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ITAWAMBA COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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SEPTEMBER 30, 2016**

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Itawamba County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Itawamba County, Mississippi, (the County) as of and for the year ended September 30, 2016, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for 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 Itawamba County, Mississippi, as of September 30, 2016, 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 Governmental Activities and the General Fund

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Justice Court and the aging of these fines receivable. Due to the nature of the County’s records, we were unable to satisfy ourselves as to the fair presentation of Justice Court fines receivable, net, reported on the Statement of Net Position as of September 30, 2016. Also, because of the nature of the Justice Court fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions in the General Fund, which affects the accuracy of assets and deferred inflows of resources on the Governmental Funds Balance Sheet.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities and the General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of Itawamba County, Mississippi, as of September 30, 2016, and the changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, Port Fund, Nursing Home Fund, Countywide Road Maintenance Fund, Solid Waste Fund, and the aggregate remaining fund information of Itawamba County, Mississippi, as of September 30, 2016, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

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

Other Information

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 December 31, 2019, on our consideration of Itawamba 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 the effectiveness of Itawamba County's 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 Itawamba County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

J. E. Vance & Company, P.A.
December 31, 2019

BASIC FINANCIAL STATEMENTS

Itawamba County
Statement of Net Position
September 30, 2016

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 6,332,923	553,371	6,886,294
Property tax receivable	5,017,868		5,017,868
Accounts receivable (net of allowance for uncollectibles of \$438,573)		125,349	125,349
Fines receivable (net of allowance for uncollectibles of \$1,976,384)	412,875		412,875
Intergovernmental receivables	1,136,113		1,136,113
Other receivables	41,037	58,046	99,083
Internal balances	94,343	(94,343)	
Prepaid items	53,607		53,607
Capital assets:			
Land and construction in progress	7,358,656		7,358,656
Other capital assets, net	21,014,343	309,604	21,323,947
Total Assets	41,461,765	952,027	42,413,792
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	116,900		116,900
Deferred outflows related to pensions	1,720,486	191,165	1,911,651
Total Deferred Outflows of Resources	1,837,386	191,165	2,028,551
LIABILITIES			
Claims payable	672,077	58,917	730,994
Intergovernmental payables	309,182		309,182
Accrued interest payable	45,514	313	45,827
Unearned revenue		92,366	92,366
Amounts held in custody for others	8,204		8,204
Long-term liabilities:			
Net Pension Liability	8,181,363	909,040	9,090,403
Due within one year:			
Capital debt	1,278,650	136,357	1,415,007
Due in more than one year:			
Capital debt	6,233,198	123,231	6,356,429
Non-capital debt	156,025	22,207	178,232
Total Liabilities	16,884,213	1,342,431	18,226,644
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	21,740	2,416	24,156
Property tax for future reporting period	5,017,868		5,017,868
Total Deferred Inflows of Resources	5,039,608	2,416	5,042,024
NET POSITION			
Net investment in capital assets	20,978,051	50,016	21,028,067
Restricted:			
Expendable:			
General government	26,258		26,258
Public safety	1,146,200		1,146,200
Public works	1,609,666		1,609,666
Health and welfare	1,873,957		1,873,957
Economic development	393,382		393,382
Debt service	326,825		326,825
Unrestricted	(4,979,009)	(251,671)	(5,230,680)
Total Net Position	\$ 21,375,330	(201,655)	21,173,675

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

Itawamba County
Statement of Activities
For the Year Ended September 30, 2016

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,697,087	783,643	27,290		(1,886,154)		(1,886,154)
Public safety	1,951,502	383,804	327,221	70,000	(1,170,477)		(1,170,477)
Public works	5,320,431		2,631,173	285,463	(2,403,795)		(2,403,795)
Health and welfare	163,332		32,867		(130,465)		(130,465)
Culture and recreation	90,625				(90,625)		(90,625)
Conservation of natural resources	113,166				(113,166)		(113,166)
Economic development and assistance	317,623				(317,623)		(317,623)
Interest on long-term debt	187,979				(187,979)		(187,979)
Pension expense	1,205,015				(1,205,015)		(1,205,015)
Total Governmental Activities	12,046,760	1,167,447	3,018,551	355,463	(7,505,299)		(7,505,299)
Business-type activities:							
Solid Waste	1,222,895	1,250,225	20,368			47,698	47,698
Total Primary Government	\$ 13,269,655	2,417,672	3,038,919	355,463	(7,505,299)	47,698	(7,457,601)
General revenues:							
Property taxes					\$ 6,442,725		6,442,725
Road & bridge privilege taxes					385,640		385,640
Grants and contributions not restricted to specific programs					535,701		535,701
Unrestricted interest income					70,255	690	70,945
Miscellaneous					989,891	511	990,402
Transfers					(1,823)	127	(1,696)
Total General Revenues and Transfers					8,422,389	1,328	8,423,717
Changes in Net Position					917,090	49,026	966,116
Net Position - Beginning, as previously reported					17,388,263	(202,444)	17,185,819
Prior period adjustments					3,069,977	(48,237)	3,021,740
Net Position - Beginning, as restated					20,458,240	(250,681)	20,207,559
Net Position - Ending					\$ 21,375,330	(201,655)	21,173,675

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

Itawamba County
Balance Sheet - Governmental Funds
September 30, 2016

Exhibit 3

	Major Funds				Other	Total
	General Fund	Port Fund	Nursing Home Fund	County wide Road Maintenance Fund	Governmental Funds	Governmental Funds
ASSETS						
Cash	\$ 1,355,911	203,813	1,323,316	1,080,966	2,368,917	6,332,923
Property tax receivable	2,896,000			785,000	1,336,868	5,017,868
Fines receivable (net of allowance for uncollectibles of \$1,976,384)	412,875					412,875
Intergovernmental receivables	130,187	51,199		151,487	404	333,277
Other receivables	8,309				32,728	41,037
Due from other funds	15,817		388,508	43,069	33,843	481,237
Advances to other funds	114,800		96,000			210,800
Total Assets	\$ 4,933,899	255,012	1,807,824	2,060,522	3,772,760	12,830,017
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 123,732	379,336		154,699	14,310	672,077
Intergovernmental payables	305,432	3,750				309,182
Due to other funds	113,186	388,508				501,694
Advances from other funds					96,000	96,000
Amounts held in custody of others	8,204					8,204
Total Liabilities	550,554	771,594	-0-	154,699	110,310	1,587,157
Deferred inflows of resources:						
Unavailable revenue - property taxes	2,896,000			785,000	1,336,868	5,017,868
Unavailable revenue - fines	412,875					412,875
Total Deferred Inflows of Resources	3,308,875	-0-	-0-	785,000	1,336,868	5,430,743
Fund balances:						
Nonspendable:						
Advances	114,800					114,800
Restricted for:						
General government					26,258	26,258
Public safety					1,146,200	1,146,200
Public works				1,120,823	488,843	1,609,666
Health and welfare			1,807,824		66,133	1,873,957
Economic development and assistance					393,382	393,382
Debt service					372,339	372,339
Unassigned	959,670	(516,582)			(167,573)	275,515
Total Fund Balances	1,074,470	(516,582)	1,807,824	1,120,823	2,325,582	5,812,117
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,933,899	255,012	1,807,824	2,060,522	3,772,760	12,830,017

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

Itawamba County
Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2016

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,812,117
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 \$15,096,374.	28,372,999
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	412,875
Prepaid items	53,607
Intergovernmental receivables	802,836
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,667,873)
Deferred amount on refunding is not a financial resource and, therefore, is not reported in the funds.	116,900
Net Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,181,363)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(45,514)
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	1,720,486
Deferred inflows of resources related to pensions	<u>(21,740)</u>
Total Net Position - Governmental Activities	\$ <u><u>21,375,330</u></u>

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

Itawamba County
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended September 30, 2016

Exhibit 4

	Major Funds					
	General Fund	Port Fund	Nursing Home Fund	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 3,859,550			933,046	1,650,129	6,442,725
Road and bridge privilege taxes				385,640		385,640
Licenses, commissions and other revenue	284,937				28,612	313,549
Fines and forfeitures	313,176					313,176
Intergovernmental revenues	537,819	625,942	70,000	1,601,355	356,287	3,191,403
Charges for services	94,875				240,379	335,254
Interest income	59,213	351	5,986	1,465	3,240	70,255
Miscellaneous revenues	59,190	320,201	277,772	14,066	26,615	697,844
Total Revenues	5,208,760	946,494	353,758	2,935,572	2,305,262	11,749,846
EXPENDITURES						
Current:						
General government	2,694,835				5,234	2,700,069
Public safety	1,807,343				586,329	2,393,672
Public works		1,918,979		2,913,084	447,279	5,279,342
Health and welfare	125,494		10,000		1,138	136,632
Culture and recreation	90,625					90,625
Conservation of natural resources	114,539					114,539
Economic development and assistance	151,295				2,005	153,300
Debt service:						
Principal	57,418			54,803	1,306,210	1,418,431
Interest	3,286	3,952		5,962	171,522	184,722
Total Expenditures	5,044,835	1,922,931	10,000	2,973,849	2,519,717	12,471,332
Excess of Revenues over (under) Expenditures	163,925	(976,437)	343,758	(38,277)	(214,455)	(721,486)
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	60,250		80,000			140,250
Proceeds from sale of capital assets				5,700		5,700
Transfers in	28,704	485,000		619	806,055	1,320,378
Transfers out	(54,484)	(116,453)	(600,000)	(5,009)	(545,513)	(1,321,459)
Total Other Financing Sources and Uses	34,470	368,547	(520,000)	1,310	260,542	144,869
Net Changes in Fund Balances	198,395	(607,890)	(176,242)	(36,967)	46,087	(576,617)
Fund Balances - Beginning, as originally reported	1,165,416	(41,329)	1,984,066	894,629	2,538,703	6,541,485
Prior period adjustments	(289,341)	132,637		263,161	(259,208)	(152,751)
Fund Balances - Beginning, as restated	876,075	91,308	1,984,066	1,157,790	2,279,495	6,388,734
Fund Balances - Ending	\$ 1,074,470	(516,582)	1,807,824	1,120,823	2,325,582	5,812,117

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

Itawamba 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, 2016

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (576,617)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,450,246 exceeded depreciation of \$1,283,485 and transfers of \$742 in the current period.	166,019
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$3,046 and the proceeds from the sale of \$5,700 in the current period.	(2,654)
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.	199,248
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in long-term receivables:	
Intergovernmental revenues	718,312
Charges for services	6,220
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	(140,250)
Debt repayments	1,418,431
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Decrease in compensated absences	1,128
Decrease in accrued interest payable	6,013
Decrease in prepaid insurance	(131,401)
Amortization of deferred amount on refunding	(16,700)
Amortization of premium on bonds	7,430
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	(1,205,015)
Recording of contributions made to defined benefit pension plan	466,926
Change in Net Position of Governmental Activities	\$ <u>917,090</u>

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

Itawamba County
Statement of Net Position - Proprietary Fund
September 30, 2016

Exhibit 5

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 553,371
Accounts receivable (net of allowance for uncollectibles of \$438,573)	125,349
Other receivables	58,046
Due from other funds	36,274
Total Current Assets	<u>773,040</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	309,604
Total Noncurrent Assets	<u>309,604</u>
Total Assets	<u>1,082,644</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	191,165
Total Deferred Outflows of Resources	<u>191,165</u>
LIABILITIES	
Current liabilities:	
Claims payable	58,917
Due to other funds	15,817
Advances from other funds	114,800
Accrued interest payable	313
Unearned revenue	92,366
Capital debt:	
Capital leases payable	136,357
Total Current Liabilities	<u>418,570</u>
Noncurrent Liabilities:	
Net Pension Liability	909,040
Capital debt:	
Capital leases payable	123,231
Non-capital debt:	
Compensated absences payable	22,207
Total Noncurrent Liabilities	<u>1,054,478</u>
Total Liabilities	<u>1,473,048</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,416
Total Deferred Inflows of Resources	<u>2,416</u>
NET POSITION	
Net investment in capital assets	50,016
Unrestricted	(251,671)
Total Net Position	<u>\$ (201,655)</u>

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

**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2016**

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 1,250,225
Other operating revenues	910
Total Operating Revenues	<u>1,251,135</u>
Operating Expenses	
Personal services	473,307
Pension expense	133,891
Contractual services	395,639
Materials and supplies	121,327
Depreciation expense	77,540
Indirect administrative cost	15,817
Total Operating Expenses	<u>1,217,521</u>
Operating Income (Loss)	<u>33,614</u>
Nonoperating Revenues (Expenses)	
Interest income	690
Interest expense	(5,374)
Intergovernmental grants	20,368
Gain (Loss) on sale of capital assets	(399)
Net Nonoperating Revenue (Expenses)	<u>15,285</u>
Net Income (Loss) Before Transfers	48,899
Transfers in	742
Transfers out	(615)
Change in Net Position	<u>49,026</u>
Net Position - Beginning, as originally reported	(202,444)
Prior Period Adjustments	(48,237)
Net Position - Beginning, as restated	<u>(250,681)</u>
Net Position - Ending	<u>\$ (201,655)</u>

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

Itawamba County
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2016

Exhibit 7

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,248,924
Payments to suppliers	(506,950)
Payments to employees	(542,419)
Other operating cash receipts	689
Net Cash Provided (Used) by Operating Activities	<u>200,244</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	131,942
Principal paid on long-term debt	(73,296)
Interest paid on long-term debt	(5,304)
Proceeds from sale of capital assets	4,694
Acquisition of capital assets	(178,290)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(120,254)</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	<u>20,368</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>20,368</u>
Cash Flows From Investing Activities	
Interest on deposits	<u>690</u>
Net Cash Provided (Used) by Investing Activities	<u>690</u>
Net Increase (Decrease) in Cash and Cash Equivalents	101,048
Cash and Cash Equivalents at Beginning of Year	452,318
Adjustments to Beginning of Year Cash Due to Interfund Adjustments	5
Cash and Cash Equivalents at End of Year	<u>\$ 553,371</u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 33,614
Adjustments to reconcile operating income (loss) to net cash	
provided (used) by operating activities:	
Depreciation expense	77,540
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(3,453)
(Increase) decrease in other receivables	(2,193)
(Increase) decrease in interfund receivables	3,813
Less: change attributable to capital and related financing activities	(615)
(Increase) decrease in deferred outflows of resources	(46,435)
Increase (decrease) in claims payable	(11,892)
Increase (decrease) in compensated absences liability	4,677
Increase (decrease) in net pension liability	126,029
Increase (decrease) in deferred inflows of resources	2,416
Increase (decrease) in unearned revenue	926
Increase (decrease) in interfund payables	15,817
Total Adjustments	<u>166,630</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 200,244</u>

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

Itawamba County
Statement of Fiduciary Assets and Liabilities
September 30, 2016

Exhibit 8

	Agency Funds
ASSETS	
Cash and investments	\$ 160,421
Total Assets	\$ 160,421
LIABILITIES	
Amounts held in custody for others	\$ 2,814
Other liabilities	117,269
Intergovernmental payables	40,338
Total Liabilities	\$ 160,421

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

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

Itawamba 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 Itawamba County to present these financial statements on the primary government and its component unit 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 States of America.

- Banner/Bounds Fire District
- Cardsville Fire District
- Dorsey-Friendship Fire District
- Evergreen-Carolina Fire District
- Greater Fulton Fire District
- Houston Fire District
- Liberty Grove Fire District
- Mantachie Fire District
- Northeast Itawamba Fire District
- Ryan's Well Fire District
- Tilden-New Salem Fire District
- Tremont Fire District

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. Individual Component Unit Disclosures

Blended Component Units

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component units' balances and transactions are blended with the balances and transactions of the primary government:

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

B. Individual Component Unit Disclosures (Continued)

The Itawamba County Port Commission was created by a special act of the Mississippi Legislature in 1973, of the purpose of overseeing the operations of the Port. A five-member board of commissioners is appointed by the Itawamba County Board of Supervisors.

The Itawamba County Economic Development District is comprised solely of the five members of the Board of Supervisors. Although it is legally separate from the County, the corporation is reported as if it were part of the primary government.

The Itawamba County Railroad Authority is comprised solely of the five members of the Board of Supervisors. Although it is legally separate from the County, the Authority is reported as if it were part of the primary government.

C. 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 and 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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

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

Fund Financial Statements

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

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

D. Measurement Focus and Basis of Accounting

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

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

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

The County reports the following major governmental funds:

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

Port Fund – This fund is used to account for the activity of the Itawamba County Port Commission.

Nursing Home Fund – This fund is used to account for the activity of the Nursing Home.

Countywide Road Maintenance Fund – This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

The County reports the following major Proprietary Fund:

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

Additionally, the County reports the following fund types:

Governmental Fund Types

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures 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.

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

D. Measurement Focus and Basis of Accounting (Continued)

Proprietary Fund Type

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

Fiduciary Fund Type

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

E. 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.

F. 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.

G. Receivables

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

H. 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. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

J. 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 or business-type 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, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

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

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

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

The following schedule details those thresholds and estimated useful lives:

	Capitalization 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.

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

K. 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.

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

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Notes 10 and 13 for additional details.

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

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

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

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Notes 10 and 13 for additional details.

L. 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.

M. 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.

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

M. Long-Term Liabilities (Continued)

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

N. 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 improvements 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 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.

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

N. Equity Classifications (continued)

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

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (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 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.

O. 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 due date cannot be established until the date of original purchase occurs.

P. 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.

Q. Compensated Absences

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

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(2) Prior Period Adjustments

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

Exhibit 2 – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
<i>Governmental Activities:</i>	
To correct prior year cash of separate offices	\$ (26,818)
To correct prior year other receivables	33,067
To correct prior year intergovernmental receivables	(13,310)
To correct prior year claims payable	(148,654)
To correct interfund balances with enterprise fund	3,034
To correct interfund balances with agency funds	(70)
To remove operating lease receivable known to be uncollectible in prior year	(20,535)
To remove bond issue costs erroneously recorded as discounts in prior year	(37,249)
To correct original computation of deferred amount on refunding	31,083
To correct prior year compensated absences liability	37,475
To correct prior year deferred outflows (pension contributions subsequent to the measurement date)	(63,858)
To correct prior year capital assets, net of accumulated depreciation	3,210,723
To correct prior year accrued interest payable	(7,773)
To correct prior year long-term receivables	78,304
To correct prior year long-term debt principal balance	(5,442)
Total Governmental Activities	<u>\$ 3,069,977</u>
<i>Business-type Activities:</i>	
To correct prior year other receivables	\$ 50,715
To correct prior year accounts receivable, net	(65,441)
To correct prior year claims payable	(10,729)
To correct prior year capital assets, net of accumulated depreciation	(15,326)
To correct prior year compensated absences liability	2,911
To correct prior year deferred outflows (pension contributions subsequent to the measurement date)	(7,095)
To correct prior year accrued interest payable	(243)
To correct interfund balances with governmental activities	(3,034)
To correct interfund balances with agency funds	5
Total Business-type Activities	<u>\$ (48,237)</u>

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

(2) Prior Period Adjustments (Continued)

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

<u>Explanation</u>	<u>Amount</u>
<i>Governmental Funds:</i>	
<i>General Fund:</i>	
To correct prior year cash of separate offices	\$ (28,892)
To correct prior year intergovernmental receivables	(24,440)
To correct prior year claims payable	(122,020)
To correct interfund balances with port fund	(169,610)
To correct interfund balances with other governmental funds	52,587
To correct interfund balances with enterprise fund	3,034
Total General Fund	<u>(289,341)</u>
<i>Port Fund:</i>	
To correct interfund balances with general fund	169,610
To correct prior year claims payable	(36,973)
Total Port Fund	<u>132,637</u>
<i>Countywide Road Maintenance Fund:</i>	
To correct prior year claims payable	252,031
To correct prior year intergovernmental receivables	11,130
Total Countywide Road Maintenance Fund	<u>263,161</u>
<i>Other Governmental Funds:</i>	
To correct prior year cash of separate offices	2,074
To correct prior year other receivables	33,067
To correct interfund balances with general fund	(52,587)
To correct interfund balances with agency funds	(70)
To correct prior year claims payable	(241,692)
Total Other Governmental Funds	<u>(259,208)</u>
Total Governmental Funds	<u>\$ (152,751)</u>

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(3) Deposits

The carrying amount of the County's total deposits with financial institutions at September 30, 2016, was \$7,046,715 (including deposits of \$160,421 in fiduciary accounts), and the bank balance was \$7,140,722. 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 a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2016:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 15,817
Nursing Home Fund	Port Fund	388,508
Countywide Road	General Fund	43,069
Other Governmental Funds	General Fund	33,843
Solid Waste Fund	General Fund	36,274
Total		<u>\$ 517,511</u>

The payables from the General Fund represent the tax revenue collected but not settled until October 2016. The payable from the Solid Waste Fund represents the indirect cost for the September 30, 2016 fiscal year, which is expected to be repaid within one year. The payable from the Port Fund reflects a loan agreement entered with the Nursing Home Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 114,800
Nursing Home Fund	Other Governmental Funds	96,000
Total		<u>\$ 210,800</u>

The advance to the Solid Waste Fund represents the indirect cost for the 2009 through 2015 fiscal year, which is not expected to be repaid within one year. The advance to other governmental funds represents a loan to cover costs of another fund, which is not expected to be repaid within one year.

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(4) Interfund Transactions and Balances (Continued)

C. Transfers In/Out:

Transfers In	Transfers Out	Amount
General Fund	Port Fund	\$ 25,747
General Fund	Countywide Road Maintenance Fund	790
General Fund	Other Governmental Funds	2,167
Port Fund	General Fund	35,000
Port Fund	Nursing Home Fund	450,000
Countywide Road Maintenance Fund	Solid Waste Fund	615
Countywide Road Maintenance Fund	Other Governmental Funds	4
Other Governmental Funds	General Fund	19,484
Other Governmental Funds	Port Fund	90,706
Other Governmental Funds	Nursing Home Fund	150,000
Other Governmental Funds	Countywide Road Maintenance Fund	4,219
Other Governmental Funds	Other Governmental Funds	541,646
Agency Funds	Other Governmental Funds	1,696
Business-type Activities	Governmental Activities	742
Total		<u>\$ 1,322,816</u>

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

(5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2016 consisted of the following:

Description	Amount
Governmental Funds:	
<i>General Fund</i>	
MDHS welfare/food stamp reimbursement	\$ 4,826
Legislative tag credit	122,380
Other	<u>2,981</u>
	130,187
<i>Port Fund</i>	
Multi-Modal State Grant	51,199
<i>County-Wide Road Maintenance Fund</i>	
Motor vehicle fuel tax	55,934
Motor vehicle licenses	618
Harvest permits and overweight fines	12,011
State-aid road and bridge reimbursement	<u>82,924</u>
	151,487
<i>Other Governmental Funds</i>	
Motor vehicle licenses	404
Total Governmental Funds	<u>333,277</u>
Reimbursement for housing prisoners	6,220
Federal/State payments in lieu of tax	144,679
Multi-Modal State Grant	<u>651,937</u>
Total Long-Term Receivables	<u>802,836</u>
Total Governmental Activities	<u>\$ 1,136,113</u>

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(6) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2016:

	Balance Oct. 1, 2015	Additions	Deletions	Completed Construction	Adjustments	Balance Sept. 30, 2016
Governmental Activities:						
<u>Non-depreciable capital assets</u>						
Land	\$ 7,194,377	2,600				\$ 7,196,977
Construction in progress		256,745		(1,770,176)	1,675,110	161,679
Total non-depreciable capital assets	7,194,377	259,345	-0-	(1,770,176)	1,675,110	7,358,656
<u>Depreciable capital assets</u>						
Infrastructure	8,762,479			1,770,176		10,532,655
Buildings	3,005,993	597,903			1,816,090	5,419,986
Improvements other than buildings	9,288,552				62,090	9,350,642
Mobile equipment	8,454,911	204,000	(25,407)		(789,248)	7,844,256
Furniture and equipment	1,154,619	34,760	(11,350)		832,300	2,010,329
Leased property under capital leases	598,854	354,238			(243)	952,849
Total depreciable assets	31,265,408	1,190,901	(36,757)	1,770,176	1,920,989	36,110,717
<u>Less accumulated depreciation for:</u>						
Infrastructure	1,517,457	233,604				1,751,061
Buildings	2,206,990	108,400			193,964	2,509,354
Improvements other than buildings	2,776,973	374,025			105,383	3,256,381
Mobile equipment	5,409,645	264,723	(22,866)		392,129	6,043,631
Furniture and equipment	1,231,508	190,098	(11,237)		(129,132)	1,281,237
Leased property under capital leases	318,301	112,635			(176,226)	254,710
Total accumulated depreciation	13,460,874	1,283,485	(34,103)	-0-	386,118	15,096,374
Total depreciable capital assets, net	17,804,534	(92,584)	(2,654)	1,770,176	1,534,871	21,014,343
Governmental activities capital assets, net	\$ 24,998,911	166,761	(2,654)	-0-	3,209,981	\$ 28,372,999
Business-type Activities:						
<u>Depreciable capital assets</u>						
Mobile equipment	516,174	46,468	(50,939)		7,425	519,128
Leased property under capital leases	252,510	131,822			(25)	384,307
Total depreciable assets	768,684	178,290	(50,939)	-0-	7,400	903,435
<u>Less accumulated depreciation for:</u>						
Mobile equipment	449,250	8,365	(45,846)		21,992	433,761
Leased property under capital leases	90,903	69,175			(8)	160,070
Total accumulated depreciation	540,153	77,540	(45,846)	-0-	21,984	593,831
Total depreciable capital assets, net	228,531	100,750	(5,093)	-0-	(14,584)	309,604
Business-type activities capital assets, net	\$ 228,531	100,750	(5,093)	-0-	(14,584)	\$ 309,604

Adjustments were made to record construction in progress on state-aid bridge projects, reclassify assets no longer under capital lease obligation, reclassify loading containers at the port from mobile equipment to furniture and equipment, and reverse duplicate building deletions made in a prior year.

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(6) Capital Assets (Continued)

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 79,917
Public safety	137,104
Public works	875,441
Health and welfare	26,700
Economic Development	<u>164,323</u>
Total Governmental Activities	\$ <u>1,283,485</u>
Business-type activities:	
Solid Waste	\$ <u>77,540</u>
Total Business-type Activities	\$ <u>77,540</u>

Commitments with respect to unfinished capital projects at September 30, 2016, consisted of the following:

Governmental Activities:	Remaining	
Description of Commitment	Financial	Expected Date of
	Commitment	Completion
LSBP 29 30	\$ 19,018	March-17
LSBP 29 32	337,523	December-18
LSBP 29 33	<u>453,086</u>	September-18
Total Governmental Activities	\$ <u>809,627</u>	

(7) Claims and Judgments

Risk Financing

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by 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, 2016, to January 1, 2017. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

(8) Operating Leases

As Lessor:

The County receives income from property it leases under noncancelable operating leases. Total income from such leases was \$611,924 for the year ended September 30, 2016.

On June 14, 2010, Itawamba County entered into an operating agreement with BlueFire Fulton Renewable Energy, LLC for the lease of certain land owned by the County for the purpose of developing, constructing and operating a biofuel facility on the property. The operating lease stipulated that the lessee (BlueFire) would pay approximately \$10,292 per month in lease payments, commencing July 1, 2010. During recent years, BlueFire has been deficient in its payments to the County. The lease was terminated by the County on May 10, 2017. As of September 30, 2016, the deficient balance in its entirety is determined to be uncollectible and is stated at a net value of \$0. Deficient payments amounting to \$20,535 were accrued in prior years and were reversed in the current fiscal year.

On October 23, 2001, the Itawamba County Port Commission (blended component unit of Itawamba County) entered into an operating lease with Monotech of Mississippi – Fulton (PSP Industries) for the lease of certain real property to be used for a steel fabrication plant. The operating lease stipulated that the lessee would pay approximately \$6,500 per month in lease payments commencing November 1, 2001 and continuing for a fifteen-year period ending November 1, 2016. The lessee has an option to renew the lease for four fifteen-year terms and has elected to renew the first fifteen-year term beginning November 1, 2016 and ending November 1, 2031. Lease payments are adjusted every five years according to the consumer price index, not to exceed ten percent of the then existing base rent. As of September 30, 2016, current monthly lease payments are \$7,865 per month.

On August 1, 2010, Itawamba County entered into an operating lease with Community Living Centers, LLC for the lease of certain property to be used for a nursing home for the purpose of safeguarding community health interest and enhance and promote the public health and general welfare of its citizens. The operating lease stipulated that the lessee would pay approximately \$21,630 per month in lease payments commencing August 20, 2010. The term of the primary sublease began on the closing date, August 1, 2010, and ended August 1, 2015. Community Living Centers has an option to renew the lease for two five-year terms and has elected to renew the first five-year term beginning August 1, 2015 and ending August 1, 2020. The base rental payment has increased to \$22,712 for the first five-year extension and will increase further to \$23,848 per month for the second five-year extension if the renewal option is taken.

On December 15, 2010, Itawamba County entered into an operating lease with North Mississippi Rail, LLC for the lease of certain property to be used for the purpose of promoting operations at Port Itawamba. The operating lease stipulated that the lessee (North Mississippi Rail, LLC) would pay a rental amount of \$6,000 per year for the first five years of the initial term, with payments being made in quarterly installments. The lease agreement is for a term of five years with a five-year option to extend commencing on the 1st day of January 2011 and expiring at midnight on the 31st day of December 2016.

On June 30, 2016, the Itawamba County Board of Supervisors voted to create the Itawamba County Railroad Authority to assume management of the operation formerly managed by North Mississippi Rail, LLC. Accordingly, the lease was terminated effective June 30, 2016.

On November 3, 2015, Itawamba County entered into an operating agreement with Seacor, LLC for the lease of the Itawamba County Port. The operating lease stipulated that the lessee (Seacor, LLC) would pay \$165,000 in lease payments for the first year and \$336,000 for each year thereafter. Due to equipment issues at the Itawamba County Port Seacor, LLC requested that the monthly lease be lowered to \$20,000 a month beginning in October 1, 2015. Therefore, the amended agreement stipulates that the lessee (Seacor, LLC) would pay \$240,000 for year two through year five. Seacor, LLC has an option to renew the lease for an additional five-year term.

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(8) Operating Leases

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2016, are as follows:

Year Ending September 30,	PSP Industries	Community Living Centers	Seacor	Total
2017	\$ 78,000	272,544	240,000	590,544
2018	78,000	272,544	240,000	590,544
2019	78,000	272,544	240,000	590,544
2020	78,000	227,120		305,120
2021	78,000			78,000
2022-2026	390,000			390,000
2027-2031	390,000			390,000
2032	6,500			6,500
Total	\$ 1,176,500	1,044,752	720,000	2,941,252

(9) Capital Leases

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2016:

Classes of Property	Amount
<i>Governmental Activities:</i>	
Mobile equipment	\$ 952,849
Less: Accumulated depreciation	(254,710)
Leased Property Under Capital Leases, Net	\$ 698,139
<i>Business-type Activities:</i>	
Mobile equipment	\$ 384,307
Less: Accumulated depreciation	(160,070)
Leased Property Under Capital Leases, Net	\$ 224,237

The following is a schedule by years of the total payments due as of September 30, 2016:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 131,166	8,232	136,357	3,077
2018	106,626	5,825	64,616	1,711
2019	204,575	2,979	26,761	860
2020	36,346	589	27,261	360
2021	14,531	94	4,593	11
Total	\$ 493,244	17,719	259,588	6,019

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(10) Defined Benefit Pension Plan

Primary Government

Plan Description. Itawamba 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service 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, 2016, 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, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2016, 2015 and 2014 were \$518,806, \$513,731, and \$494,087, respectively, equal to the required contributions for each year.

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(10) Defined Benefit Pension Plan (Continued)

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

At September 30, 2016, the County reported a liability of \$9,090,403 (\$8,181,363 for governmental activities and \$909,040 for business-type activities) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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. The County's proportionate share used to calculate the September 30, 2016 net pension liability was 0.050891 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.000237 percent from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

Internally, the County allocates its proportionate share of the net pension liability to governmental activities and business-type activities. As of September 30, 2016, the internal proportionate share allocated to governmental activities and business-type activities was 90% and 10%, respectively, which was equal to the allocation percentages determined as of September 30, 2015.

For the year ended September 30, 2016, the County recognized pension expense of \$1,205,015 for governmental activities and \$133,891 for business-type activities. At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	Business-type Activities	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 203,867	22,652	226,519
Net difference between projected and actual earnings on pension plan investments	957,193	106,355	1,063,548
Changes of assumptions	385,687	42,854	428,541
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	54,380	6,042	60,422
County contributions subsequent to the measurement date	119,359	13,262	132,621
Total Deferred Outflows of Resources	\$ 1,720,486	191,165	1,911,651
Deferred Inflows of Resources			
Changes of assumptions	\$ 21,740	2,416	24,156
Total Deferred Inflows of Resources	\$ 21,740	2,416	24,156

\$132,621 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 ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(10) Defined Benefit Pension Plan (Continued)

Year ending September 30:	Governmental Activities	Business-type Activities	Total
2017	\$ 603,240	67,027	670,267
2018	523,598	58,177	581,775
2019	290,924	32,325	323,249
2020	161,625	17,958	179,583
2021	-0-	-0-	-0-
Thereafter	-0-	-0-	-0-
	<u>\$ 1,579,387</u>	<u>175,487</u>	<u>1,754,874</u>

Actuarial Assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 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, 2016, are summarized in the following table:

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(10) Defined Benefit Pension Plan (Continued)

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%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 11,655,935	9,090,403	6,961,844

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

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(11) Long-term Debt

Debt outstanding as of September 30, 2016, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Maturity Date
Governmental Activities:			
General Obligation Bonds:			
2013 General Obligation Refunding Bonds	\$ 1,580,000	1.25-3.00%	Apr-22
2014 General Obligation Refunding Bonds	1,115,000	1.10-2.35%	Aug-19
2014 General Obligation Bonds	<u>4,115,000</u>	1.10-2.25%	Apr-24
Total General Obligation Bonds	<u><u>6,810,000</u></u>		
Capital Leases:			
2013 Dodge Ram, Explorer, Taurus	25,181	2.27%	Feb-18
Three 2015 Mack Dump Trucks	278,170	1.87%	Apr-19
2015 Ford Crown Victoria	9,499	2.10%	Jul-17
2014 Ford F-150	13,392	2.52%	Jan-18
Two 2015 Ford F-150s	40,330	2.14%	May-20
Two Police Interceptors	50,579	1.76%	Nov-20
Houston District Fire Truck	<u>76,093</u>	1.71%	Jun-21
Total Capital Leases	<u><u>493,244</u></u>		
Other Loans:			
Pord Development (Project 2)	<u>208,604</u>	0.25%	Oct-19
Total Governmental Activities	<u><u>\$ 7,511,848</u></u>		
Business-type Activities:			
Capital Leases:			
Garbage Truck	\$ 57,853	1.87%	Aug-19
Garbage Truck	91,063	1.82%	Oct-16
Garbage Truck	<u>110,672</u>	1.83%	Nov-20
Total Business-type Activities	<u><u>\$ 259,588</u></u>		

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

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2017	\$ 1,080,000	142,031	67,484	444
2018	1,105,000	120,488	67,653	276
2019	1,135,000	98,387	67,822	106
2020	770,000	74,075	5,645	15
2021	785,000	59,244	-0-	-0-
2022-2026	<u>1,935,000</u>	<u>78,875</u>	<u>-0-</u>	<u>-0-</u>
Total	<u><u>\$ 6,810,000</u></u>	<u><u>573,100</u></u>	<u><u>208,604</u></u>	<u><u>841</u></u>

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(11) Long-term Debt (Continued)

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, 2016, the amount of outstanding debt was equal to 4.87% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

	Balance Oct. 1, 2015	Additions	Reductions	Adjustments	Balance Sep. 30, 2016	Amount due within one year
<i>Governmental Activities:</i>						
Compensated absences	\$ 194,628		1,128	(37,475)	156,025	
General obligation bonds	8,045,000		1,235,000		6,810,000	1,080,000
Less:						
Unamortized discounts	(37,249)			37,249	-0-	
Plus:						
Unamortized premiums	7,430		7,430		-0-	
Capital leases	463,680	140,250	116,128	5,442	493,244	131,166
Other loans	275,907		67,303		208,604	67,484
Totals	\$ 8,949,396	140,250	1,426,989	5,216	7,667,873	1,278,650
<i>Business-type Activities:</i>						
Compensated absences	\$ 20,441	4,677		(2,911)	22,207	
Capital leases	200,942	131,942	73,296		259,588	136,357
Totals	\$ 221,383	136,619	73,296	(2,911)	281,795	136,357

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, E-911 Fund, Port Fund, Homeland Security Fund, D.A.R.E Fund, Countywide Road Maintenance Fund, and the Solid Waste Fund.

(12) Contingencies

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

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

Solid Waste Revenue Refunding Bonds

In 1998, solid waste revenue refunding bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,210,000. In fiscal year 2012 the bonds were refinanced. The bonds were reissued for \$4,235,000. As part of a solid waste disposal service agreement between Itawamba County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the Authority that are not covered by fees generated from solid waste disposal services. The County's pro rata share (6.71%) of the \$2,695,000 refunding bonds balance at September 30, 2016, is \$180,835.

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

(13) Effect of Deferred Amounts on Net Position

Governmental Activities

The governmental activities' unrestricted net position amount of (\$4,979,009) 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 \$119,359 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, 2017. The \$1,601,127 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next 4 years. The \$21,740 balance of the deferred inflow of resources related to pension at September 30, 2016, will be recognized in pension expense over the next 3 years.

The governmental activities' unrestricted net position amount of (\$4,979,009) includes the effect of deferring the recognition of expenditures resulting from a refunding of County debt. The \$116,900 balance of deferred outflows of resources at September 30, 2016, will be recognized as an expense and will decrease the unrestricted net position over the next 7 years.

Business-type Activities

The business-type activities' unrestricted net position amount of (\$251,671) 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 \$13,262 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, 2017. The \$177,903 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next 4 years. The \$2,416 balance of the deferred inflow of resources related to pension at September 30, 2016, will be recognized in pension expense over the next 3 years.

(14) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

Three Rivers Solid Waste Management Authority operates in a district composed of the counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union and the cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The Itawamba County Board of Supervisors appoints one of the seven members of the board of directors. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste deposited. The County did not appropriate any funds for the support of the authority in fiscal year 2016.

Three Rivers Planning and Development District operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Itawamba County Board of Supervisors appoints two of the forty members of the board of directors. The County appropriated \$113,331 for the support of the district in fiscal year 2016.

Itawamba Community College operates in a district composed of the Counties of Chickasaw, Itawamba, Lee, Monroe and Pontotoc. The Itawamba County Board of Supervisors appoints six of the thirty members of the College Board of Trustees. The County appropriated \$1,001,802 for the maintenance and support of the College in fiscal year 2016.

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Itawamba County Board of Supervisors appoints one of the seven members of the board of commissioners. The County appropriated \$16,870 for support of the commission in fiscal year 2016.

Lift, Inc. operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Itawamba County Board of Supervisors appoints one of the twenty-four members of the board of directors. The County appropriated \$5,635 in fiscal year 2016 to the organization.

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(14) Jointly Governed Organizations (Continued)

Northeast Mississippi Emergency Medical Services serves the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Itawamba County Board of Supervisors appoints four of the thirty-six members of the board of directors. The County appropriated \$17,317 for support of the district in fiscal year 2016.

(15) Deficit Fund Balance

The following funds reported deficits in fund balances at September 30, 2016.

Fund	Deficit
Townhouse Building Fund	\$ (81,316)
Port Fund	(516,582)
Homeland Security Fund	(149)
2011 GO Road & Bridge Bonds 2011 (2005)	(86,108)
	<u>\$ (684,155)</u>

(16) Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Itawamba County evaluated the activity of the County through December 31, 2019, (the date the financial statements were available to be issued) and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements.

Subsequent to September 30, 2016, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/09/16	2.11%	130,243	Capital Lease	Ad valorem taxes
11/22/16	2.01%	159,616	Capital Lease	Ad valorem taxes
12/05/16	1.85%	96,407	Capital Lease	Ad valorem taxes
07/07/17	2.21%	31,620	Capital Lease	Ad valorem taxes
10/04/17	2.21%	40,085	Capital Lease	Ad valorem taxes
11/06/17	2.15%	25,170	Capital Lease	Ad valorem taxes
11/30/17	2.21%	53,043	Capital Lease	Ad valorem taxes
02/27/18	2.81%	33,648	Capital Lease	Ad valorem taxes
05/29/18	2.90%	50,000	Capital Lease	Ad valorem taxes
05/30/18	3.06%	167,679	Capital Lease	Ad valorem taxes
09/19/18	3.17%	41,370	Capital Lease	Ad valorem taxes
10/01/18	3.49%	111,702	Capital Lease	Ad valorem taxes
10/18/18	3.38%	36,737	Capital Lease	Ad valorem taxes
08/21/19	2.40%	784,797	Capital Lease	Ad valorem taxes
09/03/19	2.39%	90,000	Capital Lease	Ad valorem taxes
10/01/19	4.00%	800,000	Other Loan	Ad valorem taxes

BlueFire Fulton Renewable Energy, LLC Lease:

Subsequent to September 30, 2016, BlueFire Fulton Renewable Energy, LLC remained in arrears on subsequent fiscal year lease payments and the lease was subsequently terminated by the County on May 10, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Itawamba County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2016
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Property taxes	\$ 3,724,671	4,122,662	3,933,108	(189,554)
Licenses, commissions and other revenue	234,833	276,464	282,470	6,006
Fines and forfeitures	295,500	312,639	311,864	(775)
Intergovernmental revenues	935,000	837,929	540,509	(297,420)
Charges for services	51,750	12,827	95,135	82,308
Interest income	16,000	76,878	76,835	(43)
Miscellaneous revenues	150,000	161,858	61,336	(100,522)
Total Revenues	<u>5,407,754</u>	<u>5,801,257</u>	<u>5,301,257</u>	<u>(500,000)</u>
EXPENDITURES				
Current:				
General government	3,227,054	2,698,374	2,804,419	(106,045)
Public safety	1,473,368	1,715,485	1,845,866	(130,381)
Health and welfare	166,589	167,802	124,556	43,246
Culture and recreation	99,135	96,708	91,073	5,635
Conservation of natural resources	105,446	105,233	105,233	-0-
Economic development and assistance	176,422	153,467	153,467	-0-
Debt service:				
Principal			57,418	(57,418)
Interest			3,286	(3,286)
Total Expenditures	<u>5,248,014</u>	<u>4,937,069</u>	<u>5,185,318</u>	<u>(248,249)</u>
Excess of Revenues over (under) Expenditures	<u>159,740</u>	<u>864,188</u>	<u>115,939</u>	<u>(748,249)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of long-term capital debt			60,250	60,250
Transfers out		(500,470)	(5,000)	495,470
Total Other Financing Sources and Uses	<u>-0-</u>	<u>(500,470)</u>	<u>55,250</u>	<u>555,720</u>
Net Change in Fund Balance	159,740	363,718	171,189	(192,529)
Fund Balances - Beginning, as originally reported	1,176,765	339,065	1,740,963	1,401,898
Prior period adjustments to amend cash to actual	<u>(348,378)</u>	<u>489,322</u>	<u>(912,576)</u>	<u>(1,401,898)</u>
Fund Balances - Beginning, as restated	<u>828,387</u>	<u>828,387</u>	<u>828,387</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 988,127</u>	<u>1,192,105</u>	<u>999,576</u>	<u>(192,529)</u>

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

Itawamba County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Port Fund
For the Year Ended September 30, 2016
UNAUDITED

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental revenues	\$	574,744	574,744	-0-
Interest income		351	351	-0-
Miscellaneous revenues	<u>386,000</u>	<u>341,025</u>	<u>341,025</u>	<u>-0-</u>
Total Revenues	<u>386,000</u>	<u>916,120</u>	<u>916,120</u>	<u>-0-</u>
EXPENDITURES				
Current:				
Public works	103,661	1,603,257	1,603,257	-0-
Debt service:				
Principal				-0-
Interest		<u>3,952</u>	<u>3,952</u>	<u>-0-</u>
Total Expenditures	<u>103,661</u>	<u>1,607,209</u>	<u>1,607,209</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>282,339</u>	<u>(691,089)</u>	<u>(691,089)</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		850,000	850,000	-0-
Transfers out		<u>(90,706)</u>	<u>(90,706)</u>	<u>-0-</u>
Total Other Financing Sources and Uses	<u>-0-</u>	<u>759,294</u>	<u>759,294</u>	<u>-0-</u>
Net Change in Fund Balance	282,339	68,205	68,205	-0-
Fund Balances - Beginning	<u>135,608</u>	<u>135,608</u>	<u>135,608</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 417,947</u>	<u>203,813</u>	<u>203,813</u>	<u>-0-</u>

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

Itawamba County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Nursing Home Fund
For the Year Ended September 30, 2016
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$	70,000	70,000	-0-
Interest income	1,000	5,334	5,334	-0-
Miscellaneous revenues	272,544	312,593	312,593	-0-
Total Revenues	273,544	387,927	387,927	-0-
EXPENDITURES				
Current:				
Health and welfare	35,000	10,000	10,000	-0-
Total Expenditures	35,000	10,000	10,000	-0-
Excess of Revenues over (under) Expenditures	238,544	377,927	377,927	-0-
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of long-term debt		80,000	80,000	-0-
Transfers in		502,574	502,574	-0-
Transfers out		(1,500,000)	(1,500,000)	-0-
Total Other Financing Sources and Uses	-0-	(917,426)	(917,426)	-0-
Net Change in Fund Balance	238,544	(539,499)	(539,499)	-0-
Fund Balances - Beginning, as originally reported	1,122,317	1,802,317	2,887,595	1,085,278
Prior period adjustments to amend cash to actual	740,497	60,497	(1,024,781)	(1,085,278)
Fund Balances - Beginning, as restated	1,862,814	1,862,814	1,862,814	-0-
Fund Balances - Ending	\$ 2,101,358	1,323,315	1,323,315	-0-

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

Itawamba County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
County-Wide Road Maintenance Fund
For the Year Ended September 30, 2016
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Property taxes	\$ 975,800	949,599	949,599	-0-
Road and bridge privilege taxes	210,000	389,682	389,682	-0-
Intergovernmental revenues	508,600	623,857	1,389,702	765,845
Charges for services	57,000			-0-
Interest income		1,466	1,466	-0-
Miscellaneous revenues		139,124	139,120	(4)
Total Revenues	<u>1,751,400</u>	<u>2,103,728</u>	<u>2,869,569</u>	<u>765,841</u>
EXPENDITURES				
Current:				
Public works	1,905,106	2,106,305	2,872,150	(765,845)
Debt service:				
Principal	45,000	54,804	54,804	-0-
Interest	5,000	5,962	5,962	-0-
Total Expenditures	<u>1,955,106</u>	<u>2,167,071</u>	<u>2,932,916</u>	<u>(765,845)</u>
Excess of Revenues over (under) Expenditures	<u>(203,706)</u>	<u>(63,343)</u>	<u>(63,347)</u>	<u>(4)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			4	4
Transfers out		(4,219)	(4,219)	-0-
Total Other Financing Sources and Uses	<u>-0-</u>	<u>(4,219)</u>	<u>(4,215)</u>	<u>4</u>
Net Change in Fund Balance	(203,706)	(67,562)	(67,562)	-0-
Fund Balances - Beginning, as originally reported	1,186,662	938,097	1,244,836	306,739
Prior period adjustments to amend cash to actual	<u>(38,134)</u>	<u>210,431</u>	<u>(96,308)</u>	<u>(306,739)</u>
Fund Balances - Beginning, as restated	<u>1,148,528</u>	<u>1,148,528</u>	<u>1,148,528</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 944,822</u>	<u>1,080,966</u>	<u>1,080,966</u>	<u>-0-</u>

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

ITAWAMBA COUNTY
SCHEDULE OF THE COUNTY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS*
FOR THE YEAR ENDED SEPTEMBER 30, 2016

		<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability		0.050891%	0.050654%	0.051415%
County's proportionate share of the net pension liability	\$	9,090,403	7,830,110	6,056,097
County's covered payroll	\$	3,294,000	3,261,784	3,137,060
County's proportionate share of the net pension liability as a percentage of its covered payroll		275.97%	240.06%	193.05%
Plan fiduciary net position as a percentage of the total pension liability		57.47%	61.70%	67.21%

* The amount presented for each fiscal year was determined as of the measurement date of 6/30 of the year presented modified for the effects of the remaining fiscal year. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

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

**ITAWAMBA COUNTY
SCHEDULE OF COUNTY CONTRIBUTIONS
LAST TEN FISCAL YEARS*
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 518,806	513,731	494,087
Contributions in relation to the contractually required contribution	(518,806)	(513,731)	(494,087)
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>
County's covered payroll	3,294,000	3,261,784	3,137,060
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

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

ITAWAMBA COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

UNAUDITED

Budgetary Comparison Schedules

A. Budgetary Information

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor 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 supplementary 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).
3. Other financing sources and uses related to interfund activity are recorded when paid or received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

ITAWAMBA COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

C. Budget/GAAP Reconciliation (Continued)

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	Port Fund	Nursing Home Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ 171,189	\$ 68,205	\$ (539,499)	\$ (67,562)
Increase (Decrease)				
Net adjustments for:				
Revenue accruals	(63,793)	30,374	(34,169)	66,003
Expenditure accruals	90,999	(315,722)	-0-	(40,933)
Other financing sources and uses accruals	<u>-0-</u>	<u>(390,747)</u>	<u>397,426</u>	<u>5,525</u>
GAAP Basis	\$ <u>198,395</u>	\$ <u>(607,890)</u>	\$ <u>(176,242)</u>	\$ <u>(36,967)</u>

Pension Schedules

A. Changes of Assumptions

2015

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

ITAWAMBA COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

B. Changes in benefit provisions

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (2016 Employer contributions are developed from 2014 valuation). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	29.2 years
Asset valuation method	5-year smoothed market
Price Inflation	3.50 percent
Salary increase	4.25 percent to 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

OTHER INFORMATION

Itawamba County
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2016

UNAUDITED

Name	Position	Company	Bond
Charles Horn	Supervisor District 1	FCCI	\$ 100,000
Cecil "Ike" Johnson, Jr.	Supervisor District 2	FCCI	100,000
Steve Moore	Supervisor District 3	State Farm	100,000
Eric "Tiny" Hughes	Supervisor District 4	Travelers	100,000
Kenneth Steve Johnson	Supervisor District 5	Western Surety	100,000
Gary Franks	County Administrator	Travelers	100,000
Michelle Clouse	Chancery Clerk	Western Surety	100,000
Pamela Dines	Deputy Chancery Clerk	Western Surety	25,000
Melissa Loden	Deputy Chancery Clerk	Western Surety	25,000
Carol Gates	Circuit Clerk	FCCI	100,000
Paula Miller Cooper	Deputy Circuit Clerk	Travelers	50,000
Lori Gadd	Deputy Circuit Clerk	Travelers	50,000
Tami Beane	Tax Assessor	FCCI	50,000
Sandy Parker	Deputy Tax Assessor	FCCI	10,000
Laura Beth Chaney	Deputy Tax Assessor	FCCI	10,000
Andrea Yielding	Deputy Tax Assessor	FCCI	10,000
Debbie Ann Johnson	Tax Collector	Travelers	100,000
Candace Davis	Deputy Tax Collector	Travelers	50,000
Kathy Bean	Deputy Tax Collector	Travelers	50,000
Jane Flurry	Deputy Tax Collector	Travelers	50,000
Vickye Lansdell	Deputy Tax Collector	Travelers	50,000
Melissa Leech	Deputy Tax Collector	Travelers	50,000
Stephanie Wright	Purchase Clerk	Travelers	75,000
Larry Cromeans	Assistant Purchase Clerk	State Farm	50,000
Bryan Wilemon	Receiving Clerk	Travelers	75,000
Michael Lentz	Assistant Receiving Clerk	Travelers	50,000
Joseph Farley	Assistant Receiving Clerk	RLI	50,000
Willie Childers	Assistant Receiving Clerk	Western Surety	50,000
Riley Farris	Assistant Receiving Clerk	FCCI	50,000
Larry Cromeans	Road Manager	State Farm	50,000
Shelia Spradling	Justice Court Clerk	Travelers	50,000
Anita Holland	Deputy Justice Court Clerk	Travelers	50,000
Rhonda Johnson	Deputy Justice Court Clerk	Travelers	50,000
Christopher Dickinson	Sheriff	FCCI	100,000
Stephanie Harrington	Inventory Control Clerk	Travelers	75,000
Harold Holcomb	Justice Court Judge	Travelers	100,000
John Bishop	Justice Court Judge	Western Surety	100,000
Doug Lesley	Constable	Travelers	50,000
James Terry Johnson	Constable	Travelers	50,000

SPECIAL REPORTS

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

Members of the Board of Supervisors
Itawamba County, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Itawamba County, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated December 31, 2019. 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 includes the financial data for its component units. Additionally, our report includes a qualified opinion on the General Fund because the County did not maintain and preserve adequate subsidiary records documenting the valuation of Justice Court fines receivable, net.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2016-001 through 2016-009 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 deficiency described in the accompanying Schedule of Findings and Responses as 2016-010 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Itawamba County, Mississippi's financial statements are free of 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 noted certain matters which we have reported to the management of Itawamba 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 December 31, 2019, included within this document.

Itawamba County's Responses to Findings

Itawamba County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Itawamba 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 the 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 "J. E. Vance & Company". The signature is written in a cursive, flowing style.

Tupelo, Mississippi
December 31, 2019

J. E. VANCE & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
Itawamba County, Mississippi

We have examined Itawamba 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, 2016. The Board of Supervisors of Itawamba County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Itawamba 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 certain instances of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Inventory Control Clerk

1. Inventory control system was inaccurate and incomplete

Repeat Finding – Yes

Criteria: *Section 31-7-107, Miss. Code Ann. (1972, requires the Inventory Control Clerk to establish and maintain an inventory control system.*

Condition: The Mississippian Railway turned over management of a short-line railroad and all of its' assets to the County. The County did not record these donated assets at fair market value at the time of acquisition. Also, accumulated construction-in-progress on state-aid bridge projects was not recorded in prior years.

Cause: Internal controls were not in place to ensure that the county recorded all additions and deletions of assets to inventory.

Effect: The County's inventory of assets was incomplete. Audit adjustments were necessary to correct the balance of the County's capital asset records. Adjustments to correct these errors were proposed and made to the financial statements with management's approval. Failure to maintain accurate inventory control records could result in violation of state purchasing statutes or the misappropriation of public funds.

Recommendation: The Inventory Control Clerk should ensure that adequate internal controls are put in place over capital assets so that all county assets are added to inventory in the fiscal year of purchase.

Views of Responsible

Official(s): A new inventory control clerk has been hired and we are continuing to establish better lines of communication between the purchase clerk, county engineer, county administrator, and others charged with governance.

Receiving Clerk

2. Assistant receiving clerk's bond was not properly filed and recorded with the Chancery Clerk.

Repeat Finding: No

Criteria: Section 25-1-19 Miss. Code Ann. (1972) requires that all bonds be filed and recorded in the office of the clerk of the chancery court of the county. According to Section 31-7-124, Mississippi Code Annotated (1972), Assistant Receiving Clerks shall be bonded in the amount of \$50,000.

Condition: Two (2) Assistant Receiving Clerks did not have a bond on file for the entire 2016 Fiscal Year.

Cause: This was caused by an oversight of management.

Effect: Failure to properly bond all Clerks could result in the loss or misappropriation of public funds.

Recommendation: All surety bonds should be properly filed and recorded with the Chancery Clerk.

View of Responsible

Official(s): I will comply.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Itawamba County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2016.

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

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

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

Tupelo, Mississippi
December 31, 2019

**Itawamba County
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2016**

Schedule 1

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

**Itawamba County
Schedule of Emergency Purchases
For the Year Ended September 30, 2016**

Schedule 2

Our test results did not identify any emergency purchases.

Itawamba County
Schedule of Purchases Made Noncompetitively from a Sole Source
For the Year Ended September 30, 2016

Schedule 3

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

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Limited Internal Control and Compliance Review Management Report

Members of the Board of Supervisors
Itawamba County, Mississippi

In planning and performing our audit of the financial statements of Itawamba County, Mississippi for the year ended September 30, 2016, we considered Itawamba 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 Itawamba 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 December 31, 2019, on the financial statements of Itawamba 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 the 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.

Repeat Finding Yes

Criteria Section 19-3-27, Miss. Code Ann. (1972) states that "it shall be the duty of the clerk of the board of supervisors to keep and preserve a complete and correct record of all the proceedings and orders of the board."

Condition As reported in the three prior years' audit reports, interfund transfers and loans were made without board orders spread upon the minutes.

Cause This was caused by an oversight of management.

Effect Failure to obtain Board of Supervisor approval for interfund transfers and loans is a violation of state law, could cause funds to be used in a manner other than their required or intended purpose, and increases the possibility for the loss.

Recommendation All interfund transfers and loans of the county should be spread upon the minutes of the Board of Supervisors.

View of Responsible

Official(s) Our county policy is to comply with state law. Apparently, clerical errors resulted in the above deficiency. We will approve all future transfers.

2. Exceptions noted with the Board of Supervisors' surety bonds.

Repeat Finding No

Criteria Section 19-3-5, Mississippi Code Annotated (1972) states, "Each member of the Board of Supervisors, before entering upon the duties of his office, shall give bond, with sufficient surety."

Condition During work performed, we noted that the District 1 and District 2 Supervisors did not have bonds on file covering the entirety of the 2016 Fiscal Year.

Cause County employees did not follow the Mississippi statute listed above.

Effect Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation The Board of Supervisors should ensure that all Supervisors are bonded. The Board should also ensure bonds secured, list a term of office covered and secure a new bond every four (4) years concurrent with the normal election cycle of the Governor.

View of Responsible

Official(s) All Supervisors are now bonded in accordance with the above recommendation.

3. The county should levy a special tax sufficient for payment of principal and interest of bonded debt.

Repeat Finding Yes

Criteria Section 19-9-9, Miss. Code of 1972 states "the board of supervisors of such county shall annually levy a special tax upon all of the taxable property within the county, which tax shall be sufficient to provide for the payment of principal and interest of such bonds according to the terms thereof."

Condition As reported in the four prior years' audit reports, some of the special tax levies were not sufficient to provide for the payment of principal and interest on some bonds.

Cause County employees did not follow the Mississippi statute listed above.

Effect Insufficient tax levies could result in the County's inability to pay principal and interest on the debt.

Recommendation The county should levy special taxes sufficient to provide for the payment of principal and interest on bonds.

View of Responsible

Official(s) This will be corrected.

County Administrator

4. The county signed warrants without sufficient funds available.

Repeat Finding Yes

Criteria	Section 19-13-43, Miss. Code Ann. (1972) states that "No warrant shall be signed, removed from the warrant book, nor delivered by the clerk until there is sufficient money in the fund upon which it is drawn to pay the same and all prior unpaid warrants drawn upon that fund, whether delivered or not".
Condition	As reported in the four prior years' audit reports, warrants were issued on funds that did not have sufficient cash balances to pay the warrants.
Cause	County employees did not follow the Mississippi statute listed above.
Effect	At various times during the year, the following funds had negative cash balances: <ul style="list-style-type: none"> • General Fund • Tilden-New Salem Fire District Fund • Houston Fire District Fund • Houston Fire Building Fund • Port Fund • Homeland Security Fund • DARE Fund • Port Debt Service Fund • GO Road and Bridge Bonds 2011 Debt Service Fund • GO Industrial Development 2013 Refunding Bonds Fund • GO 2014 Refunding Bonds Fund • Solid Waste Enforcement Fund
Recommendation	We recommend that the County Administrator adopt procedures to ensure 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.
View of Responsible Official(s)	The County had sufficient overall funds to cover warrants, but in many cases the timing of transfers resulted in a temporary negative balance. We will continue to monitor and improve this issue.

Bookkeeper.

5. Monthly Report of Clerk not submitted to Supervisors.

Repeat Finding No.

Criteria	Section 19-11-23, <i>Mississippi Code Annotated (1972)</i> states, "At the regular meeting in each month, the clerk shall submit to the board of supervisors of the county a report showing the expenditures and liabilities incurred against each separate budget item during the preceding calendar month, and like information for the whole of the fiscal year to the first day of the month in which such report is made, together with the unexpended balance of each budget item and the unencumbered balance in each fund. He shall also set forth the receipts from property tax and, in detail, the receipts from other taxes and all other sources by each fund for the same period."
Condition	The Bookkeeper did not provide a monthly report to the Clerk of the Board; therefore such monthly report was not submitted to the Board of Supervisors at the regular meetings each month. In addition, the Bookkeeper failed to provide to the Clerk of the Board with such report to set forth the receipts from property tax and receipts from other taxes and all other sources by each fund for the same monthly reports.

Cause Bookkeeper did not provide monthly reports to the Clerk of the Board for presentation to the Board.

Effect Without monthly reports to review, the Board of Supervisors may not be able to make appropriate decisions as to approval to allow or disallow any expenditures or liabilities incurred, or warrants to be issued in excess of budget estimates that if approved, will exceed budget estimates, and therefore invalidate any expenditures made in excess of the budget as then approved.

Recommendation The Bookkeeper should provide to the Clerk of the Board with the required monthly report to ensure compliance with state law for over submitting the required monthly report to the Board of Supervisors. In addition, the Bookkeeper should provide the receipts from property tax and, in detail, the receipts from other taxes and all other sources by each fund.

View of Responsible
Official(s) I will begin printing monthly budget reports.

Chancery Clerk.

6. Bank information not submitted to State Treasurer's office.

Repeat Finding No.

Criteria Section 27-105-5(6)(b), *Mississippi Code Annotated (1972)* states, "A public depositor shall not later than thirty (30) days following its fiscal year end, a public depositor shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end. A public entity established during the year shall furnish its official name, address and federal tax identification number to the State Treasurer before making any public deposit."

Condition Procedures performed revealed that the Chancery Clerk's clearing account and Youth Court's account were not submitted to the State Treasurer's Office within thirty (30) days of the fiscal year end.

Cause The Chancery Clerk's court clearing account and youth court account were not filed on the Public Depositors Annual Report as required by state statute above.

Effect Without notifying the State Treasurer of its official name, address, federal tax identification number, and the fiscal year-end balance in this account increases a risk that the county's total deposits may not be properly collateralized and not complying with section 27-105-5(6)(b).

Recommendation We recommend the Chancery Clerk strengthen controls to ensure all account information is filed with the State Treasurer's office within thirty (30) days following the fiscal year end.

View of Responsible

Official(s) Because I was putting the reconciled balances on my report rather than the actual September 30th balance, my Chancery Court was listed but showed a zero balance. At the time this report was done I did not realize the youth court account was set up under the county's tax ID number and that is why it wasn't reported.

Circuit Clerk.

7. Circuit Clerk's bond was a "Continuation Certificate."

Repeat Finding No.

Criteria Section 25-1-15(2), *Mississippi Code Annotated (1972)* states, “A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.”

Condition As a result of procedures performed, we noted that the Circuit Clerk had only a “Continuation Certificate” on file.

Cause County employee did not follow the Mississippi statute listed above.

Effect Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation The Circuit Clerk should ensure that all bonds secured list a term of office covered and secure a new bond every four (4) years concurrent with the normal election cycle of the Governor.

View of Responsible

Official(s) I will contact insurance company.

Constable.

8. Constable’s bond was a “Continuation Certificate.”

Repeat Finding No.

Criteria Section 25-1-15(2), *Mississippi Code Annotated (1972)* states, “A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor.”

Condition As noted during procedures performed, the West Post Constable had a “Continuation Certificate.”

Cause County employee did not follow the Mississippi statute listed above.

Effect Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation The West Post Constable should ensure that all bonds secured list a term of office covered and secure a new bond every four (4) years concurrent with the normal election cycle of the Governor.

View of Responsible

Official(s) I am looking into it now.

Inventory Clerk.

9. Inventory Clerk’s bond had an indefinite term date.

Repeat Finding No.

Criteria Section 25-1-15(2), *Mississippi Code Annotated (1972)* states, “A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor.”

Condition	As a result of procedures performed, we noted that the Inventory Clerk's bond had an indefinite term date.
Cause	County employee did not follow the Mississippi statute listed above.
Effect	Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms. Additionally, failure to comply with the state statute, by being correctly and sufficiently bonded, could result in the loss of public funds.
Recommendation	The Inventory Clerk should ensure that all bonds secured list a term of office covered and secure a new bond every four (4) years concurrent with the normal election cycle of the Governor.
View of Responsible Official(s)	This will be corrected.

Purchase Clerk.

10.	<u>Purchase Clerk's bond had an indefinite term date.</u>
Repeat Finding	No.
Criteria	Section 25-1-15 (2), Mississippi Code Annotated (1972) states, "A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor."
Condition	As a result of procedures performed, we noted the Purchase Clerk's bond had an indefinite term date. Also, the Assistant Purchase Clerks' bonds did not have a definite four (4) year term as required.
Cause	County employees did not follow the Mississippi statutes listed above.
Effect	Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms.
Recommendation	The Purchase Clerk should ensure that all bonds secured list a term of office covered and secure a new bond every four (4) years concurrent with the normal election cycle of the Governor.
View of Responsible Official(s)	This will be corrected.

Receiving Clerk.

11.	<u>The Receiving Clerk and the Assistant Receiving Clerks' had "Continuation Certificates."</u>
Repeat Finding	No.
Criteria	Section 25-1-15 (2), Mississippi Code Annotated (1972) states, "A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor."
Condition	As a result of procedures performed, we noted that the Receiving Clerk and three Assistant Receiving Clerks had "Continuation Certificates."
Cause	County employees did not follow the Mississippi statutes listed above.

Effect Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation The Receiving Clerk should ensure that all bonds are secured, list a term of office covered, and secure a new bond every four (4) years concurrent with the normal election cycle of the Governor.

View of Responsible
Official(s) This will be corrected.

Road Manager.

12. The Road Manager did not have a full-term bond.

Repeat Finding No.

Criteria Section 25-1-15(2), Mississippi Code Annotated (1972) states, "A new bond in an amount not less than that required by law shall be secured upon employment and coverage, shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor." Section 65-17-1(3), Mississippi Code Annotated (1972) states, "The road manager, before entering upon his duties, shall give bond, with sufficient surety..."

Condition As noted during procedures performed, the Road Manager's bond on file was not for a definite four-year period.

Cause County employee did not follow the Mississippi statute listed above.

Effect Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation The Road Manager should ensure that all bonds secured list a term of office covered and secure a new bond every four (4) years concurrent with the normal election cycle of the Governor.

View of Responsible
Official(s) This will be corrected.

Sheriff.

13. The Sheriff had a "Continuation Certificate."

Repeat Finding No.

Criteria According to Section 19-25-5, Mississippi Code Annotated (1972), the Sheriff shall give bond, with sufficient surety of \$100,000.

Condition As a result of procedures performed, we noted the Sheriff had a "Continuation Certificate".

Cause County employees did not follow the Mississippi statute listed above.

Effect Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation The Sheriff should ensure that a bond is secured and shall be renewed every four (4) years concurrent with the normal election cycle of the Governor.

View of Responsible

Official(s) This will be corrected.

14. Meal logs and affidavit as to the correctness thereof are not being presented to the Board of Supervisors monthly.

Repeat Finding No.

Criteria Section 19-25-74, Mississippi Code Annotated (1972) states, "...in respect to the feeding of prisoners..., the Sheriff shall maintain a log, showing the name of each prisoner, the date and time of incarceration and release, to be posted daily, which shall record the number of meals served to prisoners at each mealtime, and the hours of the days served, and shall make affidavit to correctness thereof and file the same monthly with the Board of Supervisors." In addition, the Board is not allowed to pay claims for food expenses if this report has not been filed.

Condition During procedures performed, we noted that both the inmate meal logs and an affidavit to the correctness thereof were not being filed monthly with the Board of Supervisors; additionally, the Board approved claims for food expenses without this report being filed.

Cause The Sheriff did not file the meal logs or affidavit to correctness thereof, and the Board approved claims for food expenses without this report being filed.

Effect Failure to submit meal logs to the Board of Supervisors for approval as spread upon the official board minutes, and an affidavit to the correctness thereof, could result in a loss or misappropriation of public funds by paying for an incorrect number of meals.

Recommendation The Sheriff should ensure the meal log is maintained and filed monthly with the Board of Supervisors, and an affidavit to the correctness thereof before meal expenses are approved through the claims docket.

View of Responsible

Official(s) These logs will be added to the agenda.

Tax Assessor.

15. Bonds for the Tax Assessor and Deputy Tax Assessors were "Continuation Certificates."

Repeat Finding No.

Criteria Section 25-1-15(2), Mississippi Code Annotated (1972) states, "A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor."

Section 27-1-3, Mississippi Code Annotated (1972) states, "The assessor may, with the approval of the board of supervisors of the county, appoint deputies, who shall take the oath of office, and shall be required by the assessor to give bond to him in an amount not less than ten thousand dollars (\$10,000.00) for faithful discharge of their duties."

Condition As a result of procedures performed, we noted that the Tax Assessor and Deputy Tax Assessors had only "Continuation Certificates." There was also a Deputy, who did not have a bond on file for the 2016 Fiscal Year. Three (3) additional Deputies did not have a bond on file for part of the 2016 Fiscal Year.

Cause County employees did not follow the Mississippi statute listed above.

Effect Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation The Tax Assessor should ensure that all bonds secured list a term of office covered, and secure a new bond every four (4) years concurrent with the normal election cycle of the Governor.

View of Responsible

Official(s) I called and spoke with Farm Bureau Insurance about continuing certificates. As our current bonds expire, we will roll them over to four-year bonds.

Itawamba 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.

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

Tupelo, Mississippi
December 31, 2019

SCHEDULE OF FINDINGS AND RESPONSES

**ITAWAMBA COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental Activities	Qualified
Business-type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
General Fund	Qualified
Port Fund	Unmodified
Nursing Home Fund	Unmodified
Countywide Road Maintenance Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified
Solid Waste Fund	Unmodified

2. Internal control over financial reporting:

a. Material weakness(es) identified?	Yes
b. Significant deficiency(ies) identified?	Yes

3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2016-001 Financial data for component units should be included in the County's financial statements.

Repeat Finding Yes.

Criteria Generally accepted accounting principles require the financial data for the County's component units to be reported in the financial data for the County's primary government unless the County also issues financial statements for the financial reporting entity that includes the financial data for its component units.

Condition As reported in prior years' audit reports, the County's financial statements do not include the financial data for the County's legally separate component units.

Cause The Board of Supervisors did not choose to provide and include audited financial data for its discretely presented component units for inclusion in the County's financial statements.

Effect Failure to follow generally accepted accounting principles and include audited financial data for the County's component units resulted in an adverse opinion on the discretely presented component units.

**ITAWAMBA COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section 2: Financial Statement Findings (Continued)

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 Due to cost restraints and benefits derived from cost to obtain, the County does not have audits performed on component units.

Material Weakness

2016-002 Segregation of duties over County accounting functions should be strengthened.

Repeat Finding Yes.

Criteria Effective internal controls over accounting functions should include an adequate segregation of duties. As reported in the prior four years' audit reports, based on test work performed, there is a lack of segregation of duties in the expenditures/expenses and accounts payable process for the County.

Condition As reported in the prior four years' audit reports, the County bookkeeper has the authority to receive collections, prepare deposits, and make deposits as well as invoice processing, accounts payable, and the general ledger function. The bookkeeper also prepares disbursements, records the cash disbursements and general ledger entries, prepares the disbursements for mailing and reconciles the bank statement.

Cause The Board of Supervisors has not implemented adequate segregation of duties in the accounting function of the County or designed, implemented and monitored compensating internal controls.

Effect Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Lack of adequate segregation of duties could lead to a loss of funds.

Recommendation The Board of Supervisors should design, implement and monitor an effective system of internal controls including an adequate segregation of duties over the accounting function of the County. If size and financial considerations present challenges to attaining adequate segregation of duties then management should consider if this risk could be mitigated through the design of the internal control system by including additional levels of review, reviewing randomly selected transactions and their supporting documentation, taking periodic assets counts, checking reconciliations, etc.

Response Due to funding and lack of personnel, segregation of duties is a weakness we will continue to struggle with.

Material Weakness

2016-003 Internal controls over the receiving process should be strengthened.

Repeat Finding No.

Criteria: Internal controls over the receiving process should be strengthened.

**ITAWAMBA COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section 2: Financial Statement Findings (Continued)

Condition: As a result of procedures performed and inquiry of the Receiving Clerk, we noted that there were several exceptions noted with the receiving process:

- The Receiving Clerk's signature is digitally stamped on the receiving reports; however, employees other than the Receiving Clerk have access to this digital stamp.
- We also noted that there was not an authorized Assistant Receiving Clerk in all departments; therefore, we are unable to determine if items received were actually received by the Receiving Clerk or Assistant Receiving Clerks.
- Packing slips were not attached to the claim.
- The individual authorized to sign purchase requisitions should not be the same individual who receives said goods.
- The employees receiving the items in some departments do not have oaths on file or bonded as Assistant Receiving Clerks.

Cause: County did not implement adequate controls over the receiving process.

Effect: Failure to implement adequate controls over the receiving process could lead to goods being improperly received which could result in the loss of public funds.

Recommendation The Board of Supervisors should ensure that adequate controls are implemented over the receiving process; which may include the appointment and bonding of additional Assistant Receiving Clerks.

Response I will review with Receiving Clerk.

Material Weakness

2016-004 Controls over cash receipts in the Bookkeeper's Office should be strengthened and monies should be deposited timely.

Repeat Finding No.

Criteria Section 25-1-72, *Mississippi Code Annotated (1972)* states, "All county officers who receive funds payable into the county treasury shall deposit such funds into the county depository on the day when they are collected or on the next business day thereafter."

Condition Based on procedures performed, observations, and inquiry of the Bookkeeper, we noted the following exceptions:

- Employee payroll reimbursement checks from the Chancery Clerk to the County were not deposited timely. After speaking with both the Chancery Clerk and the Bookkeeper, auditor determined Chancery Clerk is leaving checks for the Bookkeeper to deposit before payroll is disbursed; however, the Bookkeeper is not making deposits timely.
- Settlements from the Tax Collector were not deposited timely, which is a deficiency of internal control, and results in the Bookkeeper not being in compliance with Section 25-1-72, *Mississippi Code Annotated (1972)*.

**ITAWAMBA COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section 2: Financial Statement Findings (Continued)

Cause The County's Bookkeeper did not make timely deposits.

Effect Failure to implement proper controls could result in the loss or misappropriation, fraud, waste, and abuse of public funds.

Recommendation The County's Bookkeeper should strengthen internal controls to ensure compliance with state laws over cash receipts and that all bank deposits are made daily.

Response I will make deposits in a more timely fashion.

Material Weakness

Chancery Clerk.

2016-005 Internal controls over bank deposits should be strengthened.

Repeat Finding No.

Criteria Section 25-1-72, *Mississippi Code Annotated (1972)* states, "All county officers who receive funds payable into the county treasury shall deposit such funds into the county depository on the day when they are collected or on the next business day thereafter."

Condition As a result of procedures performed, we noted instances where the Chancery Clerk failed to make timely deposits.

Cause The Chancery Clerk failed to make timely deposits.

Effect Failure to make timely bank deposits could result in the loss or misappropriation of public funds.

Recommendation The Chancery Clerk should implement internal controls to ensure that bank deposits are made on a timely basis.

Response If we have only taken in checks and/or credit cards with very little cash, we do only deposit weekly. However, this is on an as needed basis. There have been times where we have taken in quite a bit of cash that we do make that daily deposit. We will try to make more timely deposits.

Material Weakness

Circuit Clerk.

2016-006 Segregation of duties in the Circuit Clerk's Office should be strengthened.

Repeat Finding Yes.

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

**ITAWAMBA COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section 2: Financial Statement Findings (Continued)

Condition As reported in the prior year's audit report, cash collection and disbursement functions are not adequately segregated for effective internal controls. The Circuit Clerk receipts collections, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds.

Cause County did not implement adequate internal controls including segregation of duties.

Effect Failure to implement adequate segregation of duties could result in the loss of public funds.

Recommendation The Circuit Clerk should take steps to ensure adequate segregation of duties in the collection and disbursement functions of the Circuit Clerk's Office are implemented or take steps to see that a system of external oversight over operating procedures of the Circuit Clerk's office is implemented.

Response We will try to correct this.

Material Weakness

2016-007 Internal controls over bank deposits should be strengthened.

Repeat Finding No.

Criteria Section 25-1-72, *Mississippi Code Annotated (1972)* states, "All county officers who receive funds payable into the county treasury shall deposit such funds into the county depository on the day when they are collected or on the next business day thereafter."

Condition As a result of procedures performed, we noted instances where the Circuit Clerk failed to make timely deposits.

Cause The Circuit Clerk failed to make timely deposits.

Effect Failure to make timely bank deposits could result in the loss or misappropriation of public funds.

Recommendation The Circuit Clerk should implement internal controls to ensure that bank deposits are made on a timely basis.

Response We will try to make more timely deposits.

Material Weakness

Tax Collector.

2016-008 Internal Controls over collections should be strengthened.

Repeat Finding No.

Criteria Internal controls over collections should be strengthened.

**ITAWAMBA COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section 2: Financial Statement Findings (Continued)

Condition	As a result of procedures performed, and inquiry of the Deputy Clerk, we noted that the daily collections for individual drawers could not be verified by cash and type of collections. This is due to clerks changing the type of payment accepted without changing the receipt to the correct type of payment. When taxpayers originally state their payment type/method (cash, check, credit card), a receipt is started. At the time of actual collection of funds, some taxpayers change their method of payment to a different payment type such as: from cash to check or from credit card to cash. The receipt marked with the original payment type/method is not voided and changed to final payment type.
Cause	The Tax Collector did not implement adequate controls over the collections process.
Effect	Failure to implement adequate controls over the collection process could result in the loss or misappropriation, fraud, waste, and abuse of public funds.
Recommendation	The Tax Collector should ensure that adequate controls are implemented over the collection process.
Response	We will work on correcting this.

Justice Court.

Material Weakness

2016-009	<u>Internal Controls over fines receivable in the Justice Court Clerk's office should be strengthened.</u>
Repeat Finding	Yes.
Criteria:	Effective internal controls over Justice Court fines receivable should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance and should ensure that fines receivable is properly aged in order to estimate the collectability of these fines receivable and includes only fines due the county.
Condition	As reported in the prior four years' audit reports, based on audit procedures performed, management did not maintain and preserve adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court fines and the aging of fines receivable at September 30, 2016.
Cause	Internal controls over Justice Court fines receivable were not effective in ensuring the preparation and retention of a detailed aged fines receivable schedule at September 30, 2016.
Effect	Failure of internal controls over aging of Justice Court fines receivable could cause misstatements in the financial statements. Therefore, the Independent Auditor's Report includes a qualified opinion on the General Fund because we were not able to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.
Recommendation	The Justice Court Clerk should ensure that internal control procedures are in place to allow for the preparation and preservation of a detailed aged fines receivable schedule so that fines receivable due to the County can be properly reported in the financial statements.

**ITAWAMBA COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section 2: Financial Statement Findings (Continued)

Response We have transitioned to a software program that should be better equipped to handle our reporting requirements.

Sheriff.

Significant Deficiency

2016-010 Segregation of duties in the Sheriff's office should be strengthened.

Criteria: Effective internal controls should include adequate segregation of duties. Segregation of duties is the separation of the authority, custody, and accounting of an operation so that one individual cannot complete a transaction from start to finish.

Condition: As reported in the three prior year's audit reports, collection, disbursement, recording and reconciliation functions are not adequately segregated in the Sheriff's office. The bookkeeper receipts collections, posts to the cash journal, makes bank deposits, reconciles the bank statements, disburses all funds, and makes the monthly settlements.

Cause The Sheriff's office has not implemented adequate segregation of duties or compensating internal controls to mitigate risk of one individual performing so that there is separation of the authority, custody, and accounting of operations.

Effect Segregation of duties helps prevent fraud, waste, and abuse in the internal control system including the risk of management override of existing internal controls.

Recommendation The Sheriff should design, implement and monitor an effective system of internal controls including an adequate segregation of duties. If size and financial considerations present challenges to attaining adequate segregation of duties then management should consider if this risk could be mitigated through the design of the internal control system by including additional levels of review, reviewing randomly selected transactions and their supporting documentation, taking periodic assets counts, checking reconciliations, etc.

Response Due to limited staff, this has been reviewed and should be corrected in subsequent years.