

# UNION COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2016

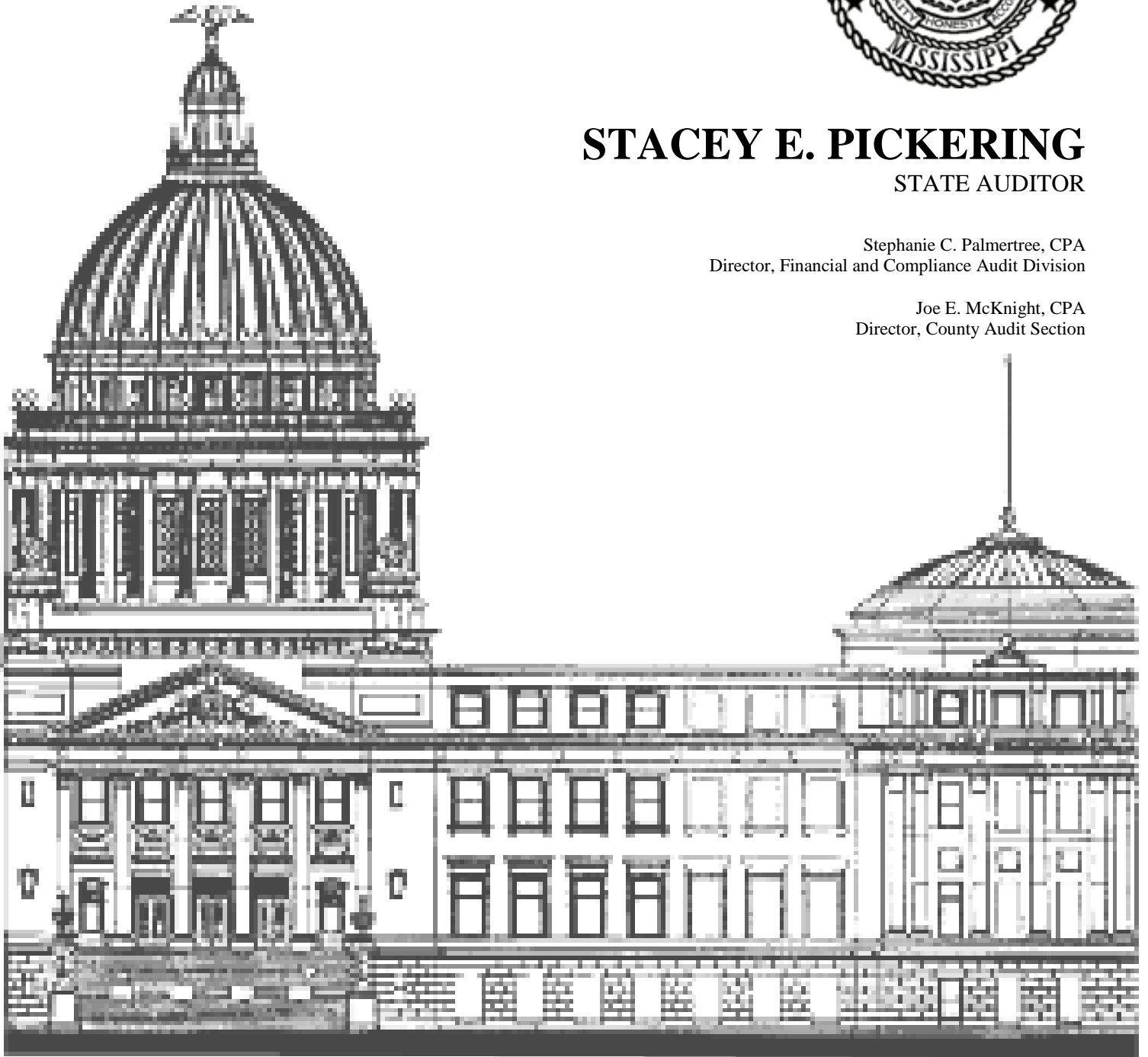


## STACEY E. PICKERING

STATE AUDITOR

Stephanie C. Palmertree, CPA  
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Director, County Audit Section



A Report from the County Audit Section

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

January 24, 2018

Members of the Board of Supervisors  
Union County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2016 financial and compliance audit report for Union County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Union County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Union County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

Stacey E. Pickering  
State Auditor



UNION COUNTY

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UNION COUNTY

FINANCIAL SECTION

UNION COUNTY

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

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Union County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Union 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 County's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Union County Library System, which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for Union County Library System, are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Union 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 Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County 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 and other auditors 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.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, and the procedures performed as described above, the accompanying Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2018 on our consideration of Union County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

January 24, 2018

UNION COUNTY

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## UNION COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

UNION COUNTY

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# **Union County Board of Supervisors**

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Steve Watson, Fifth District, Vice-President  
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**Annette M. Hickey, Clerk**  
**Terry Johnson, County Administrator**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **UNAUDITED**

#### **INTRODUCTION**

The discussion and analysis of Union County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2016. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Union County is located in Northeastern Mississippi along Hwy. 78 (the Future Interstate I-22). The population, according to the 2010 census, is 27,134. The local economic base is driven mainly by manufacturing.

#### **FINANCIAL HIGHLIGHTS**

Union County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Union County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase.

Total net position decreased \$209,240, which represents a 0.35% decrease from the prior fiscal year. The County's ending cash balance decreased by \$828,786, which represents a 8.91% decrease from the previous year.

The County had \$18,830,873 in total revenues. Property tax revenues account for \$7,409,317 or 39% of total revenues. Intergovernmental Revenues in the form of reimbursements, shared revenue or grants, account for \$6,697,495, or 36% of total revenues. Charges for services account for \$2,268,783 or 12% of total revenue. Ad valorem tax in lieu fees account for \$1,481,692 or 8% of total revenue. Other revenues such as road and bridge privilege taxes, fines, fees, interest income etc. account for the remaining 5% of total revenues.

The County had \$19,052,465 in total expenses, which represents an increase of \$3,445,387 or 22% from the prior fiscal year. Expenses in the amount of \$8,352,684 were offset by charges for services, grants or outside contributions. General revenues of \$10,478,189 were not adequate to cover the remaining amount of expenses, \$10,669,781. However, the County had adequate cash reserves to cover these expenses.

Among major funds, the General Fund had \$6,939,162 in revenues and \$7,210,668 in expenditures. The General Fund also had net other financing uses of \$443,000. The General Fund's fund balance decreased \$714,506 from the prior year.

Among major funds, the Emerald Grant Project Fund had \$1,453,350 in revenues and \$1,453,350 in expenditures.

Among major funds, the Emerald Cap Loan Fund had \$23,741 in revenues and \$1,078,474 in expenditures. The Emerald Cap Loan Fund also had net other financing sources of \$1,055,931. The Emerald Cap Loan Fund's fund balance increased \$1,198 from the prior year.

Among major funds, the Countywide Road Maintenance Fund had \$3,284,145 in revenues and \$3,268,174 in expenditures. The Countywide Road Maintenance Fund also had net other financing sources of \$95,000. The Countywide Road Maintenance Fund's fund balance increased \$147,375, including a prior period adjustment of \$36,404, from the prior year.

Among major funds, the Countywide Bridge Fund had \$3,654,520 in revenues and \$4,258,264 in expenditures. The Countywide Bridge Fund's fund balance decreased \$640,148, including a prior period adjustment of (\$36,404), from the prior year.

Among major funds, the Health Foundation Fund had \$47,122 in revenues and \$47,000 in expenditures. The Health Foundation Fund's fund balance increased \$122 from the prior year.

Capital Assets, net of accumulated depreciation, increased by \$711,207. This represents a 1% increase.

Long-term debt decreased by \$127,206 or 1%. Toyota bonds outstanding in the amount of \$6,480,000 account for 75% of all long-term debt. This bond issue will be repaid from the in-lieu of ad valorem tax fee.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

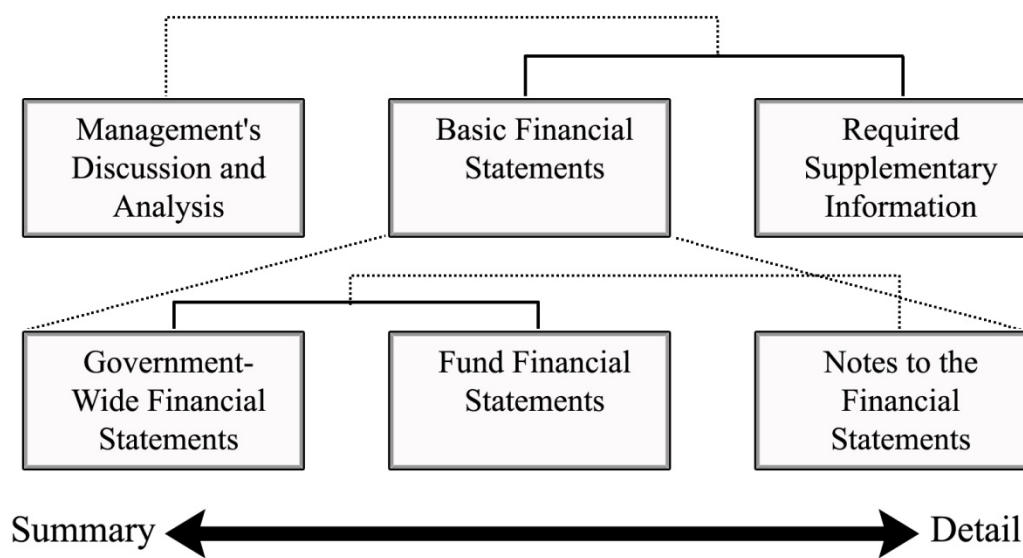


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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

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

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; conservation of natural resources; economic development; interest on long-term debt, and pension expense. The business-type activities of the County include the County's Solid Waste Fund.

The Government-wide Financial Statements can be found on pages 13 through 16 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 19 and 22, respectively.

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

The basic governmental funds financial statements can be found on pages 17 through 18 and 20 through 21 of this report.

**Proprietary funds** are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County uses an enterprise fund to account for the Solid Waste Fund.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Solid Waste Fund is considered to be a major fund of the County. The proprietary funds financial statements can be found on pages 24 through 26 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 27 of this report.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 29-55 of this report.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules and pension data as required supplementary information.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 59 through 62 of this report.

This report also presents a schedule of the County's proportionate share of the net pension liability of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. This schedule is presented to show trending data over the most recent ten fiscal year period as required by the Governmental Accounting Standards Board. This required supplementary information can be found on page 63 of this report.

This report also presents a schedule of County contributions to PERS over the most recent ten fiscal year period as required by the Governmental Accounting Standards Board. This required supplementary information can be found on page 64 of this report.

### **Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by the OMB Uniform Guidance can be found on page 69 of this report.

### **Other Information**

Although not a required part of the basic financial statements, the Schedule of Surety Bonds for County Officials is presented for purposes of additional analysis. This schedule can be found on page 73 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position** – Net position may serve over time as a useful indicator of government's financial position. In the case of Union County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$58,997,855 as of September 30, 2016.

By far, the largest portion of the County's net position (86%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the County's net position at September 30, 2016 and 2015.

	Governmental Activities		Change
	2016	2015	
Current assets	\$ 31,895,874	32,754,880	-3%
Capital assets, net	50,827,525	50,082,580	1%
Total assets	82,723,399	82,837,460	0%
Deferred outflows of resources	2,779,378	1,624,400	71%
Current liabilities	1,459,963	1,641,955	-11%
Long-term debt outstanding	8,693,987	8,820,260	-1%
Net pension liability	10,682,782	9,251,521	15%
Total liabilities	20,836,732	19,713,736	6%
Deferred inflows of resources	5,823,646	5,662,955	3%
Net position:			
Net investment in capital assets	50,703,154	50,082,580	1%
Restricted	13,786,882	14,243,033	-3%
Unrestricted	(5,647,637)	(5,240,444)	-8%
Total net position	\$ 58,842,399	59,085,169	0%

	Business-type Activities		Change
	2016	2015	
Current assets	\$ 666,300	537,871	24%
Capital assets	215,598	249,336	-14%
Total assets	881,898	787,207	12%
Deferred outflows of resources	153,712	112,387	37%
Current liabilities	120,029	124,209	-3%
Long-term debt outstanding	10,909	11,842	-8%
Net pension liability	749,216	641,617	17%
Total liabilities	880,154	777,668	13%
Net position:			
Investment in capital assets	215,598	249,336	-14%
Restricted	535,362	401,820	33%
Unrestricted	(595,504)	(529,230)	-13%
Total net position	\$ 155,456	121,926	28%

Note: The business-type activities consist of the collection and disposal of household garbage financed by a monthly fee charged on each home & various charges for commercial garbage service based on the service provided such as dumpster size and number of pickups per week. The monthly fee for residential garbage pickup is \$10.00.

Additional information on net position:

In connection with the implantation of standards on accounting and financial reporting for pensions, management presents the following additional information:

Governmental Activities:	2016	2015
Total unrestricted net position - governmental activities	\$ (5,647,637)	(5,240,444)
Unrestricted decrease in net position resulting from recognition of the net pension liability	8,550,209	7,627,121
Unrestricted net position, exclusive of the net pension liability effect	\$ 2,902,572	2,386,677
Business-type Activities:		
Total unrestricted net position - business-type activities	\$ (595,504)	(529,230)
Unrestricted decrease in net position resulting from recognition of the net pension liability	595,504	529,230
Unrestricted net position, exclusive of the net pension liability effect	\$ -0-	-0-

**Changes in Net Position** – Union County’s total revenues for the fiscal year ended September 30, 2016 were \$18,830,873. The total cost for all services provided was \$19,052,465. The decrease in net position was \$209,240, which includes a prior period adjustment of \$12,352.

The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2016 and 2015.

	2016	2015	Change
Revenues:			
Program revenues			
Charges for services	\$ 2,268,783	1,988,112	14%
Operating grants	3,435,259	1,245,537	176%
Capital grants	2,648,642	1,254,911	111%
General revenues			
Property taxes	7,409,317	7,052,369	5%
Unrestricted grants and contributions	613,594	680,275	-10%
Advalorem Tax in-lieu fee	1,481,692	847,118	75%
Other General Revenue	973,586	1,064,262	-9%
Total Revenues	18,830,873	14,132,584	33%
Expenses:			
General government	3,288,848	2,243,973	47%
Public safety	3,747,778	4,092,194	-8%
Public works	6,536,814	5,538,529	18%
Health and welfare	429,566	438,284	-2%
Culture and recreation	271,834	240,887	13%
Education	300,000	300,000	0%
Conservation of natural resources	119,207	133,105	-10%
Economic development	1,699,466	170,874	895%
Interest on long-term debt	180,573	408,554	-56%
Pension expense	1,522,829	1,090,554	40%
Garbage disposal (Business type)	955,550	950,124	1%
Total Expense	19,052,465	15,607,078	22%
Prior Period Adjustments	12,352	(7,614,903)	100%
Decrease in Net Position	\$ (209,240)	(9,089,397)	98%

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

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

	Total Costs	Net Costs
General Government	\$ 3,288,848	\$ 2,464,209
Public Safety	3,747,778	2,778,484
Public Works	6,536,814	2,308,228
Health & Welfare	429,566	326,029
Culture & Recreation	271,834	271,834
Education	300,000	300,000
Conservation of Natural Resources	119,207	119,207
Economic Development	1,699,466	401,966
Interest on Debt	180,573	180,573
Pension Expense	1,522,829	1,522,829

#### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

**Governmental funds** – At the close of the fiscal year, Union County's governmental funds reported a combined fund balance of \$15,824,026, a decrease of \$1,167,568, or 7% from the previous year.

**Business-type fund** – Operating Revenue from the County's Garbage Collection Fund increased by approximately 1% to \$929,128 and expenses increased approximately 1% to \$955,550. Nonoperating Revenues in the form of interest income and gain on sale of capital assets totaled \$59,952.



## BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major special revenue funds is provided in this report as required supplementary information after the notes to the Financial Statements.

The Original Budget was amended to actual at year end. The only significant variances from the original Budget in regard to total Revenues and Expenditures occurred in the Emerald Grant Project Fund, Countywide Road Maintenance & Countywide Bridge Funds. These variances resulted from the timing of Federal Grant Construction projects as well as State Aid Road and Bridge projects.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** – As of September 30, 2016, Union County's total capital assets was \$119,102,747. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$4,020,875 or 3%.

Total accumulated depreciation as of September 30, 2016 was \$68,059,624, including \$3,526,934 of depreciation expense for the year. The balance in total net capital assets was \$51,043,123 at year-end.

Additional information on Union County's capital assets can be found in note 8 on page 41 of this report.

**Debt Administration** – At September 30, 2016, Union County had \$8,704,896 in long-term debt outstanding. This includes general obligation bonds, Mississippi Business Investment Act notes, a note payable, and compensated absences. Of this debt, \$846,701 is due within one year.

Additional information on Union County's long-term debt can be found in note 13 on page 50 of this report.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Union County Administrator or Chancery Clerk's office at P.O. Box 847, New Albany, MS 38652.

UNION COUNTY

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UNION COUNTY

FINANCIAL STATEMENTS

UNION COUNTY

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UNION COUNTY  
Statement of Net Position  
September 30, 2016

Exhibit 1

	Primary Government			Component
	Governmental	Business-type		Unit(s)
	Activities	Activities	Total	Union County Library System
ASSETS				
Cash	\$ 8,031,357	444,968	8,476,325	341,377
Investments	8,717,974		8,717,974	90,953
Accrued interest receivable	33,721		33,721	76
Property tax receivable	5,627,992		5,627,992	
Accounts receivable (net of allowance for uncollectibles of \$338,377)		161,099	161,099	
Fines receivable (net of allowance for uncollectibles of \$459,745)	98,692		98,692	
Capital leases receivable	1,377,851		1,377,851	
Intergovernmental receivables	638,498		638,498	2,984
Other receivables	103,633	72,171	175,804	
Ad valorem tax fee in-lieu receivable	7,254,218		7,254,218	
Internal balances	11,938	(11,938)		
Prepaid items				3,877
Restricted assets				70,224
Capital assets:				
Land and construction in progress	5,155,063		5,155,063	12,000
Other capital assets, net	45,672,462	215,598	45,888,060	65,017
Total Assets	82,723,399	881,898	83,605,297	586,508
DEFERRED OUTFLOWS OF RESOURCES				
Current:				
Deferred amount on refunding	66,339		66,339	
Deferred outflows related to pensions	894,214	64,802	959,016	30,261
Noncurrent:				
Deferred amount on refunding	580,466		580,466	
Deferred outflows related to pensions	1,238,359	88,910	1,327,269	41,477
Total Deferred Outflows of Resources	2,779,378	153,712	2,933,090	71,738
LIABILITIES				
Claims payable	646,655	61,058	707,713	3,006
Intergovernmental payables	660,781		660,781	
Accrued interest payable	52,526		52,526	
Unearned revenue	0	58,971	58,971	
Amounts held in custody for others	100,001		100,001	2,242
Long-term liabilities				
Net pension liability	10,682,782	749,216	11,431,998	357,250
Due within one year:				
Capital debt	26,897		26,897	
Non-capital debt	819,804		819,804	
Due in more than one year:				
Capital debt	97,474		97,474	
Non-capital debt	7,749,812	10,909	7,760,721	5,918
Total Liabilities	20,836,732	880,154	21,716,886	368,416

UNION COUNTY  
Statement of Net Position  
September 30, 2016

Exhibit 1 - Cont'd

	Primary Government			Component Unit(s)
	Governmental Activities	Business-type Activities	Total	Fund
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues - property taxes	5,627,992		5,627,992	
Unavailable Revenue - interest on capital lease	195,654		195,654	
Total deferred inflows of resources	<u>5,823,646</u>	<u>0</u>	<u>5,823,646</u>	<u>0</u>
NET POSITION				
Net investment in capital assets	50,703,154	215,598	50,918,752	77,017
Restricted for:				
Expendable:				
General government	76,376		76,376	
Public safety	414,369		414,369	
Public works	4,483,080	535,362	5,018,442	
Health and welfare	1,601,599		1,601,599	
Culture and recreation	23,966		23,966	
Unemployment compensation			0	1,224
Nonexpendable	7,187,492		7,187,492	69,000
Unrestricted	(5,647,637)	(595,504)	(6,243,141)	142,589
Total Net Position	<u>\$ 58,842,399</u>	<u>155,456</u>	<u>58,997,855</u>	<u>289,830</u>

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

UNION 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			Component
		Charges for	Operating	Capital	Primary Government	Business-type	Total	Unit
		Services	Grants and	Grants and	Governmental	Activities		Union County
			Contributions	Contributions	Activities			Library System
Primary government:								
Governmental activities:								
General government	\$ 3,288,848	587,727	161,817	75,095	(2,464,209)		(2,464,209)	
Public safety	3,747,778	751,928	217,366		(2,778,484)		(2,778,484)	
Public works	6,536,814		1,655,039	2,573,547	(2,308,228)		(2,308,228)	
Health and welfare	429,566		103,537		(326,029)		(326,029)	
Culture and recreation	271,834				(271,834)		(271,834)	
Education	300,000				(300,000)		(300,000)	
Conservation of natural resources	119,207				(119,207)		(119,207)	
Economic development and assistance	1,699,466		1,297,500		(401,966)		(401,966)	
Interest on long-term debt	180,573				(180,573)		(180,573)	
Pension expense	1,522,829				(1,522,829)		(1,522,829)	
Total Governmental Activities	18,096,915	1,339,655	3,435,259	2,648,642	(10,673,359)		(10,673,359)	
Business-type activities:								
Solid waste	955,550	929,128				(26,422)	(26,422)	
Total Business-type Activities	955,550	929,128	0	0		(26,422)	(26,422)	
Total Primary Government	\$ 19,052,465	2,268,783	3,435,259	2,648,642	(10,673,359)	(26,422)	(10,699,781)	
Component unit:								
Union County Library System	\$ 372,320	15,405	363,826					6,911
Total Component Units	\$ 372,320	15,405	363,826	0				6,911
General revenues:								
Property taxes					\$ 7,409,317		7,409,317	
Road & bridge privilege taxes					316,606		316,606	
Grants and contributions not restricted to specific programs					613,594		613,594	
Ad valorem fee in-lieu					1,481,692		1,481,692	
Unrestricted interest income					96,619	928	97,547	844
Miscellaneous					500,409	59,024	559,433	
Total General Revenues					\$ 10,418,237	59,952	10,478,189	844

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

UNION COUNTY  
Statement of Activities  
For the Year Ended September 30, 2016

Exhibit 2 - Cont'd

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Unit
					Governmental Activities	Business-type Activities		Fund
	Changes in Net Position				(255,122)	33,530	(221,592)	7,755
	Net Position - Beginning				59,085,169	121,926	59,207,095	282,075
	Prior period adjustment				12,352		12,352	
	Net Position - Beginning, as restated				59,097,521	121,926	59,219,447	282,075
	Net Position - Ending				\$ 58,842,399	155,456	58,997,855	289,830

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



UNION COUNTY

Balance Sheet - Governmental Funds

September 30, 2016

Exhibit 3

	Major Funds						Other	Total
	General	Emerald	Emerald	County-Wide	County-Wide	Health	Governmental	Governmental
	Fund	Grant Project	Cap Loan	Road Maintenance	Bridge	Foundation	Funds	Funds
ASSETS								
Cash	\$ 2,785,115		1,198	2,849,298	1,863,769	33,727	498,250	8,031,357
Investments						8,717,974		8,717,974
Accrued interest receivable						33,721		33,721
Property tax receivable	3,739,095			892,371	811,028		185,498	5,627,992
Fines receivable (net of allowance for uncollectibles of \$459,745)	98,692							98,692
Capital lease receivable			1,115,409				262,442	1,377,851
Intergovernmental receivables	196,360	4,500		55,939	10,162		6,150	273,111
Other receivables	49,248			101	74		54,210	103,633
Due from other funds	71,667			77,797	44,632		14,641	208,737
Total Assets	\$ 6,940,177	4,500	1,116,607	3,875,506	2,729,665	8,785,422	1,021,191	24,473,068
LIABILITIES								
Liabilities:								
Claims payable	\$ 193,953	4,500		344,526	74,166	3,500	26,010	646,655
Intergovernmental payables	660,781							660,781
Due to other funds	137,070							137,070
Amounts held in custody for others	100,001							100,001
Total Liabilities	\$ 1,091,805	4,500	0	344,526	74,166	3,500	26,010	1,544,507
DEFERRED INFLOWS OF RESOURCES:								
Unavailable revenue - property taxes	3,739,095			892,371	811,028		185,498	5,627,992
Unavailable revenue - principal and interest on capital leases			1,115,409				262,442	1,377,851
Unavailable revenue - fines	98,692							98,692
Total Deferred Inflows of Resources	\$ 3,837,787	0	1,115,409	892,371	811,028	0	447,940	7,104,535

UNION COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2016

Exhibit 3 - Cont'd

	Major Funds						Other	Total
	General Fund	Emerald Grant Project Fund	Emerald Cap Loan Fund	County-Wide Road Maintenance Fund	County-Wide Bridge Fund	Health Foundation Fund	Governmental Funds	Governmental Funds
Fund balances:								
Nonspendable:								
Permanent fund principal						7,187,492		7,187,492
Restricted for:								
General government							76,376	76,376
Public safety							414,369	414,369
Public works				2,638,609	1,844,471			4,483,080
Health and welfare						1,594,430	7,169	1,601,599
Culture and recreation							23,966	23,966
Economic development and assistance			1,198				25,361	26,559
Unassigned	2,010,585							2,010,585
Total Fund Balances	\$ 2,010,585	0	1,198	2,638,609	1,844,471	8,781,922	547,241	15,824,026
Total Liabilities and Fund Balances	\$ 6,940,177	4,500	1,116,607	3,875,506	2,729,665	8,785,422	1,021,191	24,473,068

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

## UNION COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2016

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 15,824,026
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 \$67,266,712.	50,827,525
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Ad valorem tax-free in lieu	7,254,218
Intergovernmental receivables	305,658
Fines receivable	98,692
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(8,693,987)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(10,682,782)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(52,526)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,182,197
Deferred amount on refunding	646,805
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	<u>2,132,573</u>
Total Net Position - Governmental Activities	\$ <u><u>58,842,399</u></u>

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

UNION COUNTY

Exhibit 4

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

	Major Funds						Other	Total
	General	Emerald	Emerald	County-Wide	County-Wide	Health	Governmental	Governmental
	Fund	Grant Project	Cap Loan	Road Maintenance	Bridge	Foundation	Funds	Funds
	Fund	Fund	Fund	Fund	Fund	Fund		
REVENUES								
Property taxes	\$ 4,717,894			1,272,899	1,179,264		239,260	7,409,317
Road and bridge privilege taxes				316,606				316,606
Licenses, commissions and other revenue	412,667						30,149	442,816
Fines and forfeitures	187,944						251,633	439,577
In lieu taxes - Toyota	424,863						834,741	1,259,604
Intergovernmental revenues	956,874	1,297,500		1,674,693	2,468,842		155,815	6,553,724
Charges for services	125,725						316,446	442,171
Interest income	9,473		23,741	5,600	5,395	47,122	5,288	96,619
Miscellaneous revenues	103,722	155,850		14,347	1,019		5,159	280,097
Total Revenues	6,939,162	1,453,350	23,741	3,284,145	3,654,520	47,122	1,838,491	17,240,531
EXPENDITURES								
Current:								
General government	3,200,749							3,200,749
Public safety	2,940,117					47,000	957,352	3,944,469
Public works	15,211			3,268,174	4,258,264			7,541,649
Health and welfare	246,422						3,761	250,183
Culture and recreation	90,033						164,765	254,798
Education	300,000							300,000
Conservation of natural resources	117,549							117,549
Economic development and assistance	227,000	1,453,350	13,577					1,693,927
Debt service:								
Principal	66,941		1,046,505				694,767	1,808,213
Interest	6,646		18,392				193,574	218,612
Bond issue costs							330,586	330,586
Total Expenditures	7,210,668	1,453,350	1,078,474	3,268,174	4,258,264	47,000	2,344,805	19,660,735
Excess of Revenues over (under) Expenditures	(271,506)	0	(1,054,733)	15,971	(603,744)	122	(506,314)	(2,420,204)

UNION COUNTY

Exhibit 4 - Cont'd

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

	Major Funds							
	General Fund	Emerald Grant Project Fund	Emerald Cap Loan Fund	County-Wide Road Maintenance Fund	County-Wide Bridge Fund	Health Foundation Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)								
Long-term capital debt issued							139,291	139,291
Long-term non-capital debt issued			1,000,000					1,000,000
Refunding bonds issued							6,170,000	6,170,000
Proceeds from sale of capital assets				95,000				95,000
Premiums on bonds issued							91,970	91,970
Compensation for loss of capital assets							41,634	41,634
Lease principal payments			55,931				33,195	89,126
Payment to bond refunding escrow agent	(443,000)						(5,915,373)	(6,358,373)
Discount on bonds issued							(16,012)	(16,012)
Total Other Financing Sources and Uses	(443,000)	0	1,055,931	95,000	0	0	544,705	1,252,636
Net Changes in Fund Balances	(714,506)	0	1,198	110,971	(603,744)	122	38,391	(1,167,568)
Fund Balances - Beginning, as previously reported	2,725,091	0	0	2,491,234	2,484,619	8,781,800	508,850	16,991,594
Prior period adjustment(s)				36,404	(36,404)			0
Fund Balances - Beginning, as restated	2,725,091	0	0	2,527,638	2,448,215	8,781,800	508,850	16,991,594
Fund Balances - Ending	\$ 2,010,585	0	1,198	2,638,609	1,844,471	8,781,922	547,241	15,824,026

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

## UNION COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2016

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,167,568)
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 \$4,291,705 exceeded depreciation of \$3,444,752, including donated assets of \$185,686, in the current period.	846,953
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 \$34,626, the proceeds from the sale of \$95,000, and compensation for loss of \$41,634 in the current period.	(102,008)
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.	9,495
In lieu tax - Toyota 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	(834,241)
Revenues in the Statement of Activities that do not provide current financial resources are not required as revenues in the funds:	
Ad valorem tax fee-in-lieu change in net present value	1,056,329
Change in other long-term receivables:	
Intergovernmental revenues	143,771
Charges for services	5,596

## UNION COUNTY

Exhibit 4-1 - Cont'd

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

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Amount

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	(139,291)
Proceeds of non-capital debt issued	(1,000,000)
Proceeds of refunding bonds issued	(6,170,000)
Payments to refunding bond escrow agent	6,358,373
Premiums on bonds issued	(91,970)
Discount on bonds issued	16,012
Debt repayments	1,808,213

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 compensation absences	17,146
Decrease in accrued interest payable	38,039
Amortization of deferred amount on refunding	(60,811)
Amortization of premium bonds	25,815
Amortization of discount on bonds	(2,761)

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

(89,126)

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	(1,522,829)
Recording of contributions made during the year	599,741

Change in Net Position of Governmental Activities	\$ <u>(255,122)</u>
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The notes to the financial statements are an integral part of this statement.

UNION COUNTY  
Statement of Net Position - Proprietary Fund  
September 30, 2016

Exhibit 5

		Business-type Activities - Enterprise Fund Solid Waste Fund
<b>ASSETS</b>		
Current assets:		
Cash	\$	444,968
Accounts receivable (net of allowance for uncollectibles of \$338,377)		161,099
Other receivables		72,171
Total Current Assets		678,238
Noncurrent assets:		
Capital assets:		
Other capital assets, net		215,598
Total Noncurrent Assets		215,598
Total Assets		893,836
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Current:		
Deferred outflows related to pensions		64,802
Noncurrent:		
Deferred outflows related to pensions		88,910
Total Deferred Outflows of Resources		153,712
<b>LIABILITIES</b>		
Current liabilities:		
Claims payable		61,058
Due to other funds		11,938
Unearned revenue		58,971
Total Current Liabilities		131,967
Noncurrent liabilities:		
Net pension liability		749,216
Non-capital debt:		
Compensated absences payable		10,909
Total Noncurrent Liabilities		760,125
Total Liabilities		892,092
<b>NET POSITION</b>		
Net investment in capital assets		215,598
Restricted for:		
Public works		535,362
Unrestricted		(595,504)
Total Net Position	\$	155,456

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



## UNION COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund  
For the Year Ended September 30, 2016

	Business-type Activities - Proprietary Fund
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 929,128
Total Operating Revenues	<u>929,128</u>
Operating Expenses	
Personal services	426,763
Contractual services	236,984
Materials and supplies	88,349
Depreciation expense	82,182
Indirect administrative cost	11,938
Pension expense	109,334
Total Operating Expenses	<u>955,550</u>
Operating Income (Loss)	<u>(26,422)</u>
Nonoperating Revenues (Expenses)	
Interest income	928
Gain on sale of capital assets	59,024
Net Nonoperating Revenue (Expenses)	<u>59,952</u>
Net Income (Loss)	<u>33,530</u>
Changes in Net Position	<u>33,530</u>
Net Position - Beginning	<u>121,926</u>
Fund reclassification	
Prior period adjustment(s)	
Net Position - Beginning, as restated	<u>121,926</u>
Net Position - Ending	<u>\$ 155,456</u>

UNION COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2016

Exhibit 7

	Business-type Activities - Proprietary Fund
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 924,512
Payments to suppliers	(356,703)
Payments to employees	(470,756)
Payments to General Fund for indirect costs	(15,507)
Net Cash Provided by Operating Activities	<u>81,546</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	76,200
Acquisition of capital assets	(40,620)
Net Cash Provided by Capital and Related Financing Activities	<u>35,580</u>
Cash Flows From Investing Activities	
Interest on deposits	928
Net Cash Provided by Investing Activities	<u>928</u>
Net Increase in Cash and Cash Equivalents	118,054
Cash and Cash Equivalents at Beginning of Year	<u>326,914</u>
Cash and Cash Equivalents at End of Year	<u>\$ 444,968</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Operating loss	\$ (26,422)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	82,182
Pension Expense	109,334
Contributions made to retirement plan	(43,060)
Provision for uncollectible accounts	(28,122)
Changes in assets and liabilities:	
Decrease in accounts receivable	25,152
Increase in other receivables	(3,836)
Decrease in claims payable	(6,286)
Decrease in claims payable resulting from capital activities	(25,000)
Decrease intergovernmental payables	(84)
Decrease in compensated absences liability	(933)
Increase in unearned revenue	2,190
Decrease in interfund payables	(3,569)
Total Adjustments	<u>107,968</u>
Net Cash Provided by Operating Activities	<u>\$ 81,546</u>

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

UNION COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2016

Exhibit 8

	Agency Funds
ASSETS	
Cash and investments	\$ 134,722
Total Assets	\$ <u>134,722</u>
LIABILITIES	
Amounts held in custody for others	\$ 104
Due to Other Funds	59,729
Intergovernmental payables	74,889
Total Liabilities	\$ <u>134,722</u>

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

UNION COUNTY

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## UNION COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2016

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

##### A. Financial Reporting Entity.

Union 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 Union County to present these financial statements on the primary government and its component unit which has significant operational or financial relationships with the County.

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

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

##### B. Individual Component Unit Disclosures

###### Discretely Presented Component Unit

The component unit column in the financial statements includes the financial data of the following component unit of the County. It is reported in a separate column to emphasize that it is legally separate from the County.

The Union County Library System is the only component unit of Union County. The System operates two libraries in the County, under authority granted to it by the Board of Supervisors. The County appoints all System board members. The County provides funding for System programs through an annual property tax levy. The County is also responsible for the maintenance and upkeep of the facilities, which are owned by the County.

##### 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, 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 unit. 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 primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's

## UNION COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2016

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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each 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.

#### 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 asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The 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 and report all financial resources not accounted for and reported in another fund.

Emerald Grant Project Fund - This fund is used to account for grant monies acquired and disbursed for improving and renovating a local industrial building in accordance with a capital lease purchase agreement.

Emerald Cap Loan Fund - This fund is used to account for monies acquired and disbursed through the County's lease purchase agreement with a local manufacturing company

## UNION COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2016

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

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

Health Foundation Fund - This fund is used to account for the supplementing of indigent care and health, education and welfare services.

The County reports the following major Enterprise 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

Permanent Funds - These funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs.

#### 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 board 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.

## UNION COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2016

Cash includes cash on hand, demand deposits, and 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."

#### I. Restricted Assets.

Component unit assets required to be held and/or used according to donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Union 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.



# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

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	\$	N/A
Infrastructure		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.

The component unit depreciates assets on the straight-line basis over the following estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Library materials	\$ 0	5 years
Machinery and equipment	0	5-10 years
Furniture and fixtures	0	7-40 years
Improvements other than buildings	0	15-40 years

### 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 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 Note 12 for additional details.

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

## UNION COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2016

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 and Principal and interest on capital leases – 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.

#### 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.

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.

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

#### 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 improvement of those assets.

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

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

## UNION COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2016

#### Net Position Flow Assumption:

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

#### Fund Financial Statements:

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

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

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

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

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

#### Fund Balance Flow Assumption:

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

#### 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

# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

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 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.

## (2) Prior Period Adjustments.

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

### Exhibit 2 – Statement of Activities – Governmental Activities.

<u>Explanation</u>	<u>Amount</u>
To correct beginning balance of long-term debt	\$ 12,352
Total prior period adjustment(s)	\$ <u>12,352</u>

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

<u>Explanation</u>	<u>Amount</u>
<i>County-wide Road Maintenance Fund:</i>	
To reclassify intergovernmental receivable	\$ 36,404
<i>County-wide Bridge Fund:</i>	
To reclassify intergovernmental receivable	(36,404)
Total prior period adjustment	\$ <u>0</u>

## (3) Deposits and Investments.

### Primary Government

#### Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2016, was \$8,611,047, and the bank balance was \$8,971,229. 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

# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

### Investments:

Investments balances at September 30, 2016, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Governmental activities:			
Certificates of Deposit	One year	\$ 8,717,974	N/A

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

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

**Custodial Credit Risk - Investments.** Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk.

### **Discretely Presented Component Unit – Union County Library System**

#### Deposits

The following summarizes the various types of deposits included in the System's statement of assets, liabilities, and fund balance:

<u>General</u>	
Cash on hand	\$ 126
Demand deposit, interest bearing, variable rate	341,251
Total	<u>341,377</u>
<u>Restricted</u>	
Demand deposit, interest bearing, variable rate	1,224
Total	\$ <u>342,601</u>

The carrying amount of the System's total deposits with financial institutions at September 30, 2016 was \$342,475, and the bank balance was \$347,445. The collateral for public entities' deposits in financial institutions is held in the

# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

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

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

### Investments:

Investments balances at September 30, 2016, are as follows:

<u>General</u>	
Certificate of Deposit	\$ 65,815
Certificate of Deposit	25,138
Total	<u>90,953</u>
<u>Restricted</u>	
Certificate of Deposit	69,000
Total	\$ <u>159,953</u>

**Interest Rate Risk.** The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

**Custodial Credit Risk – Investments.** Custodial credit risk is the risk that in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The system does not have a formal policy for custodial credit risk. All of the system's investments were insured and held by the investment's counterparty on behalf of the system, in the name of the system.

### (4) Ad Valorem Tax Fee In-lieu Receivable

Union County, Pontotoc County, and Lee County, collectively acting through the PUL Alliance, entered into an Ad Valorem Tax Fee-In-Lieu Agreement with the Mississippi Development Authority, the Mississippi Major Economic Impact Authority and Toyota Motor Manufacturing Mississippi, Inc. (TMMMS). The agreement provides that, beginning in January 2011, and continuing until the retirement of the Public Bonds, TMMMS will make an annual fee-in-lieu payment of \$2,500,000 to the PUL Alliance, which will then be distributed equally to the three counties. Fee payments shall be made on or before January 31 each year. The fee payment shall expire after the 2026 payment or, if the Public Bonds are retired sooner than 2026, it shall expire in the year of retirement.

# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

Ad Valorem Tax Fee-In-Lieu Receivable at September 30, 2016 is as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2017	\$ 833,333
2018	833,333
2019	833,333
2020	833,333
2021	833,334
2022-2026	<u>4,166,667</u>
Total	\$ <u>8,333,333</u>
Less: Discount to Present Value	<u>(1,079,115)</u>
Net Receivable	\$ <u><u>7,254,218</u></u>

Receivable payments due in more than one year are discounted to net present value using the County's average interest rate of 3.077% on the refunding bonds issued for the project, which management has determined is an appropriate discount commensurate with the risks involved.

### (5) Interfund Transactions and Balances.

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 11,938
General Fund	Agency Funds	59,729
Countywide Road Maintenance	General Fund	77,797
Countywide Bridge Fund	General Fund	44,632
Other Governmental Funds	General Fund	<u>14,641</u>
Total		\$ <u><u>208,737</u></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. The payable from the Agency Funds represents a deposit to the payroll clearing account to cover insufficient funds and initial direct deposit payroll checks. All interfund balances are expected to be repaid within one year from the date of the financial statements.

# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

### (6) Intergovernmental Receivables.

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

Description	Amount
<b>Governmental Activities:</b>	\$
Legislative tax credit	154,127
Federal / State payments in lieu of tax	219,921
Reimbursement from agency fund	59,729
Federal victim's assistance coordinator grant	47,442
Motor vehicle fuel tax	46,513
Federal EMPG grant	26,173
MDHS welfare/food stamp reimbursement	19,452
Reimbursement for housing prisoners	17,959
State-aid road and bridge reimbursement	10,162
Motor vehicle licenses	9,236
School resource officer reimbursement	7,310
Harvest permits	5,664
Election support fund	4,792
Federal Community Development Block Grant	4,500
City of Pontotoc	2,250
Other	3,268
Total Governmental Activities	\$ 638,498
<b>Discretel Presented Component Unit - Union County Library System</b>	
Federal E-rate	2,984
Total Union County Library System	2,984

### (7) Restricted Assets.

The balances of the restricted asset accounts at September 30, 2016 are as follows:

<b>Discretely Presented Component Unit - Union County Library System</b>	Amount
Restricted Cash	\$ 1,224
Restricted Investments	69,000
<b>Total Union County Library System</b>	\$ 70,224



# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

### (8) Capital Assets.

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

#### Governmental activities:

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments *	Balance Sept. 30, 2016
<b><u>Non-depreciable capital assets:</u></b>					
Land	\$ 1,416,505				1,416,505
Construction in progress	1,397,792	3,466,164		(1,125,398)	3,738,558
Total non-depreciable capital assets	2,814,297	3,466,164	-	(1,125,398)	5,155,063
<b><u>Depreciable capital assets:</u></b>					
Infrastructure	87,579,885			508,807	88,088,692
Buildings	14,641,049			616,591	15,257,640
Improvements other than buildings	433,231				433,231
Mobile equipment	8,099,347	720,031	150,877		8,668,501
Furniture and equipment	399,409		13,809		385,600
Leased property under capital leases		105,510			105,510
Total depreciable capital assets	111,152,921	825,541	164,686	1,125,398	112,939,174
<b><u>Less accumulated depreciated for:</u></b>					
Infrastructure	50,469,062	2,603,370			53,072,432
Buildings	6,869,242	292,082			7,161,324
Improvements other than buildings	313,223	6,238			319,461
Mobile equipment	5,883,064	512,140	49,007		6,346,197
Furniture and equipment	350,047	10,031	13,671		346,407
Leased property under capital leases		20,891			20,891
Total accumulated depreciation	63,884,638	3,444,752	62,678	-	67,266,712
Total depreciable capital assets, net	47,268,283	(2,619,211)	102,008	1,125,398	45,672,462
Governmental activities capital assets, net	\$ 50,082,580	846,953	102,008	-	50,827,525

\* Adjustments are to reclassify completed construction projects.

#### Business-type activities:

	Balance Oct. 1, 2015	Additions	Deletions	Balance Sept. 30, 2016
<b><u>Depreciable capital assets:</u></b>				
Mobile equipment	1,109,654	65,620	171,764	1,003,510
Furniture and equipment	5,000			5,000
Total depreciable capital assets	1,114,654	65,620	171,764	1,008,510
<b><u>Less accumulated depreciated for:</u></b>				
Mobile equipment	860,818	82,182	154,588	788,412
Furniture and equipment	4,500			4,500
Total accumulated depreciation	865,318	82,182	154,588	792,912
Total depreciable capital assets, net	249,336	(16,562)	17,176	215,598
Business-type activities capital assets, net	\$ 249,336	(16,562)	17,176	215,598

# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

### Discretely Presented Component unit - Union County Library System

	Balance Oct. 1, 2015	Additions	Deletions	Balance Sept. 30, 2016
<b><u>Governmental Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 12,000			12,000
Total capital assets not being depreciated	12,000	-	-	12,000
Other capital assets:				
Library materials	534,321	14,018		548,339
Machinery and equipment	124,338	8,961	61,327	71,972
Furniture and fixtures	46,929			46,929
Land improvements	7,041			7,041
Total depreciable capital assets	712,629	22,979	61,327	674,281
<b><u>Less accumulated depreciation for:</u></b>				
Library materials	483,768	25,833		509,601
Machinery and equipment	103,649	10,504	55,970	58,183
Furniture and fixtures	34,886	2,917		37,803
Land improvements	3,208	469		3,677
Total accumulated depreciation	625,511	39,723	55,970	609,264
Other capital assets, net	87,118	(16,744)	5,357	65,017
Governmental activities capital assets, net	\$ 99,118	(16,744)	5,357	77,017

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental activities:</b>	
General government	\$ 36,753
Public safety	456,096
Public works	2,745,311
Health and welfare	180,221
Culture and recreation	17,035
Conservation of natural resources	3,797
Economic development and assistance	5,539
Total governmental activities depreciation expense	\$ 3,444,752
<b>Business-type activities:</b>	
Solid waste	\$ 82,182
Total business-type activities depreciation expense	\$ 82,182

# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

	Amount
<b>Discretely Presented Component Unit - Union County Library System</b>	
Library Materials	\$ 25,833
General government	13,890
	<hr/>
Total Union County Library System	\$ 39,723
	<hr/>

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

### Governmental Activities:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
BR 0923(3)B -2 Bridges on CR 46	\$ 159,349	September 2017
73(20) Bridge #35 on CR 158	19,812	December 2016
BR 1985(2)B Bridge #107 on CR 171	363,632	September 2017
Bridge #080 on CR 86	37,366	December 2016
Bridge #34 on CR 137	235,370	June 2017

### (9) Claims and Judgments.

#### Risk Financing.

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

### (10) Operating Leases.

#### As Lessee:

On November 26, 2012, Union County entered into a non-cancellable operating lease agreement with Skinner & Ellis Properties, LLC for the lease of property located at 816 Hwy 348, New Albany, MS 38652 owned by Skinner & Ellis Properties, LLC for the purpose of housing the Department of Human Services. The operating lease stipulates that the lessee would pay approximately \$2,950 per month in lease payments commencing December 3, 2012 for a term of 10 years.

The County has entered into a certain operating lease which does not give rise to property tax rights. Total costs for this lease were \$35,400 for the year ended September 30, 2016. The future minimum lease payments for this lease are as follows:

# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

<u>Year Ending September 30,</u>		<u>Amount</u>
2017	\$	35,400
2018		35,400
2019		35,400
2020		35,400
2021		35,400
2022 - 2026		41,300
Total Minimum Payments Required	\$	<u>218,300</u>

### (11) Capital Leases.

#### As Lessor:

On July 6, 2015, Union County entered into a capital lease agreement with the City of New Albany and Emerald Mississippi, L.L.C. for the lease of real property and improvements, being 25.16 acres, more or less, and all improvements located at 1101 Denmill Road, New Albany, MS. The capital lease stipulated that the lessee would pay approximately \$9,959 per month in lease payments commencing June 26, 2015 for a term of 10 years. At the end of the lease term, Emerald Home Furnishings has the option to purchase the property at 1101 Denmill Road, New Albany, MS upon payment of all future amounts due.

On August 15, 2005, Union County entered into a capital lease agreement with the City of New Albany and Abby Manufacturing Co., Inc. for the lease of industrial property at 1100 Denmill Road, New Albany, MS. The capital lease stipulated that the lessee would pay approximately \$2,000 per month in lease payments commencing January 1, 2012 for a term of 10 years. At the end of the lease term, Abby Manufacturing Co., Inc. has the option to purchase the property at 1100 Denmill Road, New Albany, MS for \$1.

On September 1, 2006, Union County entered into a capital lease agreement with the City of New Albany and CEC Production Metal Processing, Inc. for the lease of property on Sam T. Barkley Drive. The capital lease stipulates that the lessee would pay approximately \$1,163 per month in lease payments commencing September 1, 2006 for a term of 20 years. At the end of the lease term, CEC Production Metal Processing, Inc. has the option to purchase the property on Sam T. Barkley Drive for \$500.

The County leases the following property with varying terms and options as of September 30, 2016:

<u>Classes of Property</u>		<u>Amount</u>
Land	\$	134,000
Buildings		1,385,678
Mobile Equipment		<u>22,306</u>
Total	\$	<u>1,541,984</u>

The future net minimum lease receivables as of September 30, 2016, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 119,244	37,061
2018	123,623	33,845
2019	127,357	30,112
2020	131,231	26,238
2021	135,250	22,218
2022 - 2026	<u>545,492</u>	<u>46,180</u>
Total	\$ <u>1,182,197</u>	<u>195,654</u>

# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

As Lessee:

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

Classes of Property	Governmental Activities
Furniture and equipment	\$ 105,510
Less: Accumulated depreciation	(20,891)
Leased Property Under Capital Leases	\$ 84,619

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2017	\$ 26,897	3,154
2018	27,504	2,547
2019	28,341	1,710
2020	29,200	851
2021	12,429	93
Total	\$ 124,371	8,355

### (12) Defined Benefit Pension Plan.

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

**Plan Description.** Union 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

# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

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 \$642,801, \$624,777 and \$615,333, respectively, equal to the required contributions for each year.

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

At September 30, 2016, the County reported a liability of \$11,431,998 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 0.064 percent, which was based on a measurement date of June 30, 2016. The County's proportionate share remained constant relative to its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended September 30, 2016, the County recognized pension expense of \$1,522,829 for governmental activities and \$109,334 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:

<b>Deferred Outflows of Resources</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Differences between expected and actual experience	\$ 265,785	19,083
Net difference between projected and actual earnings on pension plan investments	1,247,911	89,596
Changes of assumptions	474,114	34,066
County contributions subsequent to the measurement date	144,763	10,967
<b>Total</b>	<b>\$ 2,132,573</b>	<b>153,712</b>

\$155,730 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 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:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Year ending September 30:			
2017	\$ 749,451	53,835	803,286
2018	653,342	46,908	700,250
2019	374,303	26,874	401,177
2020	210,714	15,128	225,842
<b>Total</b>	<b>\$ 1,987,810</b>	<b>142,745</b>	<b>2,130,555</b>

# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

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, with males rates set forward one year.

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:

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

# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 14,658,385	11,431,998	8,755,143

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

### Discretely Presented Component Unit – Union County Library System

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

**Benefits Provided.** Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service 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 System 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 Union County Library System's contributions to PERS for the years ending September 30, 2016, 2015, and 2014, were \$20,491, \$20,435, and \$21,355, respectively, which equaled the required contributions for each year.

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

At September 30, 2016, the system reported a liability of \$357,250 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



# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

the net pension liability was determined by an actuarial valuation as of that date. The system's proportion of the net pension liability was based on a projection of the system's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2016, the system's proportion was 0.002 percent. The system's proportionate share remained constant relative to its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended September 30, 2016, the system recognized pension expense of \$51,512. At September 30, 2016 the system reported deferred outflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	Amount
Differences between expected and actual experience	\$ 8,902
Net difference between projected and actual earnings on pension plan investments	41,797
Changes of assumptions	15,892
System contributions subsequent to the measurement date	5,147
<b>Total Deferred Outflows of Resources</b>	<b>\$ 71,738</b>

\$5,147 reported as deferred outflows of resources related to pensions resulting from system 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 related to pensions will be recognized in pension expense as follows:

Year Ending September 30	Amount
2017	\$ 25,114
2018	21,883
2019	12,537
2020	7,057
<b>Total</b>	<b>\$ 66,591</b>

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, with males rates set forward one year.

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.

# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

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:

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	100.00 %	

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
System's proportionate share of the net pension liability	\$ 458,075	\$ 357,250	\$ 273,598

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

### (13) Long-term Debt.

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

# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
2007 GO Industrial Dev. Bond	\$ 495,000	5.00-6.00%	07/2017
2016 GO Industrial Dev. Refunding Bond	<u>5,985,000</u>	3.00-3.50%	07/2026
Total General Obligation Bonds	<u><u>6,480,000</u></u>		
B. Capital Leases:			
E911 Equipment	\$ <u>124,371</u>	3.00%	02/2021
Total Capital Leases	<u><u>124,371</u></u>		
C. Other Loans:			
Capital improvements revolving loan	\$ 109,702	3.00%	09/2026
Capital improvements revolving loan	247,050	3.00%	07/2029
Capital improvements revolving loan	941,143	3.00%	02/2026
Note payable	<u>621,742</u>	1.00%	07/2025
Total Other Loans	<u><u>1,919,637</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	\$ 625,000	206,625	171,814	44,060
2018	655,000	177,975	186,036	39,494
2019	670,000	158,325	190,312	35,218
2020	690,000	138,225	194,694	30,836
2021	710,000	117,525	199,218	26,312
2022-2026	3,130,000	252,775	914,368	60,374
2027-2030			<u>63,195</u>	<u>2,803</u>
Total	<u><u>\$ 6,480,000</u></u>	<u><u>1,051,450</u></u>	<u><u>1,919,637</u></u>	<u><u>239,097</u></u>

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2016, the amount of outstanding debt was equal to 2.26 % of the latest property assessments.

**Advance Refunding** - On October 29, 2015, the County issued \$6,170,000 in general obligation refunding bonds with an average interest rate of 3.00-3.50% to advance refund \$5,790,000 of the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
2007 GO Industrial Dev. Bond	5.0-6.0%	\$ 5,790,000

# UNION COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

The 2007 GO Industrial Dev. Bond had an outstanding balance of \$6,755,000 at the time of refunding, but only \$5,790,000 of the bond was refunded, leaving a remaining principal balance of \$965,000, of which \$470,000 was redeemed during fiscal year 2016.

The net proceeds of \$6,358,373 (after payment of \$330,586 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The County advance refunded the above bonds to reduce its total debt service payments over the next 10 years by almost \$770,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$128,000.

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

### Primary Government

	Balance Oct. 1, 2015	Additions	Reductions	Adjustments *	Balance Sept. 30, 2016	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 135,915	-	17,146	-	118,769	-
General obligation bonds	6,755,000	6,170,000	6,445,000		6,480,000	625,000
Less:						
Discounts	(140,937)	(16,012)	(142,004)		(14,945)	(1,534)
Add:						
Premiums		91,970	25,815		66,155	24,524
Capital leases		139,291	14,920		124,371	26,897
Other loans	2,070,282	1,000,000	1,138,293	(12,352)	1,919,637	171,814
Total	\$ 8,820,260	7,385,249	7,499,170	(12,352)	8,693,987	846,701

\* Includes prior period adjustment of (\$12,352), to correct beginning balance.

	Balance Oct. 1, 2015	Additions	Reductions	Balance Sept. 30, 2016	Amount due within one year
<b>Business-type Activities:</b>					
Compensated absences	\$ 11,842	-	933	10,909	-
Total	\$ 11,842	-	933	10,909	-

### Discretely Presented Component Unit - Union County Library System

#### Governmental Activities:

Compensated absences	\$ 5,918	-	-	5,918	-
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## UNION COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2016

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, E-911 Commission Fund, Fire Department Fund, Drug Court Fund, Countywide Road Maintenance Fund, Countywide Bridge and Culvert Fund, Solid Waste Enterprise Fund, and the Union County Library System General Fund.

#### (14) 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 Union 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 (6.04%) of the \$2,695,000 refunding bonds balance at September 30, 2016, is \$162,778.

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

The governmental activities' unrestricted net position (deficit) amount of (\$5,647,637) 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 \$144,763 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 \$1,987,810 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 governmental activities' unrestricted net position (deficit) amount of (\$5,647,637) includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$646,805 of the \$2,779,378 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 10 years.

The governmental activities' unrestricted net position (deficit) amount of (\$5,647,637) includes the effect of recognition of deferring the recognition of revenue resulting from capital leases receivable. The \$195,654 balance of deferred inflows of resources at September 30, 2016, will be recognized as revenue and will increase the unrestricted net position over the next 10 years.

The business-type activities' unrestricted net position (deficit) amount of (\$595,504) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$10,967 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 \$142,745 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.

## UNION COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2016

#### Discretely Presented Component Unit – Union County Library System

The governmental activities' unrestricted net position amount of \$142,589 includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$5,147 resulting from system 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 \$66,591 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.

#### (16) Joint Ventures.

The County participates in the following joint ventures:

Union County is a participant with the City of New Albany, industries and other interested parties located within the County in a joint venture, as authorized by Section 19-5-99 Miss. Code Ann. (1972), in the Union County Development Association. The joint venture was created to aid the development of industries in Union County and is governed by 11 directors, of which Union County appoints two. The County contributed \$87,000 for support of the Association in fiscal year 2016. Complete financial statements for the Union County Development Association can be obtained from Union County Development Association, P.O. Box 56, New Albany, MS 38652.

Union County is a participant with the City of New Albany, as authorized by Section 17-13-9, Miss. Code Ann. (1972), in the New Albany-Union County Airport Board. The joint venture was created to acquire, construct, operate and maintain the New Albany-Union County Airport. Union County appoints two of the five-member board, and the president of the Board of Supervisors, along with the mayor of New Albany, appoints an additional member as chairman. Union County contributed \$14,886 for the support and maintenance of the airport in fiscal year 2016. Complete financial statements can be obtained from the New Albany-Union County Airport, New Albany, MS 38652.

Union County is a participant in a joint venture with the counties of Pontotoc and Chickasaw and the municipalities of New Albany, Pontotoc, Houston, New Houlka, Ecrú and Algoma, as the GM&O Rails to Trails Recreational District of North Mississippi (GM&O), as authorized by Section 55-25-1, Miss. Code Ann. (1972) which governs the Tanglefoot Trail, which is a multi-use recreational trail for hikers, equestrians, walkers, runners, skaters, cyclists, and other such uses. Union County appoints one member of the nine-member Board of GM&O and agreed to pledge on an annual basis, for a period of 15 years, an amount equal to ¼ of a mill from their General fund, or from any other available source as determined by the County, to GM&O for the purpose of servicing debt. Any funds over the amount needed for debt will be retained by GM&O for operating and maintenance expenses. Three Rivers Planning and Development District is the administrator and fiscal agent of the program. The County contributed \$36,700 to this venture in fiscal year 2016.

#### (17) 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 Union 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 contribute 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 Union County Board of Supervisors appoints two of the forty members of the board of directors. The County contributed \$140,000 for the support of the district in fiscal year 2016.

Northeast Mississippi Community College operates in a district composed of the counties of Alcorn, Prentiss, Tippah, Tishomingo and Union. The Union County Board of Supervisors appoints one of the fifteen members of the college board of trustees. The County contributed \$879,413 for the support and maintenance of the college in fiscal year 2016.

## UNION COUNTY

### Notes to Financial Statements For the Year Ended September 30, 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 Union County Board of Supervisors appoints one of the seven members of the board of commissioners. The County contributed \$23,500 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 Union County Board of Supervisors appoints one of the twenty-four members of the board of directors. The County contributed \$2,500 in fiscal year 2016 to the organization.

Pontotoc-Union-Lee Alliance (PUL) is an alliance among Pontotoc, Lee and Union counties. The Union County Board of Supervisors appoints two of the nine members of the board of directors. The County did not contribute any funds for support of the alliance in fiscal year 2016.

#### (18) 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 Union County evaluated the activity of the County through January 24, 2018, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

UNION COUNTY

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UNION COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

UNION COUNTY

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UNION 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 Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,488,685	4,701,864	4,701,864	
Licenses, commissions and other revenue	383,400	416,389	416,389	
Payments in lieu of tax - Toyota	431,411	424,863	424,863	
Fines and forfeitures	221,500	194,815	194,815	
Intergovernmental revenues	1,014,221	1,201,857	1,201,857	
Charges for services	80,000	141,577	141,577	
Interest income	2,600	9,521	9,521	
Miscellaneous revenues	32,031	71,992	71,992	
Total Revenues	<u>6,653,848</u>	<u>7,162,878</u>	<u>7,162,878</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,684,682	3,216,700	3,216,700	
Public safety	2,713,471	2,959,231	2,959,231	
Public works	25,668	14,886	14,886	
Health and welfare	272,056	247,554	247,554	
Culture and recreation	92,800	90,025	90,025	
Education	300,000	300,000	300,000	
Conservation of natural resources	136,549	150,446	150,446	
Economic development and assistance	205,735	227,000	227,000	
Debt service:				
Principal	66,896	509,895	509,895	
Interest	6,693	6,692	6,692	
Total Expenditures	<u>7,504,550</u>	<u>7,722,429</u>	<u>7,722,429</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(850,702)</u>	<u>(559,551)</u>	<u>(559,551)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	60,000			
Compensation for loss of capital assets	10,000	10,009	10,009	
Transfers in	160,000	323,529	323,529	
Transfers out	(140,000)	(308,022)	(308,022)	
Total Other Financing Sources and Uses	<u>90,000</u>	<u>25,516</u>	<u>25,516</u>	<u>0</u>
Net Change in Fund Balance	(760,702)	(534,035)	(534,035)	
Fund Balances - Beginning	<u>1,956,892</u>	<u>2,630,992</u>	<u>2,630,992</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,196,190</u>	<u>2,096,957</u>	<u>2,096,957</u>	<u>0</u>

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

UNION COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Emerald Grant Project Fund  
 For the Year Ended September 30, 2016  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues		1,293,000	1,293,000	
Miscellaneous revenues	\$	155,850	155,850	
Total Revenues	<u>0</u>	<u>1,448,850</u>	<u>1,448,850</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>1,448,850</u>	<u>1,448,850</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balances - Beginning	<u>0</u>	<u>1,448,850</u>	<u>1,448,850</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>1,448,850</u>	<u>1,448,850</u>	<u>0</u>

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

UNION COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Emerald Cap Loan Fund  
 For the Year Ended September 30, 2016  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Miscellaneous revenues	\$ 119,509	79,672	79,672	
Total Revenues	<u>119,509</u>	<u>79,672</u>	<u>79,672</u>	<u>0</u>
EXPENDITURES				
Current:				
Conservation of natural resources				
Economic development and assistance		1,001,225	1,001,225	
Debt service:				
Principal	87,064	57,753	57,753	
Interest	28,810	19,497	19,497	
Total Expenditures	<u>115,874</u>	<u>1,078,475</u>	<u>1,078,475</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>3,635</u>	<u>(998,803)</u>	<u>(998,803)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		1,000,000	1,000,000	0
Total Other Financing Sources and Uses	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>0</u>
Net Change in Fund Balance	<u>3,635</u>	<u>1,197</u>	<u>1,197</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 3,635</u>	<u>1,197</u>	<u>1,197</u>	<u>0</u>

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

UNION 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 Positive (Negative)
REVENUES				
Property taxes	\$ 1,217,378	1,268,114	1,268,114	
Road and bridge privilege taxes	290,000	314,551	314,551	
Intergovernmental revenues	578,000	628,397	628,397	
Interest income	500	5,774	5,774	
Miscellaneous revenues	5,000	4,210	4,210	
Total Revenues	<u>2,090,878</u>	<u>2,221,046</u>	<u>2,221,046</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,258,230	2,040,930	2,040,930	
Total Expenditures	<u>2,258,230</u>	<u>2,040,930</u>	<u>2,040,930</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(167,352)</u>	<u>180,116</u>	<u>180,116</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		95,000	95,000	
Premiums on bonds issued		7,887	7,887	
Compensation for loss of capital assets		102,887	102,887	
Total Other Financing Sources and Uses	<u>0</u>	<u>102,887</u>	<u>102,887</u>	<u>0</u>
Net Change in Fund Balance	(167,352)	283,003	283,003	
Fund Balances - Beginning	<u>(1,016,545)</u>	<u>1,647,237</u>	<u>1,647,237</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (1,183,897)</u>	<u>1,930,240</u>	<u>1,930,240</u>	<u>0</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,131,664	1,178,202	1,178,202	
Intergovernmental revenues	330,000	221,857	221,857	
Interest income	500	5,566	5,566	
Miscellaneous revenues	0	1,019	1,019	
Total Revenues	<u>1,462,164</u>	<u>1,406,644</u>	<u>1,406,644</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>1,530,280</u>	<u>2,018,641</u>	<u>2,018,641</u>	
Total Expenditures	<u>1,530,280</u>	<u>2,018,641</u>	<u>2,018,641</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(68,116)</u>	<u>(611,997)</u>	<u>(611,997)</u>	<u>0</u>
Net Change in Fund Balance	(68,116)	(611,997)	(611,997)	
Fund Balances - Beginning	<u>1,652,761</u>	<u>2,515,159</u>	<u>2,515,159</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,584,645</u>	<u>1,903,162</u>	<u>1,903,162</u>	<u>0</u>

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

UNION COUNTY  
Schedule of the County's Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.064%	0.064%
County's proportionate share of the net pension liability (asset)	\$ 11,431,998	9,893,138
County's covered-employee payroll	\$ 4,071,154	3,966,840
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	280.8%	249.40%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%

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



UNION COUNTY  
Schedule of County Contributions  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 642,801	624,777
Contributions in relation to the contractually required contribution	<u>642,801</u>	<u>624,777</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
County's covered-employee payroll	\$ 4,081,276	3,966,840
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

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

UNION COUNTY

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# UNION COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2016

### UNAUDITED

#### A. Budgetary Information.

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

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

#### B. Basis of Presentation.

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

#### C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types				
	General Fund	Emerald Grant Project Fund	Emerald Cap Loan Fund	Countywide Road Fund	Countywide Bridge Fund
Budget (Cash Basis)	\$ (534,035)	1,448,850	1,197	283,003	(611,997)
Increase (Decrease)					
Net adjustments for:					
Revenue accruals	(233,727)	4,500		(27,937)	(43,496)
Expenditure accruals	53,256	(1,453,350)	1	(144,095)	51,749
GAAP Basis	\$ <u>(714,506)</u>	<u>0</u>	<u>1,198</u>	<u>110,971</u>	<u>(603,744)</u>

## UNION COUNTY

### Notes to the Required Supplementary Information For the Year Ended September 30, 2016

#### UNAUDITED

#### 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%.

##### **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

## UNION COUNTY

## SUPPLEMENTAL INFORMATION

UNION COUNTY

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UNION COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grants *	14.228	1131-14-073-ED-01	\$ 847,500
<b>Total U.S. Department of Housing and Urban Development</b>			<u>847,500</u>
<b>U.S. Department of Justice</b>			
<i>Passed through the Mississippi Department of Public Safety</i>			
Crime Victim Assistance	16.575	2014-VA-GX-0054	41,472
<i>Passed through the Mississippi Department of Health</i>			
Crime Victim Assistance	16.575	2015-VA-GX-4038	47,442
Total Crime Victim Assistance			<u>88,914</u>
<b>Total U.S. Department of Justice</b>			<u>88,914</u>
<b>U.S. Department of Transportation</b>			
<i>Passed through the Mississippi Department of Transportation</i>			
Highway Planning and Construction	20.205	BR-NBIS(083)B	22,170
Highway Planning and Construction	20.205	BR-0923(3)B	86,969
Highway Planning and Construction	20.205	STPBR-1985(2)B	47,424
Total Highway Planning and Construction			<u>156,563</u>
<b>Total U.S. Department of Transportation</b>			<u>156,563</u>
<b>Appalachian Regional Commission</b>			
<i>Passed through the Mississippi Development Authority</i>			
Appalachian Area Development	23.002	MS-18229	300,000
<b>Total Appalachian Regional Commission</b>			<u>300,000</u>
<b>Department of Homeland Security</b>			
<i>Passed through the Mississippi Emergency Management Agency</i>			
Emergency Management Performance Grants	97.042	EMA-2016-EP-00005	26,172
<b>Total Department of Homeland Security</b>			<u>26,172</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,419,149</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

\* Denotes major federal award program

## UNION COUNTY

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## UNION COUNTY

## OTHER INFORMATION

UNION COUNTY

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UNION COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2016  
UNAUDITED

Name	Position	Company	Bond
Evan D. Denton	Supervisor District 1	RLI Insurance Company	\$100,000
Milton "Chad" Coffey	Supervisor District 2	RLI Insurance Company	\$100,000
David Kitchens	Supervisor District 3	EMC Insurance Company	\$100,000
Jesse "Randy" Owen	Supervisor District 4	EMC Insurance Company	\$100,000
Stevey "Steve" Watson	Supervisor District 5	EMC Insurance Company	\$100,000
Annette Hickey	Chancery Clerk	EMC Insurance Company	\$100,000
Terry Johnson	County Administrator	EMC Insurance Company	\$100,000
Kay Wicker	Comptroller	EMC Insurance Companies	\$100,000
Phyllis Stanford	Circuit Clerk	EMC Insurance Company	\$100,000
Helen Randle	Deputy Circuit Clerk	EMC Insurance Companies	\$100,000
Lauren Hatton	Deputy Circuit Clerk	EMC Insurance Companies	\$100,000
Linda Wells	Deputy Circuit Clerk	EMC Insurance Companies	\$100,000
Randy Dunnam	Tax Assessor/Collector	FCCI Insurance Group	\$100,000
Anna Stanton	Deputy Court Clerk	EMC Insurance Companies	\$50,000
Cuisandra Ingram	Deputy Court Clerk	EMC Insurance Companies	\$50,000
Cynthia Swofford Wilbanks	Deputy Tax Collector	EMC Insurance Company	\$50,000
Sharon Medlin	Deputy Tax Collector	EMC Insurance Company	\$50,000
Dana Baker	Deputy Tax Collector	EMC Insurance Company	\$50,000
Teresa Ann O'Callaghan	Deputy Tax Collector	EMC Insurance Company	\$10,000
Brandi Ledford	Deputy Tax Collector	EMC Insurance Company	\$10,000
Christy Sullivan	Deputy Tax Assessor	EMC Insurance Company	\$10,000
Bobbie Karen McMillen	Deputy Tax Assessor	EMC Insurance Company	\$10,000
Michael Meinz	Deputy Tax Assessor	EMC Insurance Company	\$10,000
Jimmy Edwards	Sheriff	FCCI Insurance Group	\$100,000
David Garrison	Justice Court Judge	RLI Insurance Company	\$50,000
Chris Childers	Justice Court Judge	RLI Insurance Company	\$50,000
Larissa Edwards	Justice Court Clerk	EMC Insurance Company	\$50,000
Steven W.Prewett	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
James Province	Deputy Justice Court Clerk	EMC Insurance Companies	\$50,000
Avery Adair	Deputy Justice Court Clerk	EMC Insurance Companies	\$50,000
Tina Wood	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Mary Katherine Hale	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Sarah Beth Gregory	Deputy Justice Court Clerk	EMC Insurance Companies	\$50,000
Jeremy McClarty	Deputy Justice Court Clerk	EMC Insurance Companies	\$50,000
Tony Douglas Vandiver	Deputy Justice Court Clerk	EMC Insurance Companies	\$50,000
Robbie Murry	Deputy Justice Court Clerk	EMC Insurance Companies	\$50,000
Gary Gray	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Elizabeth Russom	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Sarah Bullock	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Andrea Parrish	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
PJ Doyle	Constable	Western Surety Company	\$50,000
Ronnie Goudy	Constable	FCCI Insurance Group	\$50,000
Shellie Kent	Purchase Clerk	EMC Insurance Companies	\$75,000
Kay Wicker	Asst. Purchase Clerk	EMC Insurance Companies	\$100,000
Donna Treadway	Receiving Clerk	EMC Insurance Companies	\$75,000
Curt Clayton	Receiving Clerk	EMC Insurance Companies	\$75,000
Larry Jarvis	Building & Grounds	EMC Insurance Companies	\$50,000
Nancy Bell	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
Tiffany Erby	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000

UNION COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2016  
UNAUDITED

Name	Position	Company	Bond
Gary Rowell	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
Donald Richey	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
Paul Harrison	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
Ricky Kizer	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
Bobby Allen Pannell	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
Jonathan Callicutt	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
Eddie Turner	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
Michael Kiddy	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
Danny Littlejohn	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
Dean Dillard	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
Jane Brooks	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
Jennifer Bishop	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
Jeff Akins	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
Kathy Butler	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
Cynthia Wilbanks	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
Jerry Davis	Asst. Receiving Clerk	EMC Insurance Companies	\$50,000
James Byers	Road Manager	RLI Insurance Company	\$50,000
Terry Johnson	Inventory Clerk	EMC Insurance Companies	\$75,000

## UNION COUNTY

## SPECIAL REPORTS

UNION COUNTY

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

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

Members of the Board of Supervisors  
Union County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Union 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 County's basic financial statements, and have issued our report thereon dated January 24, 2018. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Union County Library System, as described in our report on Union County, Mississippi's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditors.

**Internal Control over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2016-001 and 2016-003 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 Questioned Costs as 2016-002 to be a significant deficiency.

## **Compliance and Other Matters**

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

However, we noted certain matters that we reported to the management of Union 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 January 24, 2018, included within this document.

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

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

## **Purpose of this Report**

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



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

January 24, 2018





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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Members of the Board of Supervisors  
Union County, Mississippi

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

We have audited Union County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Union County, Mississippi's major federal program for the year ended September 30, 2016. Union County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Union County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Union County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on the Major Federal Program***

In our opinion, Union County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

## Report on Internal Control Over Compliance

Management of Union County, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Union County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT CPA  
Director, County Audit Section

January 24, 2018



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

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

Members of the Board of Supervisors  
Union County, Mississippi

We have examined Union County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2016. The Board of Supervisors of Union County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

**Board of Supervisors and Purchase Clerk.**

1. Purchase over \$50,000 was not advertised for competitive bidding.

**Repeat Finding** No

**Criteria** Section 31-7-13, Miss. Code Ann. (1972) specifies that purchases which involve an expenditure of more than \$50,000, exclusive of freight and shipping charges, may be made from the lowest and best bidder after advertising for competitive bids once each week for two consecutive weeks in a regular newspaper published in the county in which such governing authority is located.

<b>Condition</b>	The County purchased six tractors for a total purchase price of \$241,630 that were declared to be purchased on state contract; however, the purchase price exceeded the state contract price by \$27,864. Competitive bids were not sought by advertisement as required by statute.
<b>Cause</b>	Unknown
<b>Effect</b>	Failure to advertise for competitive bids for purchases over \$50,000, as required by state law, could result in a loss of public funds.
<b>Recommendation</b>	The Board of Supervisors and Purchase Clerk should ensure that purchases with an estimated cost of more than \$50,000 are advertised for competitive bids as required by state law.
<b>Views of Responsible Officials</b>	I was confident I had followed proper purchasing procedures when I executed the purchase order on February 9, 2016 for five 5085E utility tractors and one 5100E utility tractor. In my opinion, this website is not the easiest to use and in my defense, this was an honest mistake. I have talked with Steve Tucker with the Dept. of Finance and Administration and have a much better understanding of the state contract website.
<b>Purchase Clerk.</b>	
<b>2.</b>	<u>Purchases over \$5,000 but not over \$50,000 require two quote bids and documentation of the lowest and best bid.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	Section 31-7-13(b), Miss. Code Ann (1972), requires purchases which involve an expenditure of more than \$5,000 but not more than \$50,000, exclusive of freight and shipping charges may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two competitive written bids have been obtained.
<b>Condition</b>	The County purchased a Ford F150 that was purported to be on state contract; however, state contract price and specifications were not followed. Add-ons were purchased that were not included on the state contract which exceeded \$5,000, therefore, at least two quote bids should have been obtained for that portion of the purchase.
<b>Cause</b>	Unknown
<b>Effect</b>	Failure to obtain at least two written bid quotes for purchases over \$5,000 but not over \$50,000, and approving the lowest and best bid, could result in the loss of public funds.
<b>Recommendation</b>	The Purchase Clerk should ensure that bids and/or quotes are obtained for the necessary goods and services.
<b>Views of Responsible Official</b>	I talked with technical support and documented date and time and was told I could purchase like Sheriff had requisitioned.
<b>Auditor Note</b>	State contracts list available add-ons for purchase. If equipment is needed beyond what is listed on the state contract, then normal purchasing procedures should be followed.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Union 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 and, in our opinion, is fairly presented in relation to that examination.

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

This report is intended for use in evaluating Union 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, reading "Joe E. McKnight". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

January 24, 2018

UNION COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder  
For the Year Ended September 30, 2016

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

UNION COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2016

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
4/18/2016	Door controller	\$ 2,965	Prime Logic	Control panel on door at jail shorted out

UNION COUNTY

Schedule 3

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

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





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

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Union County, Mississippi

In planning and performing our audit of the financial statements of Union County, Mississippi for the year ended September 30, 2016, we considered Union 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 Union 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 January 24, 2018, on the financial statements of Union County, Mississippi.

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

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

**Board of Supervisors and County Administrator.**

1. Railcar tax payments shall be apportioned and distributed between municipalities and other taxing districts.

**Repeat Finding** No

**Criteria** Pursuant to Code section 27-35-519, Miss. Code Ann. (1972), Clerks of the Board of Supervisors shall apportion a County's payment of railcar tax to the municipalities and other taxing districts, in proportion to the number of miles of railroad in the municipality or other taxing districts, to the number of miles of railroad in the entire county.

**Condition** During fiscal year 2016, the County received a payment of \$80,129 for railroad car tax revenues. The Clerk and County Administrator failed to disburse the aforementioned tax monies to municipalities and other taxing districts, in accordance with state statute.

**Cause** Unknown

**Effect** The County's failure to properly disburse railcar tax monies resulted in noncompliance with code

section 27-35-519.

**Recommendation** The Chancery Clerk and County Administrator should take necessary steps to ensure that appropriate settlements are being made to the appropriate taxing districts, in accordance with statute.

**Views of Responsible Officials** We will comply.

**Chancery Clerk.**

**2.** The Chancery Clerk's annual fee report should properly report revenue.

**Repeat Finding** Yes

**Criteria** Code Section 9-1-43, Miss. Code Ann. (1972), requires the Chancery Clerk to file a true and accurate report no later than April 15 for the preceding year.

**Condition** As reported in the prior year's audit report, we noted that an amended annual fee report for 2015 has not been filed with the Office of the State Auditor.

**Cause** Unknown

**Effect** The failure to file an accurate annual fee report could result in a loan to the Chancery Clerk that is not authorized by law and the loss of public funds.

**Recommendation** The Chancery Clerk should file an amended report for 2015 with the Office of the State Auditor and the Public Employee's Retirement System.

**Views of Responsible Official** I will comply.

**Deputy Tax Collectors.**

**3.** Official's bonds for some deputy tax collectors were not in compliance with applicable statutes.

**Repeat Finding** No

**Criteria** Section 27-1-9(a), Miss. Code Ann. (1972), states that each deputy tax collector shall give bond in an amount not less than \$50,000.

**Condition** During our audit work, we noted two Deputy Tax Collectors that were not sufficiently bonded.

**Cause** Unknown

**Effect** The failure to bond Deputy Tax Collectors for the required amount would limit the amount available for recovery if a loss occurred.

**Recommendation** The Deputy Tax Collectors should obtain bonds in the amount of \$50,000, as required by law.

**Views of Responsible Officials** We will comply.

Union 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, appearing to read "Joe E. Mcknight". The signature is fluid and cursive, with the first name "Joe" being the most prominent.

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

January 24, 2018

UNION COUNTY

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UNION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

UNION COUNTY

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# UNION 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: | Unmodified |
| 2. Internal control over financial reporting:                   |            |
| a. Material weaknesses identified?                              | Yes        |
| b. Significant deficiencies identified?                         | Yes        |
| 3. Noncompliance material to the financial statements noted?    | No         |

#### ***Federal Awards:***

- |   |               |
|---|---------------|
| 4. Internal control over major federal programs:  |               |
| a. Material weakness(es) identified?  | No            |
| b. Significant deficiency(ies) identified?  | None reported |
| 5. Type of auditor's report issued on compliance for major federal programs:                            | Unmodified    |
| 6. Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No            |
| 7. Identification of major federal program:   |               |
| a. CFDA 14.228, Community Development Block Grants  |               |
| 8. Dollar threshold used to distinguish between type A and type B programs:                             | \$750,000     |
| 9. Auditee qualified as low-risk auditee?   | No            |

### Section 2: Financial Statement Findings

#### **Board of Supervisors, County Administrator and Comptroller/Payroll Clerk.**

#### **Material Weakness**

**2016-001.**                      Internal controls over accounting functions should be strengthened.

**Repeat Finding**              No

**Criteria**                      An effective system of internal control over the recording of transactions should include the proper and consistent approval and recording of all transfers and interfund loans to facilitate the accurate reporting of County financial activities.

**Condition**                      During our audit, we noted two separate transfers were physically made from the general county bank account to the payroll clearing bank account that were not recorded in the County's general ledger.

These transfers, one for \$5,000 and one for \$60,000, were, in fact, interfund loans between the County general account and the payroll clearing account and were outstanding as of September 30, 2016. Neither the physical transfer of the funds nor the resulting interfund loans were approved by the Board of Supervisors.

**Cause**                              Unknown

# UNION COUNTY

## Schedule of Findings and Responses For the Year Ended September 30, 2016

<b>Effect</b>	Failure to properly approve, record and report all financial activities of the County could lead to a loss of public funds and a material misstatement in the County's financial statements.
<b>Recommendation</b>	The Board of Supervisors and the County Administrator should implement procedures to ensure all interfund loans are properly approved.  The County Administrator and Comptroller/Payroll Clerk should implement procedures to ensure all financial activity of the County is recorded in the County's general ledger and reflected in the financial statements in a timely manner.
<b>Views of Responsible Officials</b>	I will comply.
<b>County Administrator.</b>	
<b>Significant Deficiency</b>	
<b>2016-002.</b>	<u>Settlements to the County were not processed in a timely manner.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	An effective system of internal control over the accounting procedures of the County should include timely processing of receipts to the County.
<b>Condition</b>	We noted during our test work that settlements to the County from a sub-office were recorded on the following dates: October 14, 2015, December 10, 2015, January 12, 2016, and May 10, 2016. However, those settlements were not receipted by the County until October 23, 2015, December 23, 2015, January 21, 2016, and June 1, 2016, respectively.
<b>Cause</b>	Unknown
<b>Effect</b>	Inaccurate accounting records could lead to a loss of public funds.
<b>Recommendation</b>	The County Administrator should ensure all County receipts of revenue are processed on a timely basis.
<b>Views of Responsible Official</b>	Will discuss this with the clerk that receipts money and we will do our best to comply.
<b>Tax Assessor/Collector.</b>	
<b>Material Weakness</b>	
<b>2016-003.</b>	<u>Internal controls in the Tax Collector's office needs to be strengthened.</u>
<b>Repeat Finding</b>	Yes; 2015-003
<b>Criteria</b>	An effective system of internal controls over Tax Collector collections should include reconciliations of changes to tax records.
<b>Condition</b>	As noted in prior year's audit report, auditors noted that there is not an additional reconciliation to account for changes in individual tax records.
<b>Cause</b>	Unknown
<b>Effect</b>	The lack of adequate reconciliations could result in the loss of public funds.



UNION COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2016

**Recommendation**        The Tax Collector should implement a system of reconciling any changes to individual tax records.

**Views of Responsible  
Official**        I will comply.

Section 3: Federal Award Findings and Questioned Costs

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

UNION COUNTY

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