Comptroller  
(601) 928-5266

This finding has been corrected.

anticipated completion date COMPLETED

Finding 2015-003

Brian Ross, Comptroller  
(601) 928-5266

The County is limited by the availability of funds to hire additional personnel for segregation of all duties. At this time, the Comptroller continues to receipt funds, prepare deposits, and reconcile bank statements. The Board and Chancery Clerk will review this finding and make changes as deemed appropriate for the County.

anticipated completion date UNKNOWN

Finding 2015-004

Brian Ross, Comptroller  
(601) 928-5266

Jacki Parden, SCRCF Administrative Assistant  
(601) 928-5266

This finding has been corrected.

anticipated completion date COMPLETED

Finding 2015-005

Brian Ross, Comptroller  
(601) 928-5266

Due to the exorbitant costs associated with hiring an actuary, the Board has chosen to accept this finding with no corrective action at this time.

anticipated completion date UNKNOWN

Finding 2015-006

Brian Ross, Comptroller  
(601) 928-5266

The County is limited by the availability of funds to hire additional personnel for segregation of all duties. The Board and Chancery Clerk will review this finding and make changes as deemed appropriate for the County.

anticipated completion date UNKNOWN



Finding 2015-007

Brian Ross, Comptroller  
(601) 928-5266

The County has implemented an IT disaster recovery plan, but it has not been tested. We will work with our third party IT vendors to test the plan as soon as possible.

anticipated completion date 06/30/2018

Finding 2015-008

Brian Ross, Comptroller  
(601) 928-5266

The County has not adopted a formal information security policy. We will work with our third party IT vendors to develop a policy as soon as possible.

anticipated completion date 06/30/2018