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TISHOMINGO COUNTY
Iuka, Mississippi

Audit Financial Statements
and Special Reports

For the Year Ended September 30, 2015



Certified Public Accountants

TISHOMINGO COUNTY

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Members of the Board of Supervisors
Tishomingo County, Mississippi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' 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.

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Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Tishomingo County, Mississippi, as of September 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on General Fund

Management did not maintain adequate subsidiary records documenting the completeness, existence and valuation of fines receivable and the aging of fines receivable. Due to the nature of the County records, we were unable to satisfy ourselves as to the fair presentation of these fines receivable, net reported in the General Fund at \$384,332, as of September 30, 2015. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions in the General Fund.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of Tishomingo 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 Governmental Activities

As discussed in Note 11 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 and that are not contingent on a specific event that is outside the control of the employer and employee 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.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Tishomingo 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 previously present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Tishomingo 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 Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and 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

Tishomingo County, Mississippi, has omitted 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 Tishomingo County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Reconciliation of the Operating Costs of Solid Waste are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Awards and the Reconciliation of Operating Costs of Solid Waste are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018, on our consideration of Tishomingo 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 Tishomingo County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, flowing script.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
June 15, 2018

**Tishomingo County
Management's Discussion and Analysis
FYE September 30, 2015**

INTRODUCTION

The discussion and analysis of Tishomingo County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2015. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

Tishomingo County is located in northeastern Mississippi. The population, according to the 2010 census, is 19,593. The local economic base is driven mainly by a transition from manufacturing to wholesale distributors and a service oriented economy. The service economy consists primarily of tourism, recreation, health and education. Manufacturing still remains an important part of the local economy.

FINANCIAL HIGHLIGHTS

Tishomingo County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting, strong internal controls, and keeping debt low.

Total County's total assets for the year were \$88,439,519 and total liabilities were \$26,745,401. The total deferred outflows of resources were \$2,030,162 and total deferred inflows of resources were \$6,081,938. The total net position for the year was \$57,642,342. This represents a decrease in total net position of \$5,857,484 from the prior fiscal year; which includes a prior period adjustment of (\$5,755,550).

The County's total revenues for the year were \$12,693,131, which represents a decrease of \$1,573,271 from the prior fiscal year. Tax revenues account for \$5,138,550 or 40% of total revenues. Federal, state and local government revenues in the form of reimbursements, shared revenue or grants, account for \$6,481,468 or 51% of total revenues. Charges for services account for \$1,073,113 or 9% of the County's total revenues.

The County had \$12,795,065 in total expenses, which represents a decrease of \$1,100,922 from the prior fiscal year. General government expenses account for \$3,871,341 or 30% of total expenses. Public safety accounts for \$2,101,994 or 16% and public works account for \$3,298,401 or 26% of total expenses. Economic development expenses account for \$1,613,362 or 13% of total expenses. Health and welfare, culture and recreation, conservation of natural resources, interest on long-term debt, and pension expense account for \$1,909,967 or 15% of the County's total expenses. Expenses in the amount of \$3,858,903 were offset by charges for services and operating or capital grants and contributions. General revenues of \$8,834,228 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$5,868,149 in revenues and \$6,104,771 in expenditures. Total other financing sources and uses netted an increase of \$245,744, which resulted in the General Fund's fund balance increasing \$9,122 from the prior year.

Among major funds, the Mississippi Silicon Fund had \$138,858 in revenues and \$2,502,510 in expenditures. Total other financing sources and uses netted an increase of \$2,499,173, which resulted in the Economic Development Fund's fund balance increasing \$135,521 from the prior year.

Among major funds, the Dennen Steel Fund had \$75,755 in revenues and \$134,752 in expenditures. Total other financing sources and uses netted an increase of \$132,582, which resulted in the Dennen Steel Fund's fund balance increasing \$73,585 from the prior year.

Among major funds, the Contract Fabricators, Inc. Fund had \$106,043 in revenues and \$266,206 in expenditures. Total other financing sources and uses netted an increase of \$160,658, which resulted in the Contract Fabricator, Inc. Fund's fund balance increasing \$495 from the prior year.

Among major funds, the Comfort Revolution Fund had no revenues and \$73,208 in expenditures, which resulted in the Comfort Revolution Fund's fund balance decreasing \$73,208 from the prior year.

Among major funds, the Economic Development Fund had \$26,687 in revenues and \$86,767 in expenditures. Total other financing sources and uses netted an increase of \$105,010, which resulted in the Economic Development Fund's fund balance increasing \$44,930 from the prior year.

Capital assets, net of accumulated depreciation, as of September 30, 2015 were \$66,430,158. Capital assets, net of accumulated depreciation increased \$1,855,116 from the prior year, which included a prior period adjustment of (\$24,660).

Long-term debt increased by \$2,295,931. Other loans increased in the amount of \$1,954,044. Leases and other loans were retired in the amount of \$60,359 and \$1,052,351, respectively. Bonds payable were retired in the amount of \$3,550,000. Unamortized premiums decreased \$27,754.

Net pension liability was booked for \$7,744,472 with implementing GASB Statement No. 68.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 – Required Components of the County's Annual Report

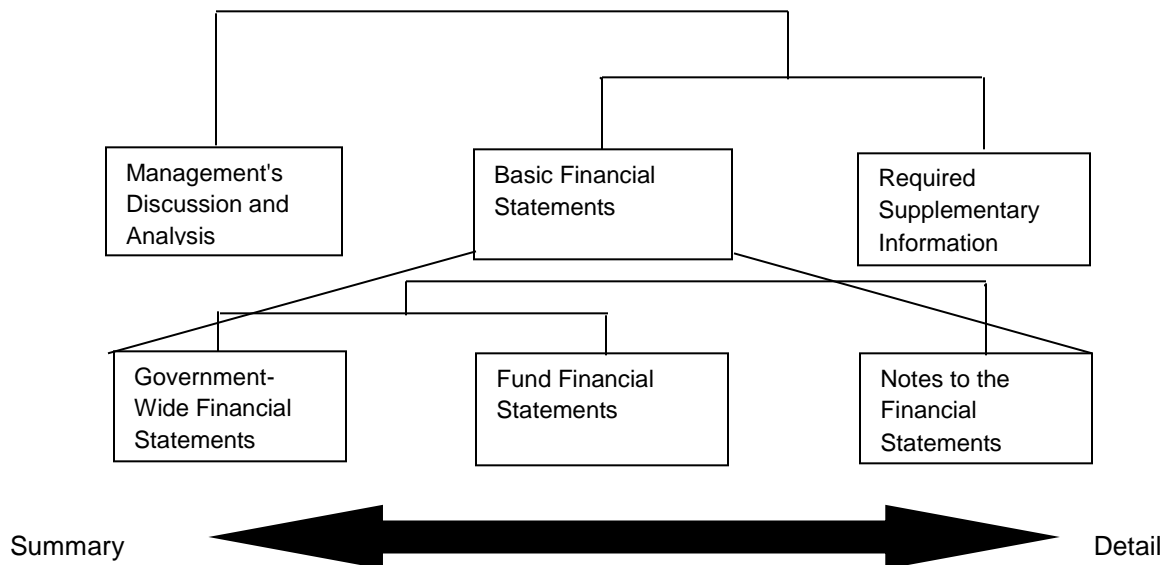


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements

| | Government-Wide Financial Statements | Fund Financial Statements | |
|--|---|---|---|
| | | Governmental Funds | Fiduciary Funds |
| Scope | Entire County government (except fiduciary funds) and component units | All activities of the County that are not business-type or fiduciary in nature | The County is the trustee agent for someone else’s resources |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in net position |
| Accounting Basis and measurement Focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset, deferred outflow, liability, deferred inflow information | All assets and liabilities both financial and capital and short and long term. All deferred inflows/outflows are also included | Only assets expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both short and long-term |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid |

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **Statement of Net Position** presents information on all County assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **Statement of Activities** presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; conservation of natural resources; economic development; pension expense and interest on long-term debt. The County has no business type activities.

The government-wide financial statements can be found on pages 15 and 16 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 18 and 20, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental financial statements can be found on pages 17 and 19 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Position, which can be found on page 21 of the report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements, the notes can be found on pages 23 through 46 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process and pension standards.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each major special revenue fund. MS Silicon Fund is a capital projects fund, therefore a budgetary comparison statement was not prepared. This required supplementary information can be found on pages 48 through 52 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 58 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position – Net position may serve over time as a useful indicator of a government's financial position. In the case of Tishomingo County, assets exceeded liabilities by \$57,642,342 as of September 30, 2015.

By far, the largest portion of the County's net position (102.31%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisitions and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were restated to reflect the implementation of GASB 68.

The following table presents a summary of the County's net position for the fiscal year ended September 30, 2015.

| <u>Governmental Activities</u> | 2015 | 2014 |
|--|---------------|---------------|
| Current assets | \$ 22,009,361 | \$ 21,399,692 |
| Capital assets, net | 66,430,158 | 64,575,042 |
| Total assets | 88,439,519 | 85,974,734 |
| Deferred Outflows of Resources: | | |
| Deferred amount on refunding | 534,847 | - |
| Deferred outflows related to pensions | 1,495,315 | - |
| Total deferred outflows of resources | 2,030,162 | - |
| Current liabilities | 1,042,064 | 922,986 |
| Long-term debt outstanding | 17,958,865 | 15,662,934 |
| Net pension liability | 7,744,472 | - |
| Total liabilities | 26,745,401 | 16,585,920 |
| Deferred Inflows of Resources: | | |
| Property tax for future reporting period | 4,184,786 | 3,861,522 |
| Capital leases for future reporting period | 1,897,152 | 2,027,466 |
| Total deferred inflows of resources | 6,081,938 | 5,888,988 |
| Net position: | | |
| Net investment in capital assets | 58,971,389 | 57,371,501 |
| Restricted | 6,800,748 | 6,353,945 |
| Unrestricted | (8,129,795) | (225,620) |
| Total net position | \$ 57,642,342 | \$ 63,499,826 |

The following are significant current year transactions that have had an impact on the Statement of Net Position.

Changes in Net Position – Tishomingo County's total revenues for the fiscal year ended September 30, 2015 was \$12,693,131. The total cost for all services provided was \$12,795,065, resulting in a decrease in net position of \$5,857,484; this includes a prior period adjustment of (\$5,755,550). The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2015 and 2014.

Governmental Activities

Revenues:

| | 2015 | 2014 |
|--|-------------------|-------------------|
| Program revenues | | |
| Charges for services | \$ 1,073,113 | \$ 1,348,621 |
| Operating grants and contributions | 1,421,645 | 2,265,965 |
| Capital grants and contributions | 1,364,145 | 1,622,113 |
| General revenues | | |
| Property taxes | 4,864,350 | 4,464,608 |
| Road & bridge privilege tax | 274,200 | 272,910 |
| Grants and contributions not restricted to specific programs | 2,424,512 | 2,871,996 |
| Other | 1,271,166 | 1,420,189 |
| Total Revenues | 12,693,131 | 14,266,402 |

Expenses:

| | | |
|-------------------------------------|-------------------|-------------------|
| General government | \$ 3,871,341 | \$ 3,551,576 |
| Public safety | 2,101,994 | 2,302,543 |
| Public works | 3,298,401 | 4,548,305 |
| Health and welfare | 190,666 | 182,834 |
| Culture and recreation | 85,500 | 90,000 |
| Conservation of natural resources | 57,000 | 59,115 |
| Economic development and assistance | 1,613,362 | 2,520,520 |
| Interest on long-term debt | 604,850 | 641,094 |
| Pension expense | 971,951 | 0 |
| Total Expenses | 12,795,065 | 13,895,987 |

| | | |
|-------------------|------------------|----------------|
| Net Change | (101,934) | 370,415 |
|-------------------|------------------|----------------|

| | | |
|---------------------------------|--------------------|------------------|
| Prior Period Adjustments | (5,755,550) | (249,164) |
|---------------------------------|--------------------|------------------|

| | | |
|--|-----------------------|-------------------|
| Increase (Decrease) in Net Position | \$ (5,857,484) | \$ 121,251 |
|--|-----------------------|-------------------|

Governmental Activities – The following table presents the cost of nine major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development and Assistance, Interest on Long-term Debt, and Pension Expense.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Tishomingo County's taxpayers by each of these functions.

| | 2015 | |
|-------------------------------------|--------------|--------------|
| | Total Costs | Net Costs |
| General government | \$ 3,871,341 | \$ 2,938,733 |
| Public safety | 2,101,994 | 1,830,024 |
| Public works | 3,298,401 | 1,259,614 |
| Health and welfare | 190,666 | 190,666 |
| Culture and recreation | 85,500 | 85,500 |
| Conservation of natural resources | 57,000 | 57,000 |
| Economic development and assistance | 1,613,362 | 997,824 |
| Interest on long-term debt | 604,850 | 604,850 |
| Pension expense | 971,951 | 971,951 |

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Tishomingo County's governmental funds reported a combined fund balance of \$6,926,614, an increase of \$274,623; this includes a prior period adjustment of \$18,990 to add fund balance for the Airport Fuel Fund.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Tishomingo County did not revise its annual operating budget, until the end of the fiscal year. At the end of the fiscal year Tishomingo County amended its budget to reflect actual revenues received and expenditures made. After the final adjustments, actual revenues and disbursements were equal to the final budget amounts.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund, and each major Special Revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2015, Tishomingo County's total capital assets was \$122,505,049. This includes land, construction in progress, buildings, improvements other than buildings, mobile equipment, furniture and equipment, roads, bridges, other infrastructure, and leased property under capital lease.

Total accumulated depreciation as of September 30, 2015 was \$56,074,891, including \$1,319,334 of depreciation expense for the year. The balance in total net capital assets was \$66,430,158 at year-end. This amount represents an increase from the previous year of \$1,855,116.

Additional information on Tishomingo County's capital assets can be found in note 7 on page 33 of this report.

Debt Administration – At September 30, 2015, Tishomingo County had \$17,958,865 in long-term debt outstanding. This includes other loans, obligations under capital lease and bond payable. Of this debt, \$923,854 is due within one year.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is significantly below its current limit of 23 million dollars.

Below is a table showing the activity on long-term debt for this fiscal year. This table breaks down the debt by the type of issue.

Long-Term Debt Analysis

| | Balance 10/1/2014 | Issued | Retired | Adjustments | Balance 9/30/2015 | Due within One Year |
|----------------------|----------------------|------------------|------------------|-----------------|----------------------|------------------------|
| Other loans | \$ 10,858,469 | 3,006,395 | 1,052,351 | - | 12,812,513 | 619,307 |
| Capital leases | 141,711 | - | 60,359 | - | 81,352 | 24,547 |
| Bonds payable | 4,635,000 | 3,980,000 | 3,550,000 | - | 5,065,000 | 280,000 |
| Add: | | | | | | |
| Unamortized premiums | 27,754 | - | - | (27,754) | - | - |
| Total | \$ <u>15,662,934</u> | <u>6,986,395</u> | <u>4,662,710</u> | <u>(27,754)</u> | <u>17,958,865</u> | <u>923,854</u> |

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Tishomingo County Chancery Clerk's Office at 1008 Battleground Drive, Iuka, Mississippi 38852.

FINANCIAL STATEMENTS

TISHOMINGO COUNTY
Statement of Net Position
September 30, 2015

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Cash | \$ 7,051,748 |
| Property tax receivable | 4,184,786 |
| Fines receivable (net of allowance for uncollectibles of \$213,707) | 384,332 |
| Loans receivable | 180,045 |
| Capital leases receivable | 9,569,848 |
| Intergovernmental receivables | 575,962 |
| Other receivables | 62,640 |
| Capital assets: | |
| Land and construction in progress | 15,963,906 |
| Other capital assets, net | 50,466,252 |
| Total Assets | <u>88,439,519</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred amount on refunding | 534,847 |
| Deferred outflows related to pensions | 1,495,315 |
| Total Deferred Outflows of Resources | <u>2,030,162</u> |
| LIABILITIES | |
| Claims payable | 445,359 |
| Accrued liabilities | 148,315 |
| Intergovernmental payables | 294,141 |
| Accrued interest payable | 98,283 |
| Amounts held in custody for others | 54,841 |
| Private purpose trust fund payable | 1,125 |
| Long-term liabilities | |
| Net pension liability | 7,744,472 |
| Due within one year: | |
| Capital debt | 515,669 |
| Non-capital debt | 408,185 |
| Due in more than one year: | |
| Capital debt | 6,943,100 |
| Non-capital debt | 10,091,911 |
| Total Liabilities | <u>26,745,401</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Property tax for future reporting period | 4,184,786 |
| Capital leases for future reporting period | 1,897,152 |
| Total Deferred Inflows of Resources | <u>6,081,938</u> |
| NET POSITION | |
| Net investment in capital assets | 58,971,389 |
| Restricted: | |
| Expendable: | |
| General government | 82,301 |
| Debt service | 696,620 |
| Public safety | 471,846 |
| Public works | 1,435,630 |
| Health and welfare | 7,004 |
| Economic development | 3,927,302 |
| Nonexpendable | 180,045 |
| Unrestricted | (8,129,795) |
| Total Net Position | <u>\$ 57,642,342</u> |

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

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

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| | | | | | Governmental Activities |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 3,871,341 | 682,120 | 20,208 | 230,280 | (2,938,733) |
| Public safety | 2,101,994 | 237,360 | 34,610 | - | (1,830,024) |
| Public works | 3,298,401 | 153,633 | 1,366,827 | 518,327 | (1,259,614) |
| Health and welfare | 190,666 | - | - | - | (190,666) |
| Culture and recreation | 85,500 | - | - | - | (85,500) |
| Conservation of natural resources | 57,000 | - | - | - | (57,000) |
| Economic development and assistance | 1,613,362 | - | - | 615,538 | (997,824) |
| Interest on long-term debt | 604,850 | - | - | - | (604,850) |
| Pension expense | 971,951 | - | - | - | (971,951) |
| Total Governmental Activities | 12,795,065 | 1,073,113 | 1,421,645 | 1,364,145 | (8,936,162) |
| Total Primary Government | \$ 12,795,065 | 1,073,113 | 1,421,645 | 1,364,145 | (8,936,162) |
| | | | | | |
| General revenues | | | | | |
| Property taxes | | | | \$ 4,864,350 | |
| Road & bridge privilege taxes | | | | 274,200 | |
| Grants and contributions not restricted to specific programs | | | | 2,424,512 | |
| Unrestricted interest income | | | | 290,135 | |
| Miscellaneous | | | | 981,031 | |
| Total General Revenues | | | | 8,834,228 | |
| Changes in Net Position | | | | | (101,934) |
| Net Position - Beginning, as originally reported | | | | | 63,499,826 |
| Prior period adjustments | | | | | (5,755,550) |
| Net Position - Beginning, as restated | | | | | 57,744,276 |
| Net Position - Ending | | | | \$ 57,642,342 | |

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

TISHOMINGO COUNTY
Balance Sheet - Governmental Funds
September 30, 2015

| | Major Funds | | | | | | | Total |
|---|---------------------|----------------------------------|--------------------------|--|--------------------------------|------------------------|---------------------------------|---------------------------|
| | General Fund | Economic Development Fund | Dennen Steel Fund | Contract Fabricators, Inc. Fund | Comfort Revolution Fund | MS Silicon Fund | Other Governmental Funds | Governmental Funds |
| ASSETS | | | | | | | | |
| Cash | \$ 701,104 | 1,088,708 | 67,794 | 23,891 | 18,302 | 337,530 | 4,814,419 | 7,051,748 |
| Property tax receivable | 2,350,916 | - | - | - | - | - | 1,833,870 | 4,184,786 |
| Fines receivable (net of allowance for uncollectibles of \$213,707) | 384,332 | - | - | - | - | - | - | 384,332 |
| Loans receivable | 101,514 | - | - | - | - | - | 78,531 | 180,045 |
| Capital leases receivable | - | 671,051 | 2,230,230 | 4,434,801 | 1,473,564 | - | 760,202 | 9,569,848 |
| Intergovernmental receivables | 148,256 | - | - | - | - | 337,196 | 90,510 | 575,962 |
| Other receivables | 18,790 | - | 5,791 | - | - | - | 38,059 | 62,640 |
| Due from other funds | - | 400,000 | - | - | - | - | 261,585 | 661,585 |
| Advances to other funds | - | 228,562 | - | - | - | - | 59,421 | 287,983 |
| Total Assets | <u>\$ 3,704,912</u> | <u>2,388,321</u> | <u>2,303,815</u> | <u>4,458,692</u> | <u>1,491,866</u> | <u>674,726</u> | <u>7,936,597</u> | <u>22,958,929</u> |
| LIABILITIES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Claims payable | \$ 98,113 | - | - | - | - | 138,095 | 209,151 | 445,359 |
| Accrued liabilities | 103,711 | - | - | - | - | - | 44,604 | 148,315 |
| Intergovernmental payables | 284,200 | - | - | - | - | - | 9,941 | 294,141 |
| Due to other funds | 52,440 | - | - | - | - | 400,000 | 210,270 | 662,710 |
| Advances from other funds | 8,940 | 1,215 | - | - | 219,622 | - | 58,206 | 287,983 |
| Amounts held in custody of others | 54,841 | - | - | - | - | - | - | 54,841 |
| Total Liabilities | <u>\$ 602,245</u> | <u>1,215</u> | <u>-</u> | <u>-</u> | <u>219,622</u> | <u>538,095</u> | <u>532,172</u> | <u>1,893,349</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | | | | | |
| Unavailable revenue - property taxes | \$ 2,350,916 | - | - | - | - | - | 1,833,870 | 4,184,786 |
| Unavailable revenue - fines | 384,332 | - | - | - | - | - | - | 384,332 |
| Unavailable revenue - capital lease receivables | - | 671,051 | 2,230,230 | 4,434,801 | 1,473,564 | - | 760,202 | 9,569,848 |
| Total Deferred Inflows of Resources | <u>\$ 2,735,248</u> | <u>671,051</u> | <u>2,230,230</u> | <u>4,434,801</u> | <u>1,473,564</u> | <u>-</u> | <u>2,594,072</u> | <u>14,138,966</u> |
| Fund balances: | | | | | | | | |
| Nonspendable: | | | | | | | | |
| Loans receivable | \$ 101,514 | - | - | - | - | - | 78,531 | 180,045 |
| Restricted for: | | | | | | | | |
| General government | 8,424 | - | - | - | - | - | 73,877 | 82,301 |
| Public safety | 36,486 | - | - | - | - | - | 435,360 | 471,846 |
| Public works | - | - | - | - | - | - | 1,420,031 | 1,420,031 |
| Health and welfare | - | - | - | - | - | - | 7,004 | 7,004 |
| Economic development and assistance | - | 1,716,055 | 73,585 | 23,891 | - | 136,631 | 1,977,140 | 3,927,302 |
| Debt service | - | - | - | - | - | - | 794,903 | 794,903 |
| Assigned to: | | | | | | | | |
| Public works | - | - | - | - | - | - | 15,599 | 15,599 |
| Unassigned | 220,995 | - | - | - | (201,320) | - | 7,908 | 27,583 |
| Total Fund Balances | <u>\$ 367,419</u> | <u>1,716,055</u> | <u>73,585</u> | <u>23,891</u> | <u>(201,320)</u> | <u>136,631</u> | <u>4,810,353</u> | <u>6,926,614</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 3,704,912</u> | <u>2,388,321</u> | <u>2,303,815</u> | <u>4,458,692</u> | <u>1,491,866</u> | <u>674,726</u> | <u>7,936,597</u> | <u>22,958,929</u> |

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

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

| | <u>Amount</u> |
|--|-----------------------------|
| Total Fund Balance - Governmental Funds | \$ 6,926,614 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$56,074,891. | 66,430,158 |
| Fines receivables that have accrued at year end but are not available to liquidate liabilities of the current period are not reported in the funds. | 384,332 |
| Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds. | (17,958,865) |
| Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds. | (7,744,472) |
| Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds. | (98,283) |
| Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 7,672,696 |
| Deferred amount on refunding | 534,847 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds: | |
| Deferred outflows of resources related to pensions | 1,495,315 |
| Total Net Position - Governmental Activities | \$ <u>57,642,342</u> |

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

| | Major Funds | | | | | | | |
|---|--------------|---------------------------|-------------------|---------------------------------|-------------------------|-----------------|--------------------------|--------------------------|
| | General Fund | Economic Development Fund | Dennen Steel Fund | Contract Fabricators, Inc. Fund | Comfort Revolution Fund | MS Silicon Fund | Other Governmental Funds | Total Governmental Funds |
| REVENUES | | | | | | | | |
| Property taxes | \$ 2,494,321 | - | - | - | - | - | 2,370,029 | 4,864,350 |
| Road & bridge privilege taxes | - | - | - | - | - | - | 274,200 | 274,200 |
| Licenses, commissions, and other revenue | 248,781 | - | - | - | - | - | - | 248,781 |
| Fines and forfeitures | 230,870 | - | - | - | - | - | - | 230,870 |
| Intergovernmental revenues | 2,513,742 | - | - | - | - | 128,183 | 2,568,377 | 5,210,302 |
| Charges for services | 288,720 | - | - | - | - | - | 336,916 | 625,636 |
| Interest income | 68,811 | 20,074 | 55,275 | 106,043 | - | - | 39,932 | 290,135 |
| Miscellaneous revenues | 22,904 | 6,613 | 20,480 | - | - | 10,675 | 920,359 | 981,031 |
| Total Revenues | 5,868,149 | 26,687 | 75,755 | 106,043 | - | 138,858 | 6,509,813 | 12,725,305 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | 3,605,853 | - | - | - | - | - | - | 3,605,853 |
| Public safety | 1,984,369 | - | - | - | - | - | 310,142 | 2,294,511 |
| Public works | - | - | - | - | - | - | 3,751,701 | 3,751,701 |
| Health and welfare | 164,836 | - | - | - | - | - | 25,830 | 190,666 |
| Culture and recreation | 85,500 | - | - | - | - | - | - | 85,500 |
| Conservation of natural resources | 57,000 | - | - | - | - | - | - | 57,000 |
| Economic development and assistance | 204,820 | - | - | - | - | 2,502,510 | 1,503,162 | 4,210,492 |
| Debt service: | | | | | | | | |
| Principal | - | 67,544 | 80,194 | 156,948 | 42,593 | - | 965,431 | 1,312,710 |
| Interest | 2,393 | 19,223 | 54,558 | 109,258 | 30,615 | - | 383,147 | 599,194 |
| Total Expenditures | 6,104,771 | 86,767 | 134,752 | 266,206 | 73,208 | 2,502,510 | 6,939,413 | 16,107,627 |
| Excess of Revenues over (under) Expenditures | (236,622) | (60,080) | (58,997) | (160,163) | (73,208) | (2,363,652) | (429,600) | (3,382,322) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Long-term capital debt issued | - | - | - | - | - | 2,502,261 | 504,134 | 3,006,395 |
| Refunding bonds issued | - | - | - | - | - | - | 3,980,000 | 3,980,000 |
| Proceeds from sale of capital assets | - | - | - | - | - | - | 21,257 | 21,257 |
| Transfers in | 245,744 | - | 58,543 | - | - | 512,432 | 2,300,510 | 3,117,229 |
| Transfers out | - | (58,543) | - | - | - | (515,520) | (2,543,166) | (3,117,229) |
| Lease principal payments | - | 163,553 | 74,039 | 160,658 | - | - | 116,900 | 515,150 |
| Payment to bond refunding escrow agent | - | - | - | - | - | - | (3,884,847) | (3,884,847) |
| Total Other Financing Sources and Uses | 245,744 | 105,010 | 132,582 | 160,658 | - | 2,499,173 | 494,788 | 3,637,955 |
| Net Changes in Fund Balances | 9,122 | 44,930 | 73,585 | 495 | (73,208) | 135,521 | 65,188 | 255,633 |
| Fund Balances - Beginning, as previously reported | 358,297 | 1,671,125 | - | 23,396 | (128,112) | 1,110 | 4,726,175 | 6,651,991 |
| Prior period adjustment | - | - | - | - | - | - | 18,990 | 18,990 |
| Fund Balances - Beginning, as restated | 358,297 | 1,671,125 | - | 23,396 | (128,112) | 1,110 | 4,745,165 | 6,670,981 |
| Fund Balances - Ending | \$ 367,419 | 1,716,055 | 73,585 | 23,891 | (201,320) | 136,631 | 4,810,353 | 6,926,614 |

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

TISHOMINGO COUNTY

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

| | Amount |
|---|---------------------|
| Net Changes in Fund Balances - Governmental Funds | \$ 255,633 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Government Funds report capital outlays as expenditures. However in the Statement of of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$3,947,158 exceeded depreciation of \$1,319,334 in the current period. | 2,627,824 |
| 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 (\$150,791), the proceeds of capital assets of (\$21,257), and the principal portion of (\$576,000) for the new capital lease receivable in the current period. | (748,048) |
| In the Statement of Activities, capital leases are reported differently from the governmental funds. The revenue from the principal portion of the new capital lease receivable is deferred under the modified accrual basis, but is recognized under the full-accrual basis of accounting. | 576,000 |
| Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting. | (32,174) |
| 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 a combination of the following items: | |
| Proceeds of capital debt issued | (3,006,395) |
| Proceeds of refunding bonds issued | (3,980,000) |
| Payments to refunding bond escrow agent | 3,884,847 |
| Debt repayments | 1,312,710 |
| Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by the following item: | |
| Accrued interest payable | (5,657) |
| 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 change in fund balances by the principal collections on the capital leases. | (515,150) |
| Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include: | |
| Recording of pension expense for the current period | (971,951) |
| Recording of contributions made for the current fiscal year | 500,428 |
| Rounding | (1) |
| Change in Net Position of Governmental Activities | \$ <u>(101,934)</u> |

TISHOMINGO COUNTY
Statement of Fiduciary Net Position
September 30, 2015

| | <u>Private-purpose Trust Fund</u> | <u>Agency Funds</u> |
|---|---------------------------------------|-------------------------|
| ASSETS | | |
| Cash | \$ 2,500,000 | 94,844 |
| Due from other funds | 1,125 | - |
| Total Assets | <u>\$ 2,501,125</u> | <u>94,844</u> |
| LIABILITIES | | |
| Amounts held in custody for others | \$ - | 14,863 |
| Intergovernmental payables | 1,125 | 79,981 |
| Total Liabilities | <u>\$ 1,125</u> | <u>94,844</u> |
| NET POSITION | | |
| Held in trust for: | | |
| Individuals, organizations, and other governments | <u>\$ 2,500,000</u> | |

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

TISHOMINGO COUNTY
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2015

| | <u>Private-purpose Trust Fund</u> |
|--|---------------------------------------|
| ADDITIONS | |
| Investment income: | |
| Interest and dividends | \$ 1,125 |
| Total Additions | <u>1,125</u> |
| DEDUCTIONS | |
| Payments in accordance with trust agreements | <u>1,125</u> |
| Total Deductions | <u>1,125</u> |
| Changes in Net Position | - |
| Net Position - Beginning | <u>2,500,000</u> |
| Net Position - Ending | <u>\$ 2,500,000</u> |

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

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Tishomingo County Economic Development Foundation
- Tishomingo County Economic Authority

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

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

identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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.

Economic Development Fund – This fund is used to account for monies from specific resources used for economic development.

Dennen Steel Fund – This fund is used to account for capital lease and debt payments used for economic development.

Contract Fabricators, Inc. Fund - This fund is used to account for capital lease and debt payments used for economic development.

Comfort Revolution Fund - This fund is used to account for capital lease and debt payments to be used for economic development.

MS Silicon Fund – This fund is used to account for monies used in construction to be used for economic development.

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

FIDUCIARY FUND TYPES

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.

Private-purpose Trust Funds – These funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

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. However, the County did not invest in any governmental securities during the fiscal year.

F. Receivables.

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

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance 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.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets cost 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.

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

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

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

I. Deferred Outflows/Inflows of Resources

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

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

Deferred amount on refunding – For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, 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 12 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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

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

Capital leases for future reporting period/unavailable revenue – capital lease receivable – When a capital lease receivable is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

J. Pensions

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

K. Long-term Liabilities.

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

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

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

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

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

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

Fund Balance Flow Assumption:

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

M. Property Tax Revenues.

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

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

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

N. Intergovernmental Revenues in Governmental Funds.

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

O. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee benefits; however, adequate records are not maintained for determining the amount of the liability. Therefore, no liability is recorded in the accompanying financial statements as required by accounting principles generally accepted in the United States of America. We believe the effects of the unrecorded liability on the financial statements are immaterial.

P. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*; GASB Statement No. 69, *Government Combinations and Disposal of Government*

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

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.

(2) Prior Period Adjustments.

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

Exhibit 2 – Statement of Activities.

| Explanation | Amount |
|---|-----------------------|
| Implementation of GASB 68 & 71: | |
| Net Pension Liability as of 9/30/2014 | \$ (5,899,150) |
| Deferred outflows – contributions made during the period from July 1, 2014 through September 30, 2014 | 121,516 |
| To remove assets sold in prior period. | (24,660) |
| To correct the unamortized premium on the original jail bond issue. | 27,754 |
| To add net position for Airport Fuel Fund previously not included. | 18,990 |
| Total | \$ <u>(5,755,550)</u> |

Exhibit 4 – Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

| Explanation | Amount |
|--|------------------|
| To add net position for Airport Fuel Fund previously not included. | \$ 18,990 |
| Total | \$ <u>18,990</u> |

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$9,646,592 and the bank balance was \$9,789,262. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

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

(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> |
|---------------------------|--------------------------|-------------------|
| Economic Development Fund | MS Silicon Fund | \$ 400,000 |
| Other Governmental Funds | General Fund | 51,315 |
| Other Governmental Funds | Other Governmental Funds | 210,270 |
| Non-Expendable Trust Fund | General Fund | 1,125 |
| Total | | <u>\$ 662,710</u> |

The receivables represent TVA in Lieu funds from Economic Development Fund that was used to help complete the MS Silicon project, tax revenue collected in September 2015, but not settled until October 2015, a loan from Tri-State Fund to 4th District Road Maintenance, and airport funds recorded in the wrong funds. The amount payable to the Non-Expendable Trust Fund is interest accrued on the cash balance. The receivables are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---------------------------|---------------------------|-------------------|
| Economic Development Fund | General Fund | \$ 8,940 |
| Economic Development Fund | Comfort Revolution Fund | 219,622 |
| Other Governmental Funds | Economic Development Fund | 1,215 |
| Other Governmental Funds | Other Governmental Funds | 58,206 |
| Total | | <u>\$ 287,983</u> |

The advances represent amounts owed for unexpected repairs and operating cash in funds in which money has not been received.

C. Transfers In/Out:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|--------------------------|---------------------------|---------------------|
| General Fund | Other Governmental Funds | \$ 245,744 |
| Dennen Steel Fund | Economic Development Fund | 58,543 |
| MS Silicon Fund | Other Governmental Funds | 512,432 |
| Other Governmental Funds | MS Silicon Fund | 515,520 |
| Other Governmental Funds | Other Governmental Funds | 1,784,990 |
| Total | | <u>\$ 3,117,229</u> |

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

TISHOMINGO COUNTY
Notes to 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 |
|---|-------------------|
| FAA grants | \$ 5,477 |
| Legislative tax credit | 103,070 |
| Reimbursement for housing prisoners | 19,160 |
| State motor vehicle license privilege tax | 28,294 |
| SAP-71(29)M | 11,890 |
| STP-0961(9)B | 10,046 |
| MS Silicon | 337,196 |
| Gas tax | 42,547 |
| Solid waste disposal fees | 9,400 |
| Welfare | 1,553 |
| Youth Court | 988 |
| Timber severance | 551 |
| Other | 5,790 |
| Total Governmental Activities | \$ <u>575,962</u> |

(6) Loans Receivable.

Loans receivable balance at September 30, 2015, is as follows:

| Description | Date of Loan | Interest Rate | Maturity Date | Receivable Balance |
|--------------------|--------------|---------------|---------------|--------------------|
| Town of Tishomingo | 12/28/07 | 4.51% | 12/31/17 | \$ 78,531 |
| Johnny Whitfield | 01/15/04 | 3.13% | 01/15/19 | 101,514 |
| Total | | | | \$ <u>180,045</u> |

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

(7) Capital Assets.

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

| Governmental Activities: | Balance 10/01/14 | Additions | Deletions | Adjustments | Balance 09/30/15 |
|---|---------------------|-----------|-----------|-------------|---------------------|
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 12,267,647 | 29,100 | 39,630 | (24,660) | 12,232,457 |
| Construction in progress | 837,083 | 3,451,443 | - | (557,077) | 3,731,449 |
| Total non-depreciable capital assets | 13,104,730 | 3,480,543 | 39,630 | (581,737) | 15,963,906 |
| <u>Depreciable capital assets:</u> | | | | | |
| Infrastructure | 60,932,672 | - | - | - | 60,932,672 |
| Buildings | 34,483,355 | - | 1,150,311 | - | 33,333,044 |
| Improvements other than buildings | 3,177,946 | 35,000 | - | 557,077 | 3,770,023 |
| Mobile equipment | 6,735,001 | 406,154 | 163,484 | 96,974 | 7,074,645 |
| Furniture and equipment | 1,237,748 | 25,461 | 18,994 | - | 1,244,215 |
| Leased property under capital lease | 283,518 | - | - | (96,974) | 186,544 |
| Total depreciable capital assets | 106,850,240 | 466,615 | 1,332,789 | 557,077 | 106,541,143 |
| | Balance 10/01/14 | Additions | Deletions | Adjustments | Balance 09/30/15 |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Infrastructure | 40,911,571 | 129,157 | - | - | 41,040,728 |
| Buildings | 7,013,709 | 652,730 | 460,140 | - | 7,206,299 |
| Improvements other than buildings | 773,672 | 150,814 | - | - | 924,486 |
| Mobile equipment | 5,318,324 | 335,157 | 147,136 | 58,138 | 5,564,483 |
| Furniture and equipment | 1,188,716 | 34,685 | 17,095 | - | 1,206,306 |
| Leased property under capital lease | 173,936 | 16,791 | - | (58,138) | 132,589 |
| Total accumulated depreciation | 55,379,928 | 1,319,334 | 624,371 | - | 56,074,891 |
| Total depreciable capital assets, net | 51,470,312 | (852,719) | 708,418 | 557,077 | 50,466,252 |
| Governmental activities capital assets, net | \$ 64,575,042 | 2,627,824 | 748,048 | (24,660) | 66,430,158 |

Depreciation expense was charged to the following functions:

| Governmental Activities | Amount |
|--|--------------|
| General government | \$ 322,347 |
| Public safety | 182,328 |
| Public works | 430,017 |
| Economic development | 384,642 |
| Total Governmental Activities Depreciation Expense | \$ 1,319,334 |

The fixed asset adjustments were to reclassify an asset from construction in progress to buildings for the completed luka and Belmont Airports, and to remove an asset owned by Monotec that was still included in the County's asset schedule.

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

Commitments with respect to unfinished capital projects at September 30, 2015, consisted of the following:

| Description of Commitment | Remaining Financial Commitment | Expected Date of Completion |
|-----------------------------|--------------------------------------|--------------------------------|
| Villa International Project | \$ 162,345 | March 2016 |
| AIP #3-28-0006-016-2014 | 28,258 | March 2016 |
| MS Silicon Fund | 401,312 | July 2016 |
| LSBP-71(13) | 87,978 | July 2016 |
| LSBP-71(14) | 191,729 | November 2016 |
| AIP #3-28-0036-011-2015 | 267,392 | July 2017 |

(8) Claims and Judgments.

Risk Financing.

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

(9) Operating Leases.

As Lessor:

On October 1, 2003, Tishomingo County entered into a non-cancellable operating lease agreement with Miltec Corporation for the lease of property/premises located at Tri-State Commerce Park owned by the County for the purpose of conducting the business activities of Miltec Corporation. The operating lease stipulated that the lessee would pay approximately \$6,875 per month in lease payments commencing on October 1, 2004 for a term of 10 years. At the end of the lease term, Miltec Corporation has the option to renew for 2 additional terms of 5 years at a rate of \$1.50 per square foot (\$8,250 per month).

On March 30, 2012, Tishomingo County entered into a non-cancellable operating lease agreement with Pickwick Flotation for the lease of Building 3001 located at Tri-State Commerce Park owned by the County for the purpose of conducting business of manufacturing flotation devices, production and shipping. The operating lease stipulated that the lessee would pay \$300 per month in lease payments commencing on April 1, 2014 for a term of 3 years. There is a 2 year abatement at the beginning of the lease in which Pickwick Flotation does not owe rent, but is responsible for \$250 per month insurance reimbursement. At the end of the lease term, Pickwick Flotation has the option to renew for an additional term of 5 years. In addition, the lessee agreed to reimburse the lessor for casualty insurance at a rate of \$3,000 per building per year.

On March 6, 2012, Tishomingo County entered into a non-cancellable operating lease agreement with Plant Process Support, Inc. for the lease of the premises located at 28 Industrial Park Drive, Burnsville, MS owned by the County for the purpose of conducting business of a powder coat painting operation, production, and shipping. The operating lease stipulated that the lessee would pay approximately \$338.54 per month in lease payments commencing on April 1, 2015 for a term of 2 years. The lease stipulated there is a 3 year abatement at the beginning of the lease in which Plant Process Support, Inc. does not owe rent. Plant Process Support, Inc. agreed to invest \$50,000 into

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

the endeavor and create 7 full time jobs in return for the abatement. At the end of the lease term, Plant Process Support, Inc. has the option to renew for an additional term of 5 years, at a rate of \$677.08 per month and a second additional term of 5 more years at a rate of \$1,015.63 per month. In addition the lessee agreed to reimburse the lessor for casualty insurance at a rate of \$3,000 per building per year.

On November 1, 2005, Tishomingo County entered into a non-cancellable five year operating lease agreement with Waterway, Inc. for the lease of Buildings #1010, 1012 and 1045 located at the Tri-State Commerce Park, MS owned by the County for the purpose of conducting business of Waterway, Inc., exclusively. This lease was amended on October 1, 2012 to stipulate that lessee would pay \$7,612 per month for remainder of renewal term. At the end of the lease term, Waterway, Inc. has the option to renew for an additional term of 5 years. In addition the lessee agreed to reimburse the lessor for casualty insurance at a rate of \$3,000 per building per year or provide proof of casualty insurance.

On August 15, 2011, Tishomingo County entered into a non-cancellable operating lease agreement with Ershigs, Inc. for the lease Building #1024, #1026, #1027, #1032, and #3011 located at the Tri-State Commerce Park, MS owned by the County for the purpose of conducting business of Ershigs, Inc., exclusively. The operating lease stipulated that building #3011 will be leased for a term of 25 years commencing September 1, 2011, and the remaining buildings will be leased for a term of 20 years commencing on the same date. Lessee will pay \$700 per month in consideration of lease of buildings #1024, #1026, #1027, and #1032. There will be no rent due on building #3011, and the lessee agrees to execute a simple deed to the county for said building. In addition the lessee agreed to reimburse the lessor for casualty insurance at a rate of \$3,000 per building per year

On August 5, 2013, Tishomingo County entered into a non-cancellable operating lease agreement with Ershigs, Inc. for the lease Building #1020, located at the Tri-State Commerce Park, MS owned by the County for the purpose of conducting business of Ershigs, Inc., exclusively. The operating lease stipulated that the lessee would pay approximately \$500 per month in lease payments commencing July 1, 2013 for a term of 5 years. At the end of the lease term, Ershigs, Inc. has the option to renew for an additional 5 years. In addition the lessee agreed to reimburse the lessor for casualty insurance at a rate of \$3,000 per year.

On July 1, 2008, Tishomingo County entered into a non-cancellable operating lease agreement with Furniture Fabrics & More, LLC for the lease of the premises and/or property located at 338 Highway 72, Burnsville, MS 38833 owned by the County for the purpose of conducting business of Furniture Fabrics & More, LLC, exclusively. The operating lease stipulated that the lessee would pay approximately \$2,000 per month in lease payments commencing July 1, 2008 for a term of 5 years. At the end of the lease term, Furniture Fabrics & More, LLC has the option to renew for an additional 5 years. In addition the lessee agreed to reimburse the lessor for casualty insurance at a rate of \$3,000 per year

On June 1, 2009, Tishomingo County entered into a non-cancellable operating lease agreement with G&G Steel, Inc., for the lease of Building #2042 owned by the County for the purpose of conducting business of steel fabricating and shipping and for any other lawful purpose for a seven year period. Beginning on the first day of the thirteenth month, the lessee shall pay \$1,000 per month for remainder of the lease. An amendment to the lease dated June 28, 2013, stipulated that the lease would be extended to 99 years and the lease payment would be free in exchange for the lessee's investment in the expansion and modification to the existing buildings. In addition the lessee agreed to reimburse the lessor for casualty insurance at a rate of \$3,000 per building per year.

On September 1, 1998, Tishomingo County entered into a non-cancellable operating lease agreement with Alliant Techsystems, Inc., for the lease of a portion of Building #1000 known as MIC room, owned by the County for the purpose of manufacturing and directly related activities. The operating lease stipulated the lessee would pay a lump sum of \$10,000 due on April 15, 2011, plus \$1.50 per square foot (28,790 sq. ft. total) to be paid in equal quarterly installments for the five year extension of April 2011 through March 2016. The next option to extend the term of the lease begins

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

on April 15, 2016, and stipulates a lump sum of \$10,000 plus \$2.25 per square foot to be paid in equal quarterly installments.

On March 25, 1999, Tishomingo County entered into a non-cancellable operating lease agreement with Alliant Techsystems, Inc., for the lease of Building #1016 located at The Tri-State Commerce Park in Tishomingo County. The operating lease stipulated the building would be rent free for the first 24 months of the term. Then, the lessee will pay \$1.70 per square foot on 110,000 square foot building on a quarterly basis for the next 5 years. An amendment dated August 3, 1999, stipulated Alliant Techsystems, Inc., will occupy an additional 52,000 square feet of Building #1016, and will reduce the rate to \$1.25 per square foot on a total space of 317,000 square feet through December 2007. Then, the rate will increase to \$1.50 per square foot and remain at that rate for the remainder of the lease.

On April 5, 2010, Tishomingo County entered into a non-cancelable operating lease agreement with Alliant Techsystems, Inc., for the lease of rooms #600 and #643 located in building #1000, located at the Tri-State Commerce Park, for the purpose of running a corporate office and security operations. The operating lease stipulated that \$769 (\$1.00 per square foot) is to be paid January 1 of each year starting in 2010 with a renewal option each year through December 31, 2019.

On December 1, 2010, Tishomingo County entered into a ten year non-cancellable operating lease agreement with KX Technologies LLC, for the lease of property/premises located at 36 Wildrose Drive, Iuka, MS more commonly known as the "Wildrose Building", owned by the County for the purpose of conducting business activities of drinking water products production and shipping, ancillary office use, or any other lawful purpose. The operating lease stipulated that the rent would be abated for the entire term of the lease provided the lessee makes all necessary repairs and preforms all maintenance obligations on the building. The lessee also agrees to hire 45 on site employees by the commencement date of the lease, December 1, 2010. If the lessee does not meet the provisions of the abatement, the lessor has the option to terminate the lease agreement or enforce the rent of \$60,000 per year for the term of the lease, 10 years. In addition the lessee agrees to reimburse the lessor for insurance at a rate of \$3,000 per year.

On March 1, 2013, Tishomingo County entered into a non-cancellable operating lease agreement with Terry Wayne Nix/TW Nix Flying Service, Inc, for the lease of airport facilities located at the Tishomingo County Airport located within the city limits of Belmont. The operating lease stipulated that the lessee would provide certain services and pay \$1 per year commencing on March 3, 2013, for a period of 10 years. At the end of the lease term, the lessee has the option to extend the lease for an additional 10 years.

On September 22, 2011, Tishomingo County entered into a non-cancellable operating lease agreement with John Bostick DBA Sunshine Aviation, LLC, for the lease of airport facilities located at the Tishomingo County Airport located within the city limits of Belmont. The operating lease stipulated that the lessee would provide certain services and pay \$1 per year commencing on April 10, 2010. At the end of the lease term, the lessee has the option to extend the lease for an additional 10 years.

On October 22, 1963, Tishomingo County entered into an operating lease agreement with Consolidated Aluminum Corporation also known as "International Converter" for the lease of a building and land located in Tishomingo County as described in the lease agreement. The operating lease stipulated that the lessee would pay rent of \$1,885 per year. After the 20 year primary term, the lessee has the option to renew the lease for 70 consecutive renewal terms of one year and a final renewal term of nine years.

On May 9, 2013, Tishomingo County executed an addendum to the operating lease agreement with Consolidated Aluminum Corporation (International Converter LLC) for the lease of an addition to the existing building to be constructed by Tishomingo County. The operating lease stipulated that the lessee would pay rent of \$12,223.25 per month commencing January 1, 2013 for a period of 15 years.

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

On August 1, 2009, Tishomingo County entered into a non-cancellable operating lease agreement with Southern Apprenticeship and Training Fund Inc., for the lease of buildings #1022, #1025, and a suite of offices and small conference room in building 1001, all located in Tri-State Commerce Park in Tishomingo County as described in the lease agreement. The operating lease stipulated that the lessee would pay rent of \$5,000 per year commencing August 1, 2009, for a term of 5 years. At the end of the lease, the lessee has the option to renew for an additional term.

On April 2, 2012, Tishomingo County entered into a non-cancellable operating lease agreement with David Robinson, for the lease of 43 acres at the Tri-State Commerce Park in Tishomingo County. The operating lease stipulated that the lessee would pay rent of \$878 per year commencing January 1, 2012 for a term of four years.

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$892,461 for the year ended September 30, 2015. The future minimum lease receivables for these leases are as follows:

| Year Ended September 30 | Amount |
|---------------------------------|--------------|
| 2016 | \$ 731,721 |
| 2017 | 731,074 |
| 2018 | 719,744 |
| 2019 | 697,243 |
| 2020 | 697,243 |
| 2021-2025 | 1,267,683 |
| 2026-2030 | 358,883 |
| 2031 | 7,700 |
| Total Minimum Payments Required | \$ 5,211,291 |

(10) Capital Leases.

As Lessor:

On March 22, 2005, Tishomingo County entered into a capital lease agreement with Skyline Steel Pipe, Inc. for the lease of a steel processing facility. The capital lease stipulated that the lessee would pay principal and interest on the CAP loan, the RAIL loan, and on in-lieu funds, approximately \$5,214 per month for the first 10 years and \$3,821.85 for years 11-15 in lease payments commencing on March 22, 2005 for a term of fifteen years. At the end of the lease term, Skyline Steel Pipe, Inc. has the option to purchase the manufacturing facility for \$100, assuming all 60 rental payments (years 11-15) were made or Skyline Steel Pipe, Inc. pays the unamortized balance of all 3 loans at any time during the term of the lease.

On April 1, 2012, Tishomingo County entered into a capital lease agreement with Contract Fabricators, Inc. for the lease of a facility to conduct the business activities of Contract Fabricators, Inc. The capital lease stipulated that the lessee would pay \$22,225 commencing on April 1, 2012 for a term of twenty years. At the end of the lease term, the facility will be transferred to Contract Fabricators, Inc. upon completion of the underlying debt.

On August 1, 2012, Tishomingo County entered into a capital lease agreement with Dennen Steel, Inc. for the lease of a steel manufacturing, production, and shipping facility. The capital lease stipulated that the lessee would pay an amount equal to the lenders debt service payments, approximately \$11,229 to \$19,026 per month in lease payments commencing August 1, 2012 for a term of twenty years. At the end of the lease term, Dennen Steel, Inc. has the option to purchase the facility for \$10, or sooner once the entire indebtedness is paid in full. The lessee does not have the option to purchase early for the first seven years.

On December 15, 2012, Tishomingo County entered into a capital lease agreement with Comfort Revolution LLC for the lease of the building also known as the "Schnadig Building" to be for the

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

purpose of conducting the business activities of Comfort Revolution. The capital lease stipulated that the lessee would be rent free for the first 3 years and then pay approximately \$7,255 commencing January 1, 2016 for a term of twenty years. At the end of the lease term, Comfort Revolution LLC has the option to purchase the facility for \$10, assuming the entire indebtedness is paid in full.

On November 20, 2014, Tishomingo County entered into a capital lease agreement with Vanleigh RV for the lease of the building formerly known as the "New River Homes Building" to be for the purpose of conducting the business activities of Vanleigh RV. The capital lease stipulated that the lessee would be rent free for the first 5 years and then pay approximately \$3,000 commencing January 1, 2019 for a term of twenty years. At the end of the lease term, Vanleigh RV has the option to purchase the facility for \$10, assuming the entire indebtedness is paid in full.

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

| <u>Class of Property</u> | <u>Amount</u> |
|--------------------------|----------------------|
| Land | \$ 587,983 |
| Industrial facilities | 14,185,077 |
| | <u>\$ 14,773,060</u> |

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

| <u>Year Ending September 30</u> | <u>Principal</u> | <u>Interest</u> |
|---------------------------------|---------------------|---------------------|
| 2016 | \$ 364,974 | \$ 173,371 |
| 2017 | 414,192 | 189,455 |
| 2018 | 439,511 | 185,903 |
| 2019 | 478,104 | 172,815 |
| 2020 | 466,090 | 159,740 |
| 2021-2025 | 2,218,242 | 618,128 |
| 2026-2030 | 2,309,712 | 344,240 |
| 2031-2035 | 981,871 | 53,500 |
| Total | <u>\$ 7,672,696</u> | <u>\$ 1,897,152</u> |

As Lessee:

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

| <u>Classes of Property</u> | <u>Governmental Activities</u> |
|--------------------------------------|--------------------------------|
| Mobile Equipment | \$ 186,544 |
| Less: Accumulated Depreciation | <u>(132,589)</u> |
| Leased Property Under Capital Leases | <u>\$ 53,955</u> |

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

| <u>Year ending September 30</u> | <u>Governmental Activities</u> | |
|---------------------------------|--------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2016 | \$ 24,547 | \$ 2,402 |
| 2017 | 18,662 | 1,780 |
| 2018 | 19,216 | 1,216 |
| 2019 | 12,416 | 635 |
| 2020 | 6,511 | 92 |
| Total | <u>\$ 81,352</u> | <u>\$ 6,125</u> |

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

(11) Other Postemployment Benefits.

Plan Description

The Tishomingo County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Tishomingo County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the 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 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.

(12) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Tippah 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 Employee's Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

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

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

State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2015, 2014, and 2013 were \$500,428, \$475,638 and \$414,772, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources

At September 30, 2015, the County reported a liability of \$7,744,472 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the County's proportion was 0.0501 percent, which was an increase of 0.0015% from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$971,951. At September 30, 2015, the County reported deferred outflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> |
|---|---|
| Differences between expected and actual experience | \$ 119,184 |
| Net difference between projected and actual earnings on pension plan investments | 453,134 |
| Changes of assumptions | 667,160 |
| Changes in the proportion and differences between the County's contributions and proportionate share of contributions | 133,128 |
| County contributions subsequent to the measurement date | 122,709 |
| Total | <u>\$ 1,495,315</u> |

\$122,709 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

| | |
|-------|---------------------|
| 2016 | \$ 451,325 |
| 2017 | 451,325 |
| 2018 | 356,673 |
| 2019 | 113,283 |
| Total | <u>\$ 1,372,606</u> |

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

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

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

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:

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

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

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

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|---------------------------|--|---------------------------|
| County's proportionate share of the net pension liability | \$ 10,207,924 | 7,744,472 | 5,700,268 |

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

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

(13) Long-term Debt.

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

| Description and Purpose | Amount Outstanding | Interest Rate | Final Maturity Date |
|---|-----------------------|------------------|------------------------|
| Governmental Activities: | | | |
| A. General Obligation Bonds: | | | |
| Jail Project Series 2010 G.O. | \$ 1,085,000 | 4.35% | 12-2020 |
| Jail Project Series 2015 Refunding Bond | 3,980,000 | 3.25% | 12-2030 |
| Total General Obligation Bonds | <u>\$ 5,065,000</u> | | |
| B. Capital Leases: | | | |
| 2011 Ford F250 4x4 | \$ 6,419 | 4.00% | 06-2016 |
| John Deere 5083E tractor | 22,140 | 0.00% | 10-2017 |
| Fire truck | 52,793 | 4.79% | 03-2020 |
| Total Capital Leases | <u>\$ 81,352</u> | | |
| C. Other Loans: | | | |
| MDA CAP loan – Eastport VFD | \$ 62,546 | 3.00% | 03-2020 |
| MDA CAP loan – Carters Branch VFD | 28,391 | 3.00% | 06-2023 |
| MDA CAP loan – Snowdown VFD | 62,706 | 3.00% | 12-2020 |
| MDA CAP loan – Skyline | 138,969 | 3.00% | 03-2022 |
| MDA rail loan – Skyline | 124,342 | 2.75% | 03-2022 |
| MDA rail loan – Roll Form | 9,556 | 4.25% | 10-2015 |
| MDA T-Hangars | 33,576 | 3.00% | 05-2016 |
| MDA CAP loan – Harmony Central VFD | 43,082 | 3.00% | 11-2020 |
| MDA CAP loan – Carter Branch VFD | 36,403 | 3.00% | 07-2020 |
| Airport T-Hangar | 67,428 | 4.00% | 07-2021 |
| MDA CAP loan – International Converter | 1,418,735 | 3.00% | 12-2027 |
| MDA CAP loan – Contract Fabricators | 3,469,322 | 3.00% | 03-2032 |
| MDA CAP loan – Harmony Central VFD | 70,046 | 3.00% | 12-2022 |
| TVA loan – Dennen Steel | 605,006 | 3.00% | 07-2023 |
| MDA CAP loan – Comfort Revolution | 986,073 | 3.00% | 12-2032 |
| MDA CAP loan – MS Silicon | 3,411,968 | 2.68% | 04-2027 |
| MDA CAP loan – Dennen Steel | 1,754,860 | 3.00% | 03-2032 |
| MDA Cap Loan – Villa International | 489,504 | 3.00% | 08-2034 |
| Total Other Loans | <u>\$ 12,812,513</u> | | |

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

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

Governmental Activities:

| <u>Year Ending September 30:</u> | <u>Other Loans</u> | | <u>General Obligation Bonds</u> | |
|----------------------------------|----------------------|------------------|---------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2016 | \$ 619,307 | 273,258 | \$ 280,000 | 283,797 |
| 2017 | 904,007 | 348,288 | 265,000 | 293,856 |
| 2018 | 930,454 | 321,817 | 270,000 | 286,931 |
| 2019 | 957,678 | 294,570 | 285,000 | 279,184 |
| 2020 | 978,847 | 266,745 | 290,000 | 270,319 |
| 2021-2025 | 4,690,252 | 923,691 | 1,550,000 | 415,100 |
| 2026-2030 | 2,840,335 | 327,623 | 1,745,000 | 196,938 |
| 2031-2034 | 891,633 | 27,079 | 380,000 | 6,175 |
| Total | \$ <u>12,812,513</u> | <u>2,783,071</u> | \$ <u>5,065,000</u> | <u>2,032,300</u> |

Legal Debt Margin – The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2015, the amount of outstanding debt was equal to 3.80% of the latest property assessments.

Advance Refunding - On July 30, 2015, the County issued \$3,980,000 in general obligation refunding bonds with an average interest rate of 1.00-3.25% to advance refund \$3,350,000 of the following outstanding bond issue:

| <u>Issue</u> | <u>Average Interest Rate</u> | <u>Outstanding Amount Refunded</u> |
|-------------------------------|--------------------------------------|--|
| Jail Project Series 2010 G.O. | 4.35-5.25% | \$ 3,350,000 |

The Jail Project Series 2010 G.O. had an outstanding balance of \$4,635,000 at the time of refunding, but only \$3,350,000 of the bond was refunded, leaving a remaining principal balance of \$1,285,000, of which \$200,000 was redeemed during fiscal year 2015.

The net proceeds of \$3,884,847 (after payment of \$95,153 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The County advance refunded the above bonds to reduce its total debt service payments over the next 5 years by almost \$125,000; however, the advance refunding resulted in an economic loss of \$92,269.

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

| | | Balance Oct. 1, 2014 | Additions | Reductions | Adjustments | Balance Sept. 30, 2015 | Amount due within one year |
|---------------------------------|----|-------------------------|------------------|------------------|-----------------|---------------------------|----------------------------------|
| Governmental Activities: | | | | | | | |
| General obligation bonds | \$ | 4,635,000 | 3,980,000 | 3,550,000 | - | 5,065,000 | 280,000 |
| Add: | | | | | | | |
| Unamortized premiums | | 27,754 | - | - | (27,754) | - | - |
| Capital leases | | 141,711 | - | 60,359 | - | 81,352 | 24,547 |
| Other loans | | 10,858,469 | 3,006,395 | 1,052,351 | - | 12,812,513 | 619,307 |
| Total | \$ | <u>15,662,934</u> | <u>6,986,395</u> | <u>4,662,710</u> | <u>(27,754)</u> | <u>17,958,865</u> | <u>923,854</u> |

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

(14) Deficit Fund Balances of Individual Funds.

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

| Fund | Deficit Amount |
|----------------------------------|----------------|
| Comfort Revolution Fund | \$ 201,320 |
| District 4 Road Maintenance Fund | 9,684 |
| Jail Project Fund | 2,782 |

(15) 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.

Maintenance Agreement – The County entered into a long-term maintenance agreement with the City of Burnsville for \$7,500 annually to maintain the boat ramp in Burnsville.

(16) Related Organizations.

The Tishomingo County Board of Supervisors is responsible for appointing a voting majority of the members of the Tishomingo County Water and Sewer District, but the County's accountability for this organization does not extend beyond making the appointments to this organization.

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

(17) Joint Ventures.

The County participates in the following joint ventures:

Tishomingo County is a participant in the Northeast Regional Library, a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972). The library was organized under a contract between the counties of Alcorn, Prentiss, Tippah and Tishomingo. Tishomingo County appoints one of the four-member board. By contractual agreement, the County's appropriation this year to the joint venture amounted to \$85,500. Complete financial statements for the Northeast Regional Library can be obtained from the Northeast Regional Library, 1023 Fillmore Street, Corinth, MS 38834.

(18) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Northeast Mississippi Regional Solid Waste Authority was organized to provide solid waste disposal services to the counties of Benton, Prentiss, Tippah, and Tishomingo, and the cities of Ashland, Booneville and Ripley. Each of the 7 members has one vote with a guarantee that the member of the Board of Supervisors whose district contains the landfill is a permanent member of the Authority. User Governments will be billed on the volume of solid waste from each government.

The Regional IV Mental Health-Mental Retardation Commission is composed of the counties of Alcorn, Prentiss, Tippah, and Tishomingo. The board of commissioners is comprised of one appointee from each county Board of Supervisors. The County appropriated \$34,200 for fiscal year 2015.

Northeast Mississippi Planning and Development District operates in a district composed of the counties of Alcorn, Benton, Marshall, Prentiss, Tippah, and Tishomingo. The governing body is a 24-member board of directors with four appointed by the Board of Supervisors of each member county. The County appropriated \$18,525 for fiscal year 2015.

Northeast Mississippi Community College operates in a district composed of the counties of Alcorn, Prentiss, Tippah, Tishomingo, and Union. The Tishomingo County Board of Supervisors appoints two of the 15 members of the college board of trustees. The County appropriated \$430,135 for maintenance and support of the college in fiscal year 2015.

Northeast Mississippi Community Action Agency operates in a district composed of the counties of Alcorn, Benton, Marshall, Tishomingo, and Prentiss. The board of directors is comprised of 21 total board members. Tishomingo County appoints 5 board members. The County appropriated \$71,820 for support of the agency in fiscal year 2015.

(19) 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 Tishomingo County evaluated the activity of the County through June 15, 2018, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements. No adjustments were considered necessary to the financial statements.

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

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

| Issue Date | Interest Rate | Issue Amount | Type of Financing | Source of Financing |
|------------|---------------|--------------|-------------------|---------------------|
| 09/27/16 | 2.54% | \$ 41,000 | Other loan | Ad valorem taxes |
| 01/04/17 | 3.07% | 59,500 | Other loan | Ad valorem taxes |
| 04/25/17 | 2.95% | 37,000 | Other loan | Ad valorem taxes |
| 06/29/17 | 2.00% | 296,545 | Other loan | Ad valorem taxes |
| 05/02/18 | 2.87% | 250,000 | Other loan | Fuel tax |
| 05/02/18 | 2.87% | 250,000 | Other loan | Fuel tax |

Other Subsequent Events.

In October 2015, Dennen Steel, Inc.'s twelve month notice of their lease termination expires. The County then entered into a lease agreement with Hago Automotive Corporation for these industrial facilities in October 2015.

(20) Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$8,129,795) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$122,709 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 \$1,372,606 balance of the deferred outflow of resources related to pensions at September 30, 2015, will be recognized in pension expense over the remaining 4 years.

The unrestricted net position amount of (\$8,129,795) includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$534,847 of the \$2,030,162 balance of deferred outflows of resources at September 30, 2015, will be recognized as an expense and will decrease the unrestricted net position over the remaining 15 years.

***REQUIRED
SUPPLEMENTARY
INFORMATION***

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

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|---------------------|------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 2,047,310 | 2,459,004 | 2,459,004 | - |
| Licenses, commissions and other revenue | 275,000 | 247,059 | 247,059 | - |
| Fines and forfeitures | 350,500 | 233,385 | 233,385 | - |
| Intergovernmental revenues | 3,039,658 | 2,518,301 | 2,518,301 | - |
| Charges for services | - | 337,720 | 337,720 | - |
| Interest income | 35,000 | 69,592 | 69,592 | - |
| Miscellaneous revenues | 94,600 | 149,635 | 149,635 | - |
| Total Revenues | <u>5,842,068</u> | <u>6,014,696</u> | <u>6,014,696</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,463,371 | 3,640,566 | 3,640,566 | - |
| Public safety | 1,817,090 | 2,005,186 | 2,005,186 | - |
| Health and welfare | 182,193 | 165,224 | 165,224 | - |
| Culture and recreation | 85,500 | 85,500 | 85,500 | - |
| Conservation of natural resources | 61,884 | 57,997 | 57,997 | - |
| Economic development and assistance | 204,820 | 204,820 | 204,820 | - |
| DEBT SERVICE: | | | | |
| Interest and Fiscal Charges | - | 2,393 | 2,393 | - |
| Total Expenditures | <u>5,814,858</u> | <u>6,161,686</u> | <u>6,161,686</u> | <u>-</u> |
| Excess of Revenues over (under) Expenditures | <u>27,210</u> | <u>(146,990)</u> | <u>(146,990)</u> | <u>-</u> |
| OTHER FINANCING SOURCES/USES | | | | |
| Proceeds of other debt | - | 23,486 | 23,486 | - |
| Transfers in | - | 385,395 | 385,395 | - |
| Transfers out | - | (140,776) | (140,776) | - |
| Total Other Financing Sources and Uses | <u>-</u> | <u>268,105</u> | <u>268,105</u> | <u>-</u> |
| Net Change in Fund Balance | 27,210 | 121,115 | 121,115 | - |
| Fund Balance - Beginning | <u>2,813,425</u> | <u>931,635</u> | <u>931,635</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 2,840,635</u> | <u>1,052,750</u> | <u>1,052,750</u> | <u>-</u> |

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

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

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|---------------------|------------------|--------------------------------|---|
| REVENUES | | | | |
| Interest income | \$ 9,500 | 4,400 | 4,400 | - |
| Total Revenues | <u>9,500</u> | <u>4,400</u> | <u>4,400</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | - | 86,767 | 86,767 | - |
| Total Expenditures | <u>-</u> | <u>86,767</u> | <u>86,767</u> | <u>-</u> |
| Excess of Revenues over (under) Expenditures | <u>9,500</u> | <u>(82,367)</u> | <u>(82,367)</u> | <u>-</u> |
| OTHER FINANCING SOURCES/USES | | | | |
| Transfers out | - | (472,799) | (472,799) | - |
| Lease principal payments | <u>210,000</u> | <u>185,840</u> | <u>185,840</u> | <u>-</u> |
| Total Other Financing Sources and (Uses) | <u>210,000</u> | <u>(286,959)</u> | <u>(286,959)</u> | <u>-</u> |
| Net Change in Fund Balance | 219,500 | (369,326) | (369,326) | - |
| Fund Balance - Beginning | <u>2,255,815</u> | <u>1,528,192</u> | <u>1,528,192</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 2,475,315</u> | <u>1,158,866</u> | <u>1,158,866</u> | <u>-</u> |

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

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

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|--------------------------------|---|
| REVENUES | | | | |
| Use for money and property | \$ 54,000 | 49,551 | 49,551 | - |
| Miscellaneous revenue | - | 20,480 | 20,480 | - |
| Total Revenues | <u>54,000</u> | <u>70,031</u> | <u>70,031</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | 135,000 | 134,752 | 134,752 | - |
| Total Expenditures | <u>135,000</u> | <u>134,752</u> | <u>134,752</u> | <u>-</u> |
| Excess of Revenues over (under) Expenditures | <u>(81,000)</u> | <u>(64,721)</u> | <u>(64,721)</u> | <u>-</u> |
| OTHER FINANCING SOURCES/USES | | | | |
| Transfers in | - | 58,543 | 58,543 | - |
| Lease principal payments | 81,000 | 73,971 | 73,971 | - |
| Total Other Financing Sources and (Uses) | <u>81,000</u> | <u>132,514</u> | <u>132,514</u> | <u>-</u> |
| Net Change in Fund Balance | | 67,793 | 67,793 | - |
| Fund Balance - Beginning | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>67,793</u> | <u>67,793</u> | <u>-</u> |

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

TISHOMINGO COUNTY
 Budgetary Comparison Schedule
 Budget and Actual (Non-GAAP Basis)
 Contract Fabricators, Inc. Fund
 For the Year Ended September 30, 2015
 UNAUDITED

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|--------------------------------|---|
| REVENUES | | | | |
| Miscellaneous revenue | \$ 267,000 | 266,701 | 266,701 | - |
| Total Revenues | <u>267,000</u> | <u>266,701</u> | <u>266,701</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | 267,000 | 266,206 | 266,206 | - |
| Total Expenditures | <u>267,000</u> | <u>266,206</u> | <u>266,206</u> | <u>-</u> |
| Excess of Revenues over (under) Expenditures | <u>-</u> | <u>495</u> | <u>495</u> | <u>-</u> |
| Net Change in Fund Balance | - | 495 | 495 | - |
| Fund Balance - Beginning | <u>22,408</u> | <u>23,396</u> | <u>23,396</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 22,408</u> | <u>23,891</u> | <u>23,891</u> | <u>-</u> |

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

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

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|--------------------------------|---|
| REVENUES | | | | |
| \$ | - | - | - | - |
| Total Revenues | - | - | - | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | 73,500 | 73,207 | 73,207 | - |
| Total Expenditures | 73,500 | 73,207 | 73,207 | - |
| Excess of Revenues over (under) Expenditures | (73,500) | (73,207) | (73,207) | - |
| OTHER FINANCING SOURCES/USES | | | | |
| Lease principal payments | 73,500 | - | - | - |
| Total Other Financing Sources and (Uses) | 73,500 | - | - | - |
| Net Change in Fund Balance | - | (73,207) | (73,207) | - |
| Fund Balance - Beginning | - | 91,511 | 91,511 | - |
| Fund Balance - Ending | \$ - | 18,304 | 18,304 | - |

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

TISHOMINGO COUNTYSchedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

For the Year Ended September 30, 2015

| | <u>2015</u> | <u>2014</u> |
|--|--------------|-------------|
| County's proportion of the net pension liability (asset) | 0.0501% | 0.0486% |
| County's proportionate share of the net pension liability (asset) | \$ 7,744,472 | 5,899,150 |
| County's covered-employee payroll | \$ 3,130,159 | 2,969,092 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 247.41% | 198.69% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.70% | 67.21% |

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

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

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

| | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|
| Contractually required contribution | \$ 500,428 | 475,638 |
| Contributions in relation to the contractually required contribution | <u>500,428</u> | <u>475,638</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> |
| County's covered-employee payroll | \$ 3,177,321 | 3,019,924 |
| Contributions as a percentage of covered-employee payroll | 15.75% | 15.75% |

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

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

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

Budgetary Comparison Schedule

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff, the Tax Assessor, and 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).

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

| | Governmental Fund Types | | |
|--|-------------------------|---------------------------|-------------------|
| | General Fund | Economic Development Fund | Dennen Steel Fund |
| Budget (Cash Basis) | \$ 121,115 | (369,326) | 67,793 |
| Increase (Decrease) | | | |
| Net adjustments for revenue accrual | (146,547) | 22,287 | 5,724 |
| Net adjustments for expenditure accruals | 56,915 | - | - |
| Net adjustments for other financing sources(uses) accruals | (22,361) | 391,969 | 68 |
| GAAP Basis | \$ 9,122 | 44,930 | 73,585 |

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

| | Governmental Fund Types | |
|---|---------------------------------------|-------------------------------|
| | Contract Fabricators, Inc. Fund | Comfort Revolution Fund |
| Budget (Cash Basis) | \$ 495 | (73,208) |
| Increase (Decrease) | | |
| Net adjustments for revenue accrual | (160,658) | - |
| Net adjustments for expenditure accruals | - | - |
| Net adjustments for other financing sources(uses) accruals | 160,658 | - |
| GAAP Basis | \$ 495 | (73,208) |

Pension Schedules

A. Changes of assumptions

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

SUPPLEMENTARY INFORMATION

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

| Federal Grantor/Pass-Through Grantor Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|------------------------|---|----------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Passed-through the Mississippi Development Authority | | | |
| Home Investment Partnerships Program | 14.239 | 1220-M08-SG-280-446-13 | \$ 27,422 |
| Home Investment Partnerships Program | 14.239 | 1222-M10-SG-280-446-13 | 24,778 |
| Total U.S. Department of Housing and Urban Development | | | <u>52,200</u> |
| <u>U.S. Department of Transportation - Federal Aviation Administration</u> | | | |
| Airport Improvement Program* | 20.106 | 3-28-0006-015-2013 | 13,154 |
| Airport Improvement Program* | 20.106 | 3-28-0006-016-2014 | 177,630 |
| Airport Improvement Program* | 20.106 | 3-28-0006-017-2015 | 60,993 |
| Airport Improvement Program* | 20.106 | 3-28-0036-009-2013 | 5,688 |
| Airport Improvement Program* | 20.106 | 3-28-0036-010-2014 | 91,495 |
| Airport Improvement Program* | 20.106 | 3-28-0036-011-2015 | 16,612 |
| | | | <u>365,572</u> |
| <u>U.S. Department of Transportation - Federal Highway Administration</u> | | | |
| Passed-through the Mississippi Department of Transportation | | | |
| Highway Planning and Construction | 20.205 | BR-NBIS 081 B(71) | 17,640 |
| Passed-through the Mississippi Department of Transportation | | | |
| Highway Planning and Construction | 20.205 | STP-0961(9)B | 46,282 |
| Total U.S. Department of Transportation | | | <u>429,494</u> |
| <u>Appalachian Regional Commission</u> | | | |
| Appalachian Area Development Supplemental and Direct Grants | 23.002 | MS-17739 | <u>287,405</u> |
| <u>U.S. Department of Homeland Security</u> | | | |
| Passed-through the Mississippi Emergency Management Agency | | | |
| Emergency Management Performance Grants | 97.042 | N/A | 8,173 |
| Passed-through the Federal Emergency Management Agency | | | |
| Port Security Grant Program* | 97.056 | EMW-2014-PU-00076-S01 | 225,280 |
| Total U.S. Department of Homeland Security | | | <u>233,453</u> |
| Total Expenditures of Federal Awards | | | \$ <u>1,002,552</u> |

Notes to Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Tishomingo County under programs of the federal government for the year ended September 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

* Denotes major federal award program.

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

Operating Expenditures, Cash Basis:

| | |
|-------------------------------|----------------|
| Salaries | \$ 310,884 |
| Expendable Commodities: | |
| Gasoline & petroleum products | 74,879 |
| Repair parts | 107,103 |
| Insurance & Fidelity Bonds | 350 |
| Utilities | 5,519 |
| Engineering Fees | 1,140 |
| Maintenance | 2,058 |
| Supplies | 382 |
| Hauling | 229,600 |
| Capital outlay | <u>180,290</u> |

| | |
|---|---------|
| Solid Waste Cash Basis Operating Expenditures | 912,205 |
|---|---------|

Full Cost Expenses:

| | |
|-------------------------------|---------------|
| Less, New Fixed Assets | (180,290) |
| Indirect administrative costs | 5,395 |
| Depreciation on equipment | 58,839 |
| Other accrued expenses | <u>25,991</u> |

| | |
|--|--------------------------|
| Solid Waste Full Cost Operating Expenses | <u><u>\$ 822,140</u></u> |
|--|--------------------------|

OTHER INFORMATION

TISHOMINGO COUNTY

Schedule of Surety Bonds for County Officials

For the Year Ended September 30, 2015

UNAUDITED

| Name | Position | Company | Bond |
|------------------------|--|-------------------------|-----------|
| Brandon Grissom | Supervisor District 1 | Western Surety Co. | \$100,000 |
| Nicky McRae | Supervisor District 2 | Western Surety Co. | \$100,000 |
| Danny Ryan | Supervisor District 3 | State Farm Casualty Co. | \$100,000 |
| Steve Thorne | Supervisor District 4 | Western Surety Co. | \$100,000 |
| Greg Collier | Supervisor District 5 | Western Surety Co. | \$100,000 |
| Peyton Cummings | Chancery Clerk | Western Surety Co. | \$100,000 |
| Lynn McBride West | Purchase Clerk | Western Surety Co. | \$75,000 |
| Peyton Cummings | Assistant Purchase Clerk | Western Surety Co. | \$50,000 |
| Courtney Durham Wilson | Receiving Clerk | Western Surety Co. | \$75,000 |
| Timothy Wood | Assistant Receiving Clerk - District 1 | Western Surety Co. | \$50,000 |
| Brandon Brown | Assistant Receiving Clerk - District 2 | Western Surety Co. | \$50,000 |
| Ronnie Woodruff | Assistant Receiving Clerk - District 3 | Western Surety Co. | \$50,000 |
| Marcus Robinson | Assistant Receiving Clerk - District 4 | Western Surety Co. | \$50,000 |
| David Oaks | Assistant Receiving Clerk - District 5 | Western Surety Co. | \$10,000 |
| Tim Wilson | Assistant Receiving Clerk - Landfill | Western Surety Co. | \$50,000 |
| Judy Robinson | Assistant Receiving Clerk - Sheriff | Western Surety Co. | \$50,000 |
| Peyton Cummings | Inventory Control Clerk | Western Surety Co. | \$75,000 |
| Gina Underwood | Assistant Inventory Control Clerk | Western Surety Co. | \$50,000 |
| Jeffery Kemp | Constable | Western Surety Co. | \$50,000 |
| Donald Ray Thomas | Constable | Western Surety Co. | \$50,000 |
| Tim Bivins | Constable | Western Surety Co. | \$50,000 |
| Donna Dill | Circuit Clerk | Western Surety Co. | \$100,000 |
| Cindy Hinton | Deputy Circuit Clerk | Western Surety Co. | \$100,000 |
| Rebecca Oaks | Deputy Circuit Clerk | Western Surety Co. | \$100,000 |
| Laura Hisaw | Deputy Circuit Clerk | Western Surety Co. | \$100,000 |
| Glen Whitlock | Sheriff | Western Surety Co. | \$100,000 |
| Adam Hall | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Adam Kostenlansky | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Albert J. Duckett | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Brandon Lambert | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Brandon Slack | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Branson Tennyson | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Cynthia L. Timbes | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Donovan Cain | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Dustin Creekmore | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Eric Bowman | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |

TISHOMINGO COUNTY

Schedule of Surety Bonds for County Officials

For the Year Ended September 30, 2015

UNAUDITED

| Name | Position | Company | Bond |
|----------------------|--|--------------------|-----------|
| Jack Lomenick (Trip) | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| James Page | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Jamie Reynolds | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Jessie H. Jones | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Kevin Booker | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Logan Vaughn | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Mark Nichols | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Mike Kemp | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Perry Mask | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Rodney Waddle | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Scotty Hughes | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Shane Wood | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Stanley Hester | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Terry Jackson | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Co. | \$50,000 |
| Donnie J. Sparks | Justice Court Judge | Western Surety Co. | \$50,000 |
| Billy Glover | Justice Court Judge | Western Surety Co. | \$50,000 |
| Mechelle Ponders | Justice Court Clerk | Western Surety Co. | \$50,000 |
| Edna Renee Shull | Deputy Justice Court Clerk | Western Surety Co. | \$50,000 |
| Joy Brock Chatman | Deputy Justice Court Clerk | Western Surety Co. | \$50,000 |
| Paul Whitlock | Tax Collector | Western Surety Co. | \$100,000 |
| Shailyn D. Davis | Deputy Tax Collector | Western Surety Co. | \$50,000 |
| Jena McNatt | Deputy Tax Collector | Western Surety Co. | \$50,000 |
| Kathy Helton | Deputy Tax Collector | Western Surety Co. | \$50,000 |
| Sandy Kirk | Deputy Tax Collector | Western Surety Co. | \$50,000 |
| Debbie Curtis | Deputy Tax Collector | Western Surety Co. | \$50,000 |
| Judy Vaughn | Deputy Tax Collector | Western Surety Co. | \$50,000 |
| Diana Turner | Tax Assessor | Western Surety Co. | \$50,000 |
| Shirley Maxwell | Deputy Tax Assessor | Western Surety Co. | \$10,000 |
| Pam Watson-Rogers | Deputy Tax Assessor | Western Surety Co. | \$10,000 |
| Marianna Bonds | Deputy Tax Assessor | Western Surety Co. | \$10,000 |
| Melissa Morris | Deputy Tax Assessor | Western Surety Co. | \$10,000 |

SPECIAL REPORTS



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

Members of the Board of Supervisors
Tishomingo 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, each major fund and the aggregate remaining fund information of Tishomingo County, Mississippi (the County), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 15, 2018. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the General Fund due to management not maintaining and preserving adequate subsidiary records documenting the completeness, existence and valuation of fines receivable and the aging of fines receivable. The report is qualified on the governmental activities because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2015-001, 2015-002, 2015-003, 2015-004, 2015-009, 2015-010, 2015-011, 2015-012, 2015-013 and 2015-014 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2015-005, 2015-006, 2015-007 and 2015-008 to be significant deficiencies.

Compliance and Other Matters

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

However, we also noted certain matters that we reported to the management of Tishomingo County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated June 15, 2018, included within this document.

Tishomingo County's Responses to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, flowing script.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
June 15, 2018



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

Members of the Board of Supervisors
Tishomingo County, Mississippi

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Tishomingo County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tishomingo 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 each major federal program. However, our audit does not provide a legal determination on Tishomingo County, Mississippi's compliance.

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Opinion on Each Major Federal Program

In our opinion, Tishomingo 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 each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of Tishomingo 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 Tishomingo County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of the 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.



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June 15, 2018



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**INDEPENDENT ACCOUNTANTS' 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
Tishomingo County, Mississippi

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Tishomingo 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.

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response is disclosed below:

Inventory Control Clerk.

1. The Inventory Control Clerk should maintain an inventory control system that includes correct values for all assets.

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Finding

Section 31-7-107, Miss Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory control system. This system should include all additions and deletions to capital assets in the system including Construction in Progress. Audit procedures indicated that due to failure to add and delete assets correctly, the following asset classifications were misstated:

- Land was understated by \$109,000
- Buildings were understated by \$1,294,909
- Improvements Other Than Buildings were understated by \$65,710

Failure to record assets at the proper values resulted in a material misstatement in the financial statements. Audit adjustments were proposed to management and made to the financial statements with management's approval.

Recommendation

The Inventory Control Clerk should ensure that all asset additions and deletions are recorded in the County inventory records at the proper values.

Inventory Control Clerk's Response

Inventory Control Clerk will comply with recommendation.

In our opinion, because of the noncompliance referred to in the preceding paragraph, Tishomingo County, Mississippi, did not comply, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

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

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

This report is intended for use in evaluating Tishomingo 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.



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Certified Public Accountants
Red Bay, Alabama
June 15, 2018

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

Schedule 1

| <u>Date</u> | <u>Item Purchased</u> | <u>Bid Accepted</u> | <u>Vendor</u> | <u>Lowest Bid</u> | <u>Reason For Accepting Other Than the Lowest Bid</u> |
|-------------|---------------------------|-------------------------|-------------------------|-----------------------|--|
| 08/10/15 | Asphalt/Paving | \$90.75/ton | W.G. Construction, Inc. | \$90.50/ton | Yearly bid was accepted for hot mix in place by APAC but they could not do the project at the time needed. |

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

Schedule 2

| <u>Date</u> | <u>Item Purchased</u> | <u>Amount Paid</u> | <u>Vendor</u> | <u>Reason for Emergency Purchase</u> |
|-------------|---------------------------|------------------------|-----------------------------|--|
| 10/09/14 | Roof repair | \$ 50,000 | Ronald Franks Construction | Emergency roof repair to Comfort Revolution |
| 05/11/15 | Plumbing and electric | \$ 15,000 | McNeely Plumbing & Electric | Emergency weekend repair at Tri-State. The repair was to the waste water treatment plant. The treatment plant pumps went down and raw sewage was dumping into the treatment plant. |

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

Schedule 3

| <u>Date</u> | <u>Item Purchased</u> | | <u>Amount Paid</u> | <u>Vendor</u> |
|-------------|---------------------------------|----|------------------------|--------------------|
| 08/24/15 | TWIC reader with Biometric Clip | \$ | 9,435 | Intellicheck, Inc. |



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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Tishomingo County, Mississippi

In planning and performing our audit of the financial statements of Tishomingo County, Mississippi for the year ended September 30, 2015, we considered Tishomingo 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 Tishomingo 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 June 15, 2018, on the financial statements of Tishomingo 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 immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. The County had unapproved interfund transfers and loans.

Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the board minutes to be a complete and correct record of all proceedings of the Board of Supervisors. Interfund transfers and loans were made without board orders spread upon the minutes. Failure to have board approval for interfund transfers or loans spread upon the board minutes could result in illegal transfers or loans.

Recommendation

The Board of Supervisors should spread on its minutes orders relative to interfund transfers and loans.

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Board of Supervisors' Response

We will comply.

2. Controls over repayment of interfund advances should be strengthened.

Finding

As reported in the prior year's audit report, the County has interfund loans outstanding that are over a year old. These interfund loans total \$302,238 as of September 30, 2014. The Mississippi Code is silent regarding the authority of the County to make these loans. Failure to repay these loans constitutes a diversion of legally restricted funds.

Recommendation

The Board of Supervisors should ensure that these loans are repaid as soon as possible.

Board of Supervisors' Response

We will comply.

3. Warrants were issued without sufficient money to pay the warrants.

Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. Warrants were issued on a fund which did not have sufficient money to pay the warrants. As reported in the prior year's audit report, at various times during the year, the following funds had negative cash balances:

- (a) General Fund
- (b) 1st District Volunteer Fire Department Fund
- (c) 4th District Volunteer Fire Department Fund
- (d) Iuka Airport Fund
- (e) Belmont Airport Fund
- (f) Dennen Steel Fund
- (g) 3rd District Industrial Fund
- (h) MS Silicon Fund
- (i) Jail Project Fund
- (j) Block Grant Fund
- (k) Payroll Clearing Fund

Failure to have sufficient cash balances in County funds prior to writing checks on these funds results in other funds' cash being used for purposes other than their intended purpose.

Recommendation

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

Board of Supervisors' Response

We will comply.

4. The County should replace obsolete computer hardware and software.

Finding

As reported in the prior year's audit report, the 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 the lack of such support, these systems could become vulnerable to hackers and malware such as viruses.

Recommendation

We recommend that the County develop a plan to replace the operating systems, applications, and hardware where necessary that is no longer supported by vendors as soon as possible.

Board of Supervisors' Response

We will comply.

5. The County should strengthen passwords.

Finding

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

Recommendation

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

Board of Supervisors' Response

We will comply.

6. The County should create a rotation of backups offsite.

Finding

As reported in the prior year's audit report, the County is currently using an automated system to perform daily back-ups of the AS400. Upon clarification of the backup processes, it was determined that the tapes should be taken offsite, as no other copy of County data was being stored at an off-site location. Without proper off-site storage of back-up files and applications, 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 escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that the County implement a plan to ensure that all back-up files are taken offsite on a regular basis and stored in a safe and secure location. This process should be documented in the County's Disaster Recovery Plan. With close proximity of a bank it would be convenient and safe to place the backup tapes in the night deposit drop and then place them in a safe deposit box the next day. It is further recommended that tapes be kept at the bank for several days (e.g., two weeks), in case of a disaster situation that required recovery and problems in reading recovery tapes were experienced.

Board of Supervisors' Response

We will comply.

7. The County should establish and test a disaster recovery process.

Finding

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

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

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

Recommendation

We recommend that the County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including county personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

We also recommend that the County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

We will comply with recommendation.

8. Assistant Receiving Clerk was not bonded for the proper amount.

Finding

Section 31-7-124, Miss. Code Ann. (1972) requires Assistant Receiving Clerks be bonded for \$50,000. There was one Assistant Receiving Clerk that was still bonded at the former statute amount of \$10,000. Failure to comply with the statute could result in a loss of public funds.

Recommendation

The Board should ensure that all Assistant Receiving Clerks are bonded in the amount of \$50,000, as required by law.

Tax Collector's Response

All Assistant Receiving Clerks are now bonded for the proper amount.

Tax Assessor.

9. An industrial exemption was removed prior to the expiration date.

Finding

The former Tax Assessor removed an industrial exemption before the exemption expired resulting in an industry being overcharged on their ad valorem taxes.

Recommendation

The Tax Assessor should keep a record of each industrial exemption and their expiration dates to ensure that the proper amount of ad valorem tax is charged.

Tax Assessor's Response

The former Tax Assessor was not available for response.

10. An industry was granted an exemption in excess of the amount allowed.

Finding

The Tax Assessor allowed an industry to receive exemption on an amount in excess of the exemption granted by the Mississippi State Tax Commission. This resulted in an industry paying less in ad valorem tax than they should have. Failure to monitor exemptions could result in a loss of taxpayer funds.

Recommendation

The Tax Assessor should monitor what assessed values are included in exemptions to prevent the County from the possible loss of ad valorem tax.

Tax Assessor's Response

The former Tax Assessor was not available for response.

Sheriff.

11. Drug buy vouchers did not contain all required documentation.

Finding

Not all the drug buy vouchers contained required documentation including witness signatures, signature of source payee, and bona fide case numbers.

Recommendation

The Sheriff and Drug Enforcement Officer should prepare all vouchers correctly including witness signatures, signature of source payee, and bona fide case numbers.

Sheriff's Response

I will comply.

12. The confidential informant file was incomplete.

Finding

The confidential informant file did not contain sufficient information to authenticate all of the confidential informants provided on drug buy vouchers.

Recommendation

The Sheriff and Drug Enforcement Officer should ensure that the confidential informant file contains all required information.

Sheriff's Response

I will comply.

Tishomingo 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.



The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
June 15, 2018

***SCHEDULE OF
FINDINGS AND
QUESTIONED COSTS***

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

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditors' report issued on the financial statements: | |
| | Governmental Activities | Qualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Qualified |
| | Economic Development Fund | Unmodified |
| | Dennen Steel Fund | Unmodified |
| | Contract Fabricators, Inc. Fund | Unmodified |
| | Comfort Revolution Fund | Unmodified |
| | MS Silicon Fund | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None reported |
| 5. | Type of auditors' report issued on compliance for major federal programs: | 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 programs: | |
| | a. U.S. Department of Transportation, Airport Improvement Program, CFDA #20.106. | |
| | b. U.S. Department of Homeland Security, Passed-through The Federal Emergency Management Agency Port Security Grant Program, CFDA #97.056 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

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

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness.

2015-001. Criteria:

A critical aspect of effective financial management is the preparation of accurate financial statements.

Condition:

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

Effect:

The failure to include the County's component units resulted in an adverse opinion on the discretely presented component units.

Cause:

The County chose not to include their component units in their financial statements.

Recommendation:

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

Response:

Our component units do not provide audited statements.

Material Weakness.

2015-002 Criteria:

A critical aspect of effective financial management is the preparation of accurate financial statements.

Condition:

GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* requires the County to report on an accrual basis the liability associated with other postemployment benefits. 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.

Effect:

The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities.

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

Cause:

The County chose not to include a liability for postemployment benefits in their financial statements nor have they chosen to include required note disclosures.

Recommendation:

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

Response:

We will comply.

Material Weakness.

2015-003 Criteria:

A critical aspect of effective financial management is the preparation of accurate financial statements.

Condition:

An effective system of internal control over financial statement preparation should include adequate documentation for all amounts reported in the financial statements, all required disclosures in the notes to the financial statements, proper implementation of GASB standards, proper classification of revenues and expenditures and proper posting of transactions. We noted the following deficiencies in the financial preparation and reporting:

- a. As reported in the prior year's audit report, the County prepared SEFA was incomplete.
- b. Capital assets were understated by \$1,465,216, due to assets associated with Skyline Steel and Roll Form being removed twice.
- c. The County did not properly implement GASB Statement No. 68 which resulted in pension expense not being separately stated on the Statement of Activities.
- d. Deferred outflows related to pensions on the Statement of Net Position was understated by \$131,609.
- e. Net pension liability on the Statement of Net Position was understated by \$174,743.
- f. The County failed to report Economic Development Fund as a major fund on their fund financial statements.
- g. Due to Other Funds were understated by \$60,270, due to amounts there were due between the luka and Belmont Airport Funds.
- h. Required note disclosures for operating leases were omitted.
- i. Errors in prior year capital assets resulted in prior period adjustments.

TISHOMINGO COUNTY
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Effect:

The failure to properly report assets, liabilities, fund balances, revenues, expenditures, transfers, note disclosures and properly present funds in accordance with GASB Statement No. 34 could result in inaccurate financial statements.

Cause:

The County failed to properly follow generally accepted accounting principles in preparing the financial statements and notes to the financial statements.

Recommendation:

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes proper posting of adjustments to assets, liabilities, revenues, expenditures, and transfers. Funds should be presented in the financial statements in accordance with criteria established by GASB Statement No. 34 and all required note disclosures should be presented.

Response:

We will comply.

Material Weakness.

2015-004

Criteria:

An effective system of internal control over the accounting of fines receivable should include maintaining a reasonable allowance for uncollectible fines.

Condition:

The allowance for uncollectible fines does not appear reasonable.

Effect:

The failure to present a reasonable allowance for uncollectible fines receivable could result in erroneous amounts being reported in the financial statements.

Cause:

The County's policy is based on the assumption that 100% of all fines less than 48 months past due would be collected.

Recommendation:

The Board of Supervisors should approve a reasonable allowance for uncollectible fines.

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Response:

We will comply.

Significant Deficiency.

2015-005 Criteria:

The Mississippi Enterprise Security Policy requires network access reviews be performed, at a minimum, every three years or more frequently whenever business situations change that might raise the level of risk for unauthorized access to an entity's data assets.

Condition:

As reported in the prior year's audit, a network access review is warranted. The County failed to have a network access reviewed as required by Mississippi Enterprise Security Policy.

Effect:

Hacks into networks, especially internet facing networks, are a common occurrence in today's information technology environment. Data breaches can cost breached entities fines, regulatory oversight, bad public relations, customer distrust and personnel time to correct issues caused by unauthorized access. Consequences can be both short-term (e.g., notification of breached parties) and long-term (e.g., lawsuits).

Cause:

The potential cost of a network access review has prevented the County from having one performed.

Recommendation:

The Board of Supervisors should perform a network access review as soon as possible consisting of risk assessments, vulnerability scans and penetration tests. These tests should be conducted by qualified personnel that specialize in such assessments.

Response:

We will comply.

Significant Deficiency.

2015-006 Criteria:

All passwords should be set to expire in accordance with policy to be determined by the County using best business practices guidelines.

Condition:

As reported in the prior year's audit, some user's passwords were set to expire on a more infrequent basis than recommended in best business practices.

TISHOMINGO COUNTY
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Effect:

The County becomes more vulnerable to hackers if passwords are not expired on a regular basis.

Cause:

The County failed to implement a policy ensuring that passwords are expired on a regular basis.

Recommendation:

The Board of Supervisors should implement a policy to ensure that passwords are expired on a regular basis. The County should also 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

Response:

We will comply.

Significant Deficiency.

2015-007

Criteria:

A critical aspect of effective cyber security is a policy for information technology.

Condition:

As reported in the prior year's audit, the County has not adopted a formal Information Security Policy or Enterprise Security Plan.

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.

Cause:

The County failed to implement a formal Information Security Policy or Enterprise Security Plan.

Recommendation:

The County should 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 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.

Response:

We will comply.

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Significant Deficiency.

2015-008 Criteria:

The County's server room should have limited access and proper environmental equipment for electronic equipment.

Condition:

As reported in the prior year's audit, the County's computer room is not a dedicated room with limited, controlled access and proper environmental equipment for electronic equipment. The room is secure in that there are people working during business hours in and around the computer. However, the computer is in the open and has the potential to be accessed by unauthorized personnel. The room does have air conditioning but it does not have monitoring equipment for other conditions that can have an adverse effect on electronic equipment.

Effect:

Lack of monitoring equipment could result in an environmental condition affecting the County's server. If there is an incident, the County could lose vital records.

Cause:

The County does not have a separate secure room to house their computer server.

Recommendation:

The County should establish an area specifically for computerized equipment that can be locked and provisioned with environmental control and monitoring equipment in relation to heat, humidity, and other conditions that might affect computerized equipment. This equipment should also have the capability to notify the proper personnel when these conditions vary outside of preset ranges. A log should also be maintained of visitors entering and exiting the computer room. In addition, access reviews should be completed on a periodic basis to determine that only authorized personnel have access to the computer room. Documentation of visitors to the computer room as well as periodic access reviews should be maintained for review by audit personnel.

Response:

We will comply.

Chancery Clerk.

Material Weakness.

2015-009 Criteria:

An effective system of internal control should include adequate preparation, review, and documentation of bank reconciliations.

Condition:

As reported in the prior year's audit, audit procedures indicated a lack of any documentation showing a review of bank reconciliations.

TISHOMINGO COUNTY
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Effect:

Failure to review bank reconciliations could result in a loss of public funds.

Cause:

The Chancery Clerk does not review bank reconciliations after they are prepared.

Recommendation:

The Chancery Clerk should ensure a system of review and documentation over reconciliations of the County's cash balances to bank account balances.

Response:

I have taken steps to correct as of audit report date.

Material Weakness.

2015-010

Criteria:

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

Condition:

As reported in the prior year's audit, the payroll clerk sets up new employees, makes changes to existing employee's master data, runs the payroll, signs the checks and prepares the checks for distribution.

Effect:

Failure to have adequate segregation of duties for payroll preparation could result in the loss or misappropriation of public funds.

Cause:

The Chancery Clerk has a small staff and therefore, the payroll clerk performs all duties of the payroll process.

Recommendation:

The Chancery Clerk should take steps to ensure that there is adequate segregation of duties in the processing of payroll.

Response:

I will comply.

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Material Weakness.

2015-011 Criteria:

An effective system of internal controls over the accounting functions should include an adequate segregation of duties in the collection, deposit preparation, disbursement, general journal, recording and reconciling functions.

Condition:

As reported in the prior year's audit, it was noted that an employee was processing disbursements with the Chancery Clerk's signature pre-printed on the checks, along with initialing her name on the checks as well. The Chancery Clerk did not review the bank statements, bank reconciliations, checks written and related back up data supporting disbursements.

Effect:

The conditions could result in unrecorded transactions, misstated financial reports, undetected errors or misappropriation of funds.

Cause:

The Chancery Clerk allowed employees to use his electronic signature on checks.

Recommendation:

In order to mitigate the possibility of misappropriation of funds, it is necessary to maintain adequate segregation of duties. The Chancery Clerk should not allow the employee who processes disbursements to print checks with his electronic signature on the checks. The Chancery Clerk should review bank statements and reconciliations and document as being reviewed.

Response:

I will comply.

Inventory Control Clerk.

Material Weakness.

2015-012 Criteria:

An effective system of internal control should include properly recording all additions and deletions to capital assets in the capital asset records including Construction in Progress.

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Condition:

Audit procedures indicated that due to failure to add and delete assets correctly, the following asset classifications were misstated:

- Land was understated by \$109,000
- Buildings were understated by \$1,294,909
- Improvements Other Than Buildings were understated by \$65,710

Effect:

Failure to record assets at the proper values resulted in a material misstatement in the financial statements. Audit adjustments were proposed to management and made to the financial statements with management's approval.

Cause:

The Inventory Control Clerk did not correctly add and delete capital assets.

Recommendation:

The Inventory Control Clerk should ensure that all asset additions and deletions are recorded in the county inventory at the proper values.

Response:

I will comply.

Justice Court Clerk.

Material Weakness.

2015-013 Criteria:

An effective system of internal control over fines receivable records should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance.

Condition:

Management did not maintain and preserve adequate subsidiary records documenting the completeness, existence and valuation of the fines receivable for Justice Court and the aging of fines receivable.

Effect:

The Independent Auditors' Report includes a qualified opinion on the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.

Cause:

The Justice Court Clerk did not maintain a subsidiary ledger for fines receivable.

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Recommendation:

The Justice Court Clerk should establish procedures documenting the completeness, existence and valuation of Justice Court fines receivable records, including the aging schedules for the Justice Court fines receivable. These fines receivables amounts should include fines only.

Response:

I will comply.

Material Weakness.

2015-014 Criteria:

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

Condition:

The cash collection and disbursement functions in the Justice Court office were not adequately separated for effective internal controls. The Justice Court Clerk has access to collections, prepares and makes bank deposits, prepares daily check-up sheets, reconciles the bank statements, posts the cash journal, makes monthly settlements and writes checks for all disbursements.

Effect:

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

Cause:

The Justice Court Clerk has a small staff.

Recommendation:

The Board of Supervisors should take steps to ensure that there is an adequate separation of duties in the collection and disbursement functions of the Justice Court office or that there is external oversight over the operations of the Justice Court office.

Response:

We will comply.

Section 3: Federal Award Findings and Questioned Costs

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