

Calhoun County, Mississippi
Audited Financial Statements
and Special Reports
For the Year Ended
September 30, 2017

Fortenberry & Ballard, PC
Certified Public Accountants



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Calhoun County, Mississippi
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FINANCIAL REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Calhoun County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Calhoun County, Mississippi (the County) as of and for the year ended September 30, 2017, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit

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

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of Calhoun County, Mississippi, as of September 30, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Calhoun County, Mississippi, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and Schedule of the County's Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2020, on our consideration of the Calhoun 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Calhoun County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Calhoun County, Mississippi's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
August 19, 2020

Certified Public Accountants

FINANCIAL STATEMENTS

CALHOUN COUNTY, MISSISSIPPI
Statement of Net Position
September 30, 2017

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 3,931,693	392,335	4,324,028
Property tax receivable	4,696,798		4,696,798
Accounts receivable (net of allowance for uncollectibles of \$363,856)		84,341	84,341
Fines receivable (net of allowance for uncollectibles of \$1,078,563)	279,131		279,131
Intergovernmental receivables	235,425	20,339	255,764
Other receivables	45,770		45,770
Internal balances	34,666	(34,666)	0
Capital assets:			
Land and construction in progress	1,503,363		1,503,363
Other capital assets, net	18,362,485	431,009	18,793,494
Total Assets	<u>29,089,331</u>	<u>893,358</u>	<u>29,982,689</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	130,837		130,837
Deferred outflows related to pensions	299,111	25,905	325,016
Total Deferred Outflows of Resources	<u>429,948</u>	<u>25,905</u>	<u>455,853</u>
LIABILITIES			
Claims payable	346,048	63,124	409,172
Intergovernmental payables	119,891		119,891
Accrued interest payable	5,905		5,905
Amounts held in custody for others	14,060		14,060
Claims and judgments payable	146,443		146,443
Long-term liabilities			
Due with one year:			
Capital debt	511,102	26,948	538,050
Non capital debt	3,769		3,769
Due in more than one year:			
Capital debt	3,455,434	81,726	3,537,160
Non-capital debt	149,177	27,346	176,523
Net Pension Liability	5,192,277	458,847	5,651,124
Total Liabilities	<u>9,944,106</u>	<u>657,991</u>	<u>10,602,097</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax for future reporting period	4,696,798		4,696,798
Deferred inflows related to pensions	37,870	3,365	41,235
Unearned revenue for future reporting period	175,000	52,462	227,462
Total Deferred Inflows of Resources	<u>4,909,668</u>	<u>55,827</u>	<u>4,965,495</u>
NET POSITION			
Net investment in capital assets	16,030,149	322,335	16,352,484
Restricted:			
Expendable:			
General government	73,907		73,907
Public safety	216,521		216,521
Public works	1,627,727		1,627,727
Culture and recreation	126,501		126,501
Economic development and assistance	32,334		32,334
Debt service	644,209		644,209
Unrestricted	(4,085,843)	(116,890)	(4,202,733)
Total Net Position	<u>\$ 14,665,505</u>	<u>205,445</u>	<u>14,870,950</u>

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

CALHOUN COUNTY, MISSISSIPPI

Statement of Activities

For the Year Ended September 30, 2017

Exhibit 2

					Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Government activities							
General government	\$ 3,017,551	326,604		12,579	(2,678,368)		(2,678,368)
Public safety	1,369,832	206,137	60,145	129,734	(973,816)		(973,816)
Public works	3,585,224		1,954,831	407,542	(1,222,851)		(1,222,851)
Health and welfare	169,873		29,997		(139,876)		(139,876)
Culture and recreation	190,394		100,000		(90,394)		(90,394)
Education	222,179				(222,179)		(222,179)
Conservation of natural resources	78,013				(78,013)		(78,013)
Economic dev. and assistance	55,058				(55,058)		(55,058)
Interest on long-term debt	70,996				(70,996)		(70,996)
Pension Expense	745,562				(745,562)		(745,562)
Total Governmental Activities	9,504,682	532,741	2,144,973	549,855	(6,277,113)		(6,277,113)
Business-type activities:							
Solid Waste	763,608	821,419	11,240			69,051	69,051
Total Business-type Activities	763,608	821,419	11,240	0		69,051	69,051
Total Primary Government	10,268,290	1,354,160	2,156,213	549,855	(6,277,113)	69,051	(6,208,062)
General revenues:							
Property taxes					\$ 5,311,249		5,311,249
Road & bridge privilege taxes					174,004		174,004
Grants and contributions not restricted to specific programs					535,814		535,814
Unrestricted interest income					16,905	1,983	18,888
Miscellaneous					383,336	1,600	384,936
Total General Revenues					6,421,308	3,583	6,424,891
Changes in Net Position					144,195	72,634	216,829
Net Position - Beginning of year					14,521,310	132,811	14,654,121
Net Position - End of year					\$ 14,665,505	205,445	14,870,950

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

CALHOUN COUNTY, MISSISSIPPI

Balance Sheet - Governmental Funds

September 30, 2017

Exhibit 3

	Major Funds		Other	Total
	General	State Aid	Governmental	Governmental
	Fund	Fund	Funds	Funds
ASSETS				
Cash	\$ 1,029,842	50,789	2,851,062	3,931,693
Property tax receivable	3,045,632		1,651,166	4,696,798
Fines receivable (net of allowance for uncollectibles of \$1,078,563)	279,131			279,131
Intergovernmental receivables	176,225		59,200	235,425
Other receivables	27,004		15,806	42,810
Due from other funds	240,587		47,099	287,686
Advances to other funds	49,439			49,439
Total Assets	\$ 4,847,860	50,789	4,624,333	9,522,982
LIABILITIES				
Liabilities				
Claims payable	\$ 110,287	6,299	229,462	346,048
Intergovernmental payables	119,891			119,891
Due to other funds	47,099		222,400	269,499
Advances from other funds			30,000	30,000
Amounts held in custody for others	14,060			14,060
Claims and judgments payable	146,443			146,443
Total Liabilities	437,780	6,299	481,862	925,941
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	3,045,632		1,651,166	4,696,798
Unavailable revenue - fines	279,131			279,131
Unavailable revenue - federal grant revenue			175,000	175,000
Total deferred inflows of resources	3,324,763	0	1,826,166	5,150,929
FUND BALANCES				
Nonspendable:				
Advances	49,439			49,439
Restricted for:				
General government			73,907	73,907
Public safety			216,521	216,521
Public works		44,490	1,583,237	1,627,727
Culture and recreation			126,501	126,501
Economic development and assistance			32,334	32,334
Debt service			650,114	650,114
Unassigned	1,035,878		(366,309)	669,569
Total Fund Balances	1,085,317	44,490	2,316,305	3,446,112
Total Liabilities, Deferred Inflows and Fund Balance	\$ 4,847,860	50,789	4,624,333	9,522,982

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

CALHOUN COUNTY, MISSISSIPPIReconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2017Exhibit 3-1

Total Fund Balance - Governmental Funds	\$ 3,446,112
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 \$8,936,585.	19,865,848
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	279,131
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(4,119,482)
Pension obligations are not due and payable in the current period and, therefore are not reportable in the funds.	(5,192,277)
Deferred outflows of resources related to pension obligations are applicable to future periods and, therefore are not reported in the funds.	299,111
Deferred inflows of resources related to pension obligations are applicable to future periods and, therefore are not reported in the funds.	(37,870)
Deferred amounts on refunding are applicable to future periods and, therefore therefore are not reported in the funds.	130,837
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(5,905)</u>
Total Net Position - Governmental Activities	\$ <u><u>14,665,505</u></u>

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

CALHOUN COUNTY, MISSISSIPPI

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2017

	Major Funds		Other	Total
	General	State Aid	Governmental	Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 3,372,193		1,939,056	5,311,249
Road and bridge privilege taxes			174,004	174,004
Licenses, commissions and other revenue	132,681		1,869	134,550
Fines and forfeitures	149,167		20,066	169,233
Intergovernmental revenues	628,872	1,777,506	824,264	3,230,642
Charges for services	24,365		182,112	206,477
Interest income	8,360		8,545	16,905
Miscellaneous revenues	107,221		276,115	383,336
Total Revenues	<u>4,422,859</u>	<u>1,777,506</u>	<u>3,426,031</u>	<u>9,626,396</u>
EXPENDITURES				
Current:				
General government	2,795,753		266,904	3,062,657
Public safety	906,465		446,280	1,352,745
Public works		1,768,368	1,836,106	3,604,474
Health and welfare	142,542			142,542
Culture and recreation			180,104	180,104
Education	222,179			222,179
Conservation and natural resources	74,486		6,353	80,839
Economic development and assistance	23,357		31,701	55,058
Debt service:				
Principal	30,779		332,872	363,651
Interest	721		86,231	86,952
Total Expenditures	<u>4,196,282</u>	<u>1,768,368</u>	<u>3,186,551</u>	<u>9,151,201</u>
Excess of Revenues over (under) Expenditures	<u>226,577</u>	<u>9,138</u>	<u>239,480</u>	<u>475,195</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term capital debt			27,248	27,248
Refunding bonds issued			3,140,000	3,140,000
Premium on bonds issued			21,118	21,118
Payment to bond refunding escrow agent			(3,064,600)	(3,064,600)
Transfers in	13,000		187,214	200,214
Transfers out	(181,500)		(18,714)	(200,214)
Total Other Financing Sources and Uses	<u>(168,500)</u>	<u>-</u>	<u>292,266</u>	<u>123,766</u>
Net Changes in Fund Balances	<u>58,077</u>	<u>9,138</u>	<u>531,746</u>	<u>598,961</u>
Fund Balances - Beginning of year	<u>1,027,240</u>	<u>35,352</u>	<u>1,784,559</u>	<u>2,847,151</u>
Fund Balances - End of year	<u>\$ 1,085,317</u>	<u>44,490</u>	<u>2,316,305</u>	<u>3,446,112</u>

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

CALHOUN COUNTY, MISSISSIPPIExhibit 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, 2017

Net Changes in Fund Balances - Governmental Funds \$ 598,961

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 depreciation of \$765,633, exceeded capital outlays of \$476,425, in the current period. (289,208)

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 assets differs from the change in fund balances by the amount of the net loss on sales of \$8,331 and the proceeds from the sale of \$0. (8,331)

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. 22,481

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$363,651 exceeded debt proceeds of \$3,167,248. (2,803,597)

Items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recognition of pension expense for the current year	(745,562)
Recognition of contributions made subsequent to the measurement date	78,947
Recognition of contributions made in the fiscal year prior to the measurement date	233,239

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 assets differs from the change in fund balances by a combination of the following items:

Decrease in accrued interest payable	24,888
Increase in compensated absences	(2,173)
Payment to bond refunding agent	3,064,600
Premiums on bond issued	(21,118)
The Amortization of:	
Premiums on bonds	1,573
Deferred amount on refunding bonds	(10,505)

Change in Net Position of Governmental Activities \$ 144,195

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

CALHOUN COUNTY, MISSISSIPPI
Statement of Net Position - Proprietary Fund
September 30, 2017

Exhibit 5

Solid Waste
Fund

ASSETS

Current assets:

Cash	\$ 392,335
Accounts receivable (net of allowance for uncollectibles of \$346,431)	84,341
Intergovernmental receivables	20,339
Total Current Assets	497,015

Noncurrent assets:

Capital assest:

Other capital assets, net	431,009
Total Noncurrent Assets	431,009
Total Assets	928,024

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount related to pensions	25,905
Total Deferred Outflows of Resources	25,905

LIABILITIES

Current liabilities:

Claims payable	63,124
Due to other funds	15,227
Advances from other funds	19,439
Capital debt:	
Capital leases payable	26,948
Total Current Liabilities	124,738

Noncurrent liabilities:

Capital debt:	
Capital leases payable	81,726
Non-capital debt:	
Compensated absences payable	27,346
Net pension liability	458,847
Total Noncurrent Liabilities	567,919
Total Liabilities	692,657

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	3,365
Unearned revenue for future reporting period	52,462
Total Deferred Inflows of Resources	55,827

NET POSITION

Net investment in capital assets	322,335
Unrestricted	(116,890)
Total Net Position	\$ 205,445

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

CALHOUN COUNTY, MISSISSIPPIStatement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2017

Exhibit 6

Solid Waste
Fund**Operating Revenues**

Charges for services	\$ 821,419
Intergovernmental revenues	11,240
Other Income	1,600
Total Operating Revenues	<u>834,259</u>

Operating Expenses

Personal services	244,740
Contractual services	214,127
Materials and supplies	142,201
Depreciation expense	71,533
Indirect administrative cost	15,227
Pension Expense	66,243
Total Operating Expenses	<u>754,071</u>

Operating Income (Loss)	<u>80,188</u>
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Nonoperating Revenues (Expenses)

Interest income	1,983
Interest expense	(4,457)
Loss on Sale of Capital Assets	(5,080)
Net Nonoperating Revenue (Expenses)	<u>(7,554)</u>

Net Income (Loss)	<u>72,634</u>
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Net Position - Beginning of year	<u>132,811</u>
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Net Position - Ending of year	<u>\$ 205,445</u>
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The notes to the financial statements are an integral part of this statement

CALHOUN COUNTY, MISSISSIPPI
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2017

Exhibit 7

	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 819,745
Payments to suppliers	(373,318)
Payments to employees	(273,744)
Other operating cash receipts	17,916
Net Cash Provided (Used) by Operating Activities	<u>190,599</u>
Cash Flows From Capital and Related Financing Activities	
Payments on interfund loans	(95,505)
Acquisition and construction of capital assets	(47,381)
Principal paid on long-term debt	(149,220)
Interest paid on debt	(4,457)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(296,563)</u>
Cash Flows From Investing Activities	
Interest on deposits	1,983
Net Cash Provided (Used) by Investing Activities	<u>1,983</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(103,981)
Cash and Cash Equivalents at Beginning of Year	<u>496,316</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 392,335</u></u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 80,188
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	71,533
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) decrease in accounts receivable	(2,315)
(Increase) decrease in intergovernmental receivable	231
(Increase) decrease in other receivables	4,845
(Increase) decrease in other deferred outflows of resources	73,699
(Increase) decrease in other deferred inflows of resources	3,365
Increase (decrease) in claims payable	(16,990)
Increase (decrease) in intergovernmental payable	(63)
Increase (decrease) in compensated absences liability	(1,214)
Increase (decrease) in unearned revenue	641
Increase (decrease) in pension liability	(38,548)
Increase (decrease) in interfund payable	15,227
Total Adjustment	<u>110,411</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 190,599</u></u>

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

CALHOUN COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2017

Exhibit 8

Agency
Funds

ASSETS

Cash

\$ 76,515

Total Assets

76,515

LIABILITIES

Other liabilities

2,995

Intergovernmental payables

70,560

Due to governmental funds

2,960

Total Liabilities

\$ 76,515

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

Calhoun County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2017

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

- Calhoun County Health Services

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

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

B. Basis of Presentation

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

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

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 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 of resources, liabilities, deferred inflow of resources, 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.

C. Measurement Focus and Basis of Accounting

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic 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

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

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.

State Aid Fund - This fund accounts for monies from specific revenue sources that are restricted for state aid projects.

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.

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

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 Project 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.

PROPRIETARY FUND TYPES

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 TYPES

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

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. Deposits and Investments

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

F. Receivables

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

G. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/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."

H. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental 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. Calhoun County meets this criteria and has so elected. Therefore,

Calhoun County, Mississippi

Notes to the Financial Statements

For the Year Ended September 30, 2017

the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

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

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

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

I. Deferred Outflows/Inflows of Resources

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

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

Deferred amount on refunding - For current refundings resulting in defeasance of debt reported by governmental activities, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources 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 16 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.

Unearned revenue for future reporting period - 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.

Unavailable revenue - federal grant revenue - 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.

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

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

Deferred inflows related to pensions - This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 16 for additional details.

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

J. 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 bonds 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.

K. Pensions

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

L. Equity Classifications

Government-wide Financial Statements:

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

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

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

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

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

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

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.

M. Property Tax Revenues

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

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

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

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

N. Intergovernmental Revenues in Governmental Funds

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

O. 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 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.

P. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73*. The provisions of these standards have been incorporated into the financial statements and notes.

(2) Deposits

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$4,400,543 and the bank balance was \$4,827,880. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Calhoun County, Mississippi

Notes to the Financial Statements

For the Year Ended September 30, 2017

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 the FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(3) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2017:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 222,400
	Solid Waste Fund	15,227
	Fiduciary Funds	2,960
Other Governmental Funds	General Fund	47,099
Total		<u>\$ 287,686</u>

The receivables represent indirect cost, tax revenue collected but not settled until October 2017 and loans to cover negative cash balances.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 19,439
	Other Governmental Funds	30,000
Total		<u>\$ 49,439</u>

The advances represent prior year indirect cost, prior year grant administrative cost and errors in posting tax revenue to the wrong account.

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

C. Transfers In/Out:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 13,000
Other Governmental Funds	General Fund	181,500
	Other Governmental Funds	5,714
Total		<u>\$ 200,214</u>

The purpose of the interfund transfer was to provide funds to cover operating expenses and correct posting errors.

(4) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2017 consisted of the following:

Governmental Activities:

Description	Amount
Legislative tax credit	\$ 69,066
Flood Control Projects	92,683
Reimbursement for welfare	2,789
Disaster Assistance	5,139
Youth Court Grant	1,323
Reimbursement for housing prisoners	1,640
Timber severance tax	996
Motor vehicle fuel tax	48,921
Truck and bus privilege	9,905
Miscellaneous	2,963
Total Governmental Activities	<u>\$ 235,425</u>

Business-type Activities:

City of Calhoun City	\$ 4,433
City of Bruce	8,327
Town of Derma	7,579
Total Business-type Activities	<u>\$ 20,339</u>

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

(5) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2017:

Governmental activities:

	Balance Oct. 1, 2016	Additions	Retirements	Adjustments	Balance Sept. 30, 2017
Non-depreciable capital assets:					
Land	\$ 593,687				593,687
Construction in progress	502,135	407,541			909,676
Total non-depreciable capital assets	1,095,822	407,541		0	1,503,363
Depreciable capital assets:					
Infrastructure	10,847,613				10,847,613
Buildings	10,694,700				10,694,700
Improvements other than buildings	414,442				414,442
Mobile equipment	3,782,335	41,636	83,311	441,514	4,182,174
Furniture and equipment	299,623				299,623
Property under capital leases	1,274,784	27,248		(441,514)	860,518
Total depreciable capital assets	27,313,497	68,884	83,311	0	27,299,070
Less accumulated depreciation for:					
Infrastructure	1,495,754	285,119			1,780,873
Buildings	2,954,090	185,612			3,139,702
Improvements other than buildings	160,669	16,578			177,247
Mobile equipment	3,064,425	169,878	74,980	184,278	3,343,601
Furniture and equipment	233,327	14,298			247,625
Property under capital leases	337,667	94,148		(184,278)	247,537
Total accumulated depreciation	8,245,932	765,633	74,980	0	8,936,585
Total depreciable capital assets, net	19,067,565	(696,749)	8,331	0	18,362,485
Governmental activities capital assets, net	\$ 20,163,387	(289,208)	8,331	0	19,865,848

Adjustment were made to correctly present capital assets.

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

Commitments with respect to unfinished capital projects at September 30, 2017, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
SAP - 07(75) CR177 Bridge Repair	\$ 609,391	March 2018
STPBR 0007 32BO (Bridge)	92,329	September 2018
LSBP 7 278	207,956	September 2018
	<u>\$ 909,676</u>	

Business-type Activities:

	<u>Balance Oct. 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2017</u>
Depreciable capital assets:					
Mobile equipment	\$ 616,564	47,381	50,800	230,233	843,378
Furniture and equipment	29,000				29,000
Property under capital leases	462,762			(230,233)	232,529
Total depreciable capital assets	<u>1,108,326</u>	<u>47,381</u>	<u>50,800</u>	<u>0</u>	<u>1,104,907</u>
Less accumulated depreciation for:					
Mobile equipment	506,709	46,876	45,720	63,780	571,645
Furniture and equipment	22,373	3,729			26,102
Property under capital leases	119,003	20,928		(63,780)	76,151
Total accumulated depreciation	<u>648,085</u>	<u>71,533</u>	<u>45,720</u>	<u>0</u>	<u>673,898</u>
Total depreciable capital assets, net	<u>460,241</u>	<u>(24,152)</u>	<u>5,080</u>	<u>0</u>	<u>431,009</u>
Business-type activities capital assets, net	<u>\$ 460,241</u>	<u>(24,152)</u>	<u>5,080</u>	<u>0</u>	<u>431,009</u>

Adjustments were made to correctly present capital assets.

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 117,553
Public safety	103,873
Public works	503,616
Health and welfare	27,331
Culture and recreation	10,290
Conservation of Natural Resources	<u>2,970</u>
 Total depreciation expense	 \$ <u><u>765,633</u></u>
	 <u>Amount</u>
Business-type Activities:	
Solid waste	\$ <u><u>71,533</u></u>

(6) 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, 2017 to January 1, 2018. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The County finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the County retaining the risk of loss on all claims to which the County is exposed. Premium payments to the pool are determined on an actuarial basis. The County has reinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$35,000 and the aggregate policy covers all submitted claims in excess of \$1,000,000. Claims expenses and liabilities are reported

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal years 2016 and 2017:

		2016	2017
Unpaid claims, Beginning of Fiscal Year	\$	135,285	131,069
Plus: Incurred Claims (Including IBNRs)		1,170,575	1,181,940
Less: Claims Payments		(1,174,791)	(1,166,566)
Unpaid Claims, End of Fiscal Year	\$	<u>131,069</u>	<u>146,443</u>

(7) Operating Leases

As Lessor:

On May 5, 2014, Calhoun County entered into a non-cancellable operating lease agreement with Sabougla Volunteer Fire Department, Inc. for the lease of a building owned by the County for the purpose of operating a fire house. The operating lease stipulated that the lease would pay approximately \$1,161.21 per quarter in lease payments commencing on May 5, 2014, for a term of 10 years.

The County received income from property it leases under a non-cancellable operating lease. Total income from such a lease was \$1,161 for the year ended September 30, 2017. The future minimum lease receivables for these leases are as follows:

Year Ending September 30,	Amount
2018	\$ 4,645
2019	4,645
2020	4,645
2021	4,645
2022	4,645
2023-2026	<u>11,629</u>
Total Minimum Payments Required	<u>\$ 34,854</u>

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

As Lessee:

On December 7, 2015, Calhoun County entered into an operating lease with Three Rivers Planning Development District, Inc., for the lease of a computer system and operating software owned by Three Rivers Planning Development District for the purpose of maintaining County records. The operating lease stipulated the lessee would pay \$11,000 per year in lease payments commencing October 1, 2015 for a term of 5 years. The total cost for this lease was \$0 for the year ended September 30, 2017. The future minimum lease payment for these leases is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2018	\$ 22,000
2019	11,000
2020	11,000
Total Minimum Payments Required	<u><u>\$ 44,000</u></u>

(8) Capital Leases

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 593,152	232,529
Other furniture and equipment	267,366	
Less: accumulated depreciation	<u>(247,537)</u>	<u>(76,151)</u>
Leased Property Under Capital Leases	<u><u>\$ 612,981</u></u>	<u><u>156,378</u></u>

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

The following is a schedule by years of the total payments due as of September 30, 2017:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 241,102	9,329	26,948	1,918
2019	126,660	6,351	27,488	1,377
2020	126,661	3,659	28,040	824
2021	96,825	1,181	26,198	261
2022	5,743	155		
Total	\$ 596,991	20,675	108,674	4,380

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

(9) Long-Term Debt

Debt outstanding as of September 30, 2017, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
Road bonds, Series 2008	\$ 25,000	3.30%	02/2018
Public improvement bonds, Series 2009	185,000	4.00-5.60%	03/2029
\$3,140,000 GO Refunding Bonds, Series 2016	<u>3,140,000</u>	2.00-2.50%	03/2029
Total General Obligation Bonds	<u>\$ 3,350,000</u>		
B. Capital Leases:			
2017 Dodge Ram Truck	\$ 27,248	2.69%	06/2022
2016 Mack truck	87,659	1.72%	05/2018
911 System	34,649	1.91%	10/2018
E911 database	89,165	2.39%	11/2020
John Deere tractor/Tiger Boom	50,664	1.99%	08/2021
5 backhoes	<u>307,606</u>	1.99%	08/2021
Total Capital Leases	<u>\$ 596,991</u>		
C. Other Loans:			
Fire house loan	<u>\$ 30,235</u>	3.00%	10/2024
<u>Business-type Activities:</u>			
A. Capital Leases:			
2014 Freightliner truck	<u>\$ 108,674</u>	1.91%	08/2017

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

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

Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2018	\$ 270,000	71,598	3,769	876
2019	250,000	63,089	3,883	762
2020	260,000	56,375	4,002	643
2021	270,000	51,075	4,126	519
2022	275,000	45,625	4,253	392
2023 - 2027	1,470,000	142,181	10,202	397
2028 - 2032	555,000	12,544		
Total	\$ 3,350,000	442,487	30,235	3,589

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 by 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2017, the amount of outstanding debt was equal to 3.37% of the latest property assessments.

Current Refunding

On October 27, 2016, the County issued \$3,140,000 in general obligation refunding bonds with an average interest rate of 2.00 - 2.50%. A portion of the proceeds of these bonds were used to refund \$1,683,258 of the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
G.O. Building Bonds Series 2012	3.87%	\$ 1,683,258

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

The County refunded the above bonds to reduce its total debt service payments over the next 13 years by almost \$173,779 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$134,988.

Advance Refunding

On October 27, 2016, the County issued \$3,140,000 in general obligation refunding bonds with an average interest rate of 2.00 - 2.50%. A portion of the proceeds of these bonds were used to advance refund \$1,240,000 of the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
G.O. Public Improvement Bonds Series 2009	3.87%	\$ 1,240,000

The G.O. Public Improvement Bonds Series 2009 had an outstanding balance of \$1,505,000 at the time of refunding, but only \$1,240,000 of the bond was refunded, leaving a remaining principal balance of \$265,000. The net proceeds of \$7,469,548 (after payment of \$202,096 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 bonds to reduces its total debt service payments over the next 10 years by almost \$149,334 to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$85,859.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

	Balance Oct. 1, 2016	Additions	Reductions	Refunding	Balance Sept. 30, 2017	Amount due within one year
<u>Governmental Activities:</u>						
General obligation bonds	\$ 3,238,258	3,140,000	105,000	(2,923,258)	3,350,000	270,000
Bond premium		21,118	1,573		19,545	
Capital leases	824,739	27,248	254,996		596,991	241,102
Other loans	33,890		3,655		30,235	3,769
Compensated absences	120,538	2,173			122,711	
Total	\$ 4,217,425	3,190,539	365,224	(2,923,258)	4,119,482	514,871

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

	Balance Oct. 1, 2016	Additions	Reductions	Balance Sept. 30, 2017	Amount due within one year
<u>Business-type Activities:</u>					
Capital leases	\$ 257,894		149,220	108,674	26,948
Compensated absences	28,560		1,214	27,346	
Total	\$ <u>286,454</u>	<u>0</u>	<u>150,434</u>	<u>136,020</u>	<u>26,948</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid which is generally the General Fund, the Road Maintenance Fund, Calhoun Transportation Services, Youth Court, Reappraisal, Volunteer Fire, Bridge Funds, E-911, Emergency Management, and Solid Waste Fund.

(10) 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 2011, Three Rivers Solid Waste Management Authority issued \$4,235,000 of Solid Waste Revenue Bonds to refund the 1998 bonds and to finance the other landfill projects. As part of the solid waste disposal service agreement between Calhoun 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 (6.02%) of the \$4,235,000 refunding bonds balance at September 30, 2017, is \$137,557.

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

(11) Deficit Fund Balances of Individual Funds

The following fund reported deficits in fund balance at September 30, 2017:

Fund	Deficit Amount
E-911 Fund	\$ (58,354)
Sabougla Fire Department Fund	(3,483)
16 Multipurpose Grant	(155,597)
County Airport Maintenance Fund	(20,108)
Countywide Road Fund	(60,641)
2016 Refinance G&O Bond Issue Fund	(38,126)
\$900,000 HUD Grant Fund	(30,000)

(12) Joint Venture

The County participates in the following joint venture:

Calhoun County is a participant with Chickasaw and Pontotoc Counties in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Dixie Regional Library System. The Regional Library is governed by a five member board appointed by the Boards of Supervisors: two from the Library Board of Calhoun County, one from the Library Board of Chickasaw County, and two from the Library Board of Pontotoc County. The County appropriated \$83,653 for the joint venture in fiscal year 2017. Complete financial statements for the Dixie Regional Library can be obtained from the Dixie Regional Library System, 111 North Main Street, Pontotoc, Mississippi, 38863.

(13) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

Three Rivers Planning and Development District operated in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Calhoun County Board of Supervisors appoints five of the forty members of the board of directors. The County did not provide any support to the district in fiscal year 2017.

Communicare operates in a district composed of the counties of Calhoun, Lafayette, Marshall, Panola, Tate, and Yalobusha. The Calhoun County Board of Supervisors

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

appoints one of the six members of the board of commissioners. The County appropriated \$25,057 for Communicare in fiscal year 2017.

Northwest Mississippi Community College operates in a district composed of the counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Calhoun County Board of Supervisors appoints two of the twenty three members of the college board of trustees. The County appropriated \$178,985 for maintenance and support of the college in fiscal year 2017.

Three Rivers Solid Waste Management Authority operates in a district composed of the counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc, and Union. The Calhoun County Board of Supervisors appoints one of the seven members of the board. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste disposal.

(14) Related Organizations

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Loosacoona 1 Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 50 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Loosacoona 2 Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the year, the County levied a 50 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Topashaw Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 20 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Yalobusha Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 13 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Persimmon Creek Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 25 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Otoucalofa Drainage District, but the County's

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 50 cent per acre tax for the district.

(15) Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. Calhoun County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

Contributions. At September 30, 2017, 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, 2017 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, 2017, 2016 and 2015 were \$342,300, \$317,971 and \$341,593, 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, 2017, the County reported a liability of \$5,651,124 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017 net pension liability was .033995 percent, which was based on a measurement date of June 30, 2017. This was a decrease of .000287 percent from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2017, the County recognized pension expense of \$811,805. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,890	41,235
Net difference between projected and actual earnings on pension plan investments	81,432	
Changes of assumptions	116,994	
Changes in proportion and differences between County contributions and proportionate share of contributions	(41,259)	
County contributions subsequent to the measurement date	85,959	
Total	\$ 325,016	41,235

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

\$85,959 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

2018	\$	234,085
2019		72,833
2020		60
2021		(109,156)
Total	\$	<u>197,822</u>

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0 percent
Salary increases	3.25 - 18.50 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 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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, 2017, are summarized in the following table:

Calhoun County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27%	4.60%
International Equity	18%	4.50%
Emerging Markets Equity	4%	4.75%
Global	12%	4.75%
Fixed Income	18%	0.75%
Real Estate	10%	3.50%
Private Equity	8%	5.10%
Emerging Debt	2%	2.25%
Cash	1%	0.00%
Total	100%	

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 7,411,825	\$ 5,651,124	\$ 4,189,358

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

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

(16) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of (\$4,085,843) 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 \$78,947 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, 2018. The \$220,164 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 4 years. The \$37,870 balance of deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next 3 years.

The business-type activities' unrestricted net position amount of (\$116,890) 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 \$7,012 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, 2018. The \$18,893 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 4 years. The \$3,365 balance of deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next 3 years.

The governmental activities' unrestricted net position amount of (\$4,085,843) includes the effect of recognition of deferring the recognition of unearned revenues. The \$175,000 balance of deferred inflows of resources at September 30, 2017, will be recognized as revenue and will increase the unrestricted net position over the next few years.

The business-type activities' unrestricted net position amount of (\$116,890) includes the effect of recognition of deferring the recognition of unearned revenues for future reporting period. The \$52,462 balance of deferred inflows of resources at September 30, 2017, will be recognized as revenue and will increase the unrestricted net position over the next few years.

(17) Tax Abatements

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement 77, Tax Abatements Disclosures. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the government or the citizens of those governments.

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

The Calhoun County Board of Supervisors negotiates property tax abatements on an individual basis. All abatements are for 10 years and are for economic development purposes. The County had tax abatement agreements with three entities as of September 30, 2017.

Section 27-31-101 and Section 27-31-105, Miss. Code (Ann.) 1972

Enumeration of new enterprises which may be exempted.

Additions to or expansions of facilities or properties or replacement of equipment.

There are three companies that have abatements under this statute.

Issue	Amount of Taxes Abated During the Fiscal Year	
Expansions of facilities or additions to furniture, mobile equipment and inventory	\$	401,945

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

The County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
12/14/2017	2.82%	\$ 117,220	Capital lease	Ad valorem tax
1/02/2018	3.20%	69,610	Capital lease	Ad valorem tax
4/02/2018	3.07%	25,548	Capital lease	Ad valorem tax
4/02/2018	3.07%	28,937	Capital lease	Ad valorem tax
8/14/2018	3.71%	88,230	Capital lease	Ad valorem tax

Calhoun County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

12/14/2018	4.04%	27,857	Capital lease	Ad valorem tax
3/04/2019	3.84%	149,678	Capital lease	Ad valorem tax
4/01/2019	3.92%	80,500	Capital lease	Ad valorem tax
7/01/2019	3.75%	179,806	Capital lease	Ad valorem tax
1/06/2020	3.65%	65,000	Capital lease	Ad valorem tax

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,860,870	2,860,870	3,365,849	504,979
Licenses, commissions and other revenue	100,000	100,000	132,470	32,470
Fines and forfeitures	210,000	210,000	148,452	(61,548)
Intergovernmental revenues	470,000	470,000	535,238	65,238
Charges for services	0	0	30,385	30,385
Interest income	13,000	13,000	8,347	(4,653)
Miscellaneous revenues	90,000	90,000	110,530	20,530
Total Revenues	<u>3,743,870</u>	<u>3,743,870</u>	<u>4,331,271</u>	<u>587,401</u>
EXPENDITURES				
Current:				
General government	2,968,543	2,904,229	2,793,201	111,028
Public safety	930,277	977,137	941,291	35,846
Health and Welfare	151,751	146,329	144,781	1,548
Culture & Recreation	1,000	300	-	300
Education	215,000	221,181	222,179	(998)
Conservation of natural resources	81,457	81,188	78,561	2,627
Economic development and assistance	23,342	23,209	19,730	3,479
Total Expenditures	<u>4,371,370</u>	<u>4,353,573</u>	<u>4,199,743</u>	<u>153,830</u>
Excess of Revenues over (under) Expenditures	<u>(627,500)</u>	<u>(609,703)</u>	<u>131,528</u>	<u>741,231</u>
OTHER FINANCING SOURCES (USES)				
Other Financing Sources	-	-	217,315	217,315
Other Financing Uses	(72,500)	(89,297)	(423,655)	(334,358)
Total Other Financing Sources and Uses	<u>(72,500)</u>	<u>(89,297)</u>	<u>(206,340)</u>	<u>(117,043)</u>
Net Changes in Fund Balance	(700,000)	(699,000)	(74,812)	624,188
Fund Balances - Beginning	<u>(700,000)</u>	<u>(700,000)</u>	<u>927,296</u>	<u>1,627,296</u>
Fund Balances - Ending	\$ <u><u>(1,400,000.00)</u></u>	<u><u>(1,399,000)</u></u>	<u><u>852,484</u></u>	<u><u>2,251,484</u></u>

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

CALHOUN COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 State Aid Fund
 For the Year Ended September 30, 2017

		Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES					
Intergovernmental revenues	\$	75,000	138,890	136,416	(2,474)
Total Revenues		<u>75,000</u>	<u>138,890</u>	<u>136,416</u>	<u>(2,474)</u>
EXPENDITURES					
Current:					
Public Works		75,000	138,890	138,687	203
Total Expenditures		<u>75,000</u>	<u>138,890</u>	<u>138,687</u>	<u>203</u>
Excess of Revenues over (under) Expenditures		<u>-</u>	<u>-</u>	<u>(2,271)</u>	<u>(2,271)</u>
Net Changes in Fund Balance		<u>-</u>	<u>-</u>	<u>(2,271)</u>	<u>(2,271)</u>
Fund Balances - Beginning		<u>-</u>	<u>-</u>	<u>45,970</u>	<u>45,970</u>
Fund Balances - Ending	\$	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>43,699</u></u>	<u><u>43,699</u></u>

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

CALHOUN COUNTY, MISSISSIPPI

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

PERS

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.033995 %	0.034282 %	0.034307 %	0.034177 %
County's proportionate share of the new pension liability (asset)	5,651,124	6,123,624	5,303,186	4,148,462
County's covered payroll	2,180,787	2,193,124	2,143,283	2,088,381
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.49 %	57.47 %	61.70 %	67.21 %

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal year presented.

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

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

CALHOUN COUNTY, MISSISSIPPI
Schedule of the County's Contributions
PERS
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 342,300	\$ 317,971	\$ 341,593	\$ 325,615
Contributions in relation to the contractually required contribution	<u>342,300</u>	<u>317,971</u>	<u>341,593</u>	<u>325,615</u>
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
County covered payroll	\$ 2,173,333	\$ 2,018,863	\$ 2,168,844	\$ 2,067,397
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

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

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

Calhoun County, Mississippi

Notes to the Required Supplementary Information For the year ended September 30, 2017

(1) Budgetary Comparison Schedules

A. Budgetary Information.

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

C. Budget/GAAP Reconciliation.

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

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

Calhoun County, Mississippi

Notes to the Required Supplementary Information For the Year Ended September 30, 2017

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

	<u>Governmental Fund Types</u>	
	General Fund	State Aid Fund
Budget (Cash Basis)	\$ (74,812)	(2,271)
Increase (Decrease)		
Net adjustments for revenue accruals	(112,726)	
Net adjustments for expenditure accruals	245,615	11,409
GAAP Basis	\$ <u>58,077</u>	<u>9,138</u>

(2) Pension Schedules

A. Change of Assumptions.

2015

The expectation of retired life mortality was changed to the RP-2014 Health 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%.

Calhoun County, Mississippi

Notes to the Required Supplementary Information For the year ended September 30, 2017

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The Wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

B. Change in benefit provisions.

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.

OTHER INFORMATION

CALHOUN COUNTY, MISSISSIPPI
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2017
UNAUDITED

Name	Position	Company	Bond
Charles Bobo	Supervisor District 1	Western Surety Company	\$100,000
James Brooks Rodger, Jr.	Supervisor District 2	FCCI Insurance Company	\$125,000
David Gwin Longest	Supervisor District 3	FCCI Insurance Company	\$100,000
Barney J. Wade	Supervisor District 4	Western Surety Company	\$100,000
Tony Morgan	Supervisor District 5	Western Surety Company	\$100,000
Romona Tillman	Chancery Clerk	Western Surety Company	\$100,000
Jenny Hill	Purchase Clerk	Western Surety Company	\$75,000
Romona Tillman	Receiving Clerk	Western Surety Company	\$10,000
Patricia Patterson	Receiving Clerk	Western Surety Company	\$10,000
Charles W. Jones	Receiving Clerk	Western Surety Company	\$10,000
Tony Moore	Receiving Clerk	RLI Insurance	\$10,000
Graig Gillis	Receiving Clerk	RLI Insurance	\$10,000
Barney McFall	Receiving Clerk	Western Surety Company	\$10,000
Larry D Bailey	Receiving Clerk	Western Surety Company	\$10,000
Cassie F Bryant	Inventory Control Clerk	Western Surety Company	\$75,000
Benny R Langford	Constable	Western Surety Company	\$25,000
James Vanlandingham	Constable	FCCI Insurance Company	\$50,000
Carlton Baker	Circuit Clerk	State Farm	\$100,000
L. Sinatra Cruthirds	Deputy Circuit Clerk	Western Surety Company	\$75,000
Penny D Nichols	Deputy Circuit Clerk	Western Surety Company	\$75,000
Deborah Harrelson	Deputy Circuit Clerk	Western Surety Company	\$75,000
Greg Pollan	Sheriff	Western Surety Company	\$100,000
Jim vance	Justice Court Judge	Western Surety Company	\$10,000
Markial Scott Ferguson	Justice Court Judge	Western Surety Company	\$10,000
Tracie McGuirt	Justice Court Clerk	Western Surety Company	\$50,000
Teresa Warner	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Billie K Malone	Tax Assessor-Collector	Travelers	\$100,000
Shelia Winter	Deputy Tax Assessor-Collector	Western Surety Company	\$10,000
Sherry Hardin White	Deputy Tax Assessor-Collector	Western Surety Company	\$50,000
Peggy Neese	Deputy Tax Assessor-Collector	Western Surety Company	\$50,000
Wanda Harrison	Deputy Tax Assessor-Collector	Western Surety Company	\$50,000

SPECIAL REPORTS

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
Calhoun County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Calhoun County, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 19, 2020. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements financial statements for the financial reporting entity that include the financial data for it component unit.

Internal Control Over Financial Reporting

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

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. 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 with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2017-001, 2017-002, 2017-003 and 2017-004 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calhoun County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as Finding 2017-001.

We also noted certain matters which we have reported to the management of the Calhoun County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated August 19, 2020, included within this document.

Calhoun County's Responses to Findings

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard PC
August 19, 2020

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
Calhoun County, Mississippi

We have examined Calhoun County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2017. The Board of Supervisors of Calhoun County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Inventory Control Clerk.

1. Capital asset records were not maintained during the fiscal year.

Finding:

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, costs, locations, acquisition dates, disposition dates, methods of disposition, and other relevant information. The presence of these data elements in capital asset records help identify and distinguish County assets from one another, thereby safeguarding County assets from loss or misappropriation. The information is also very important to the financial reporting process. Numerous errors in the capital asset records were caused by failure to implement internal control procedures to ensure that all items are recorded, valued properly, and classified properly in the County's capital asset records. As reported in the prior four years' audit reports, deficiencies were noted in the capital asset records. These deficiencies are repeated verbatim from the prior period audit report due to the capital assets not being maintained in fiscal year 2017:

- A. The County does not maintain a depreciation schedule within their inventory system. Discrepancies such as the following were noted between the County's inventory system and the depreciation schedule provided to the auditors:
 - 1. Asset classifications such as construction in progress, infrastructure, improvements and leased property under capital leases are not maintained on the County's inventory system.
 - 2. Several items listed on the depreciation schedule are not listed on the County's inventory system.
 - 3. Several items listed on the County's inventory system are not listed on the depreciation schedule despite still being in use by the County.
- B. A backhoe (asset number 1814) costing \$76,960 was located during audit procedures as being retired on the fixed asset retirement register but not noted on County inventory records.
- C. Construction-in-progress for drainage and parking lot improvements to the Multi-Purpose Building totaling \$152,999 were not included on the capital assets listing.

These errors in the capital assets records were caused by failure to implement internal control procedures to ensure that all items are recorded, valued properly, and classified properly in the County's capital asset records. Failure to maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation:

The Inventory Control Clerk should implement appropriate control procedures to ensure that all items are recorded, valued properly and classified properly in the County's capital asset records. The information listed in the County's capital asset records should be reconciled by all involved department heads through an annual inventory to ensure records are accurate and complete.

Inventory Control Clerk's Response:

I keep a depreciation schedule with the inventory system. If I Enter an item that needs to be on that schedule my software will not allow me to go further unless I do that.

The backhoe, asset number 1814, has been deleted from inventory. It was deleted as soon as I was aware that it had not been deleted.

I was not aware of the construction in progress at the Multi-Purpose Building. I will make a point to do my best to keep up with construction in progress.

I have taken this finding under advisement and will look further into the steps that I need to take in order to be in compliance.

In our opinion, because of the non compliance referred in the preceding paragraph, Calhoun County, Mississippi, did not comply, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2017.

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 19, 2020

Certified Public Accountants

Calhoun County, Mississippi**Schedule 1**

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2017

Date	Item Purchased	Bid Accepted	Vendor	Lowest Bid	Reason for Accepting other than the Lowest Bid
01-20-17	Dozer/Excavator	01-03-17	Jackie Earnest	Martin & Martin	Size of equipment
02-15-17	Dozer/Excavator	01-03-17	Josh Bennett	Martin & Martin	Size of equipment
05-15-17	Dozer/Excavator	01-03-17	Jackie Earnest	Martin & Martin	Size of equipment
05-22-17	Dozer/Excavator	01-03-17	B&B Contractors	Martin & Martin	Size of equipment

Calhoun County, Mississippi
Schedule of Emergency Purchases
For the Year Ended September 30, 2017

Schedule 2

Date	Item Purchased	Amount Paid	Vendor	Reason for Emergency Purchase
10-27-16	Fuel	\$ 9,645	Calhoun County Oil	Vendors did not send price
04-13-17	Dozer/Excavator	1,200	Dendy Equipment	Storm, all other not available
05/30/17	Fuel	9,495	Calhoun County Oil	No other vendor gave bid

Calhoun County, Mississippi**Schedule 3**

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2017

Date	Item Purchased	Amount Paid		Vendor
07-07-17	Airport fuel	\$	8,255	Eastern Aviation Fuel

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

LIMITED INTERNAL CONTROL
AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Calhoun County, Mississippi

In planning and performing our audit of the financial statements of Calhoun County, Mississippi for the year ended September 30, 2017, we considered Calhoun 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 Calhoun 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 August 19, 2020, on the financial statements of Calhoun County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 19, 2020

Certified Public Accountants

1929 SPILLWAY ROAD, SUITE B
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SCHEDULE OF FINDINGS AND RESPONSES

Calhoun County, Mississippi

Schedule of Findings and Responses For the Year Ended September 30, 2017

Section I: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Unmodified
Business-type activities	Unmodified
Aggregate discretely presented component unit	Adverse
General Fund	Unmodified
State Aid Fund	Unmodified
Solid Waste Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes.
 - b. Significant deficiency identified? None reported.
3. Noncompliance material to financial statements noted? Yes.

Section II: Financial Statement Findings

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

Board of Supervisors

Material Weaknesses and Material Non Compliance

2017 - 001 - Calhoun County should implement controls to ensure tax levies are within imposed statutory limits.

Criteria:

Section 19-9-109, Miss. Code Ann. (1972) states that in order to fund such expenditures as may arise pursuant to the authority granted by Section 19-5-97 to Boards of Supervisors of any county to purchase, operate, and maintain fire trucks and other firefighting equipment, such Boards of Supervisors are empowered to levy an annual ad valorem tax not to exceed one-fourth (1/4) of one mill tax levy.

Condition:

As reported in the prior four audit reports, the tax levy adopted by the Board of Supervisors for fiscal year 2013 through 2017 included a 1.00 mill tax levy for fire protection services under the authority of the above referenced statute.

Cause:

Improper citation of state statute.

Effect:

This adoption resulted in the collection of \$60,797 of ad valorem taxes in excess of the statutory limit and places the County in violation of the state statute for fiscal year 2017. Additionally, for fiscal years 2013, 2014, 2015, 2016 and 2017, \$42,001, \$43,193, 56,229 and \$47,039 respectively of ad valorem taxes in excess of the statutory limit was collected.

Recommendation:

The Board of Supervisors should establish internal controls to ensure all tax levies are within prescribed statutory limits.

Response:

Acknowledged. The statute that was cited was erroneous. The tax that was levied was actually allowed under Section 83-1-39 (County Volunteer Fire Department Fund) as was intended by the Board of Supervisors. This erroneous cite was corrected for the current budget (fiscal year 2018).

Tax Assessor-Collector

Material Weakness

Finding 2017 - 002 - Controls over cash collections and disbursements in the Tax Assessor/Collector's office should be strengthened.

Criteria:

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

Condition:

As reported in the prior three period audits, it was noted that cash collection and disbursement functions in the Tax Assessor-Collector's office are not adequately segregated for effective internal control and therefore, controls over cash are inadequate.

Cause:

Deficiencies noted include:

1. Bookkeeper adds receipts to check-up daily collections, prepares the deposit slip and physically carries the deposit to the bank.
2. Bookkeeper post receipts to the computer for real, personal, mobile homes, public utility and garbage collections from manual receipts prepared by the Tax Assessor-Collector and deputy tax collectors after reconciling cash to the daily sheets.
3. Daily collections are given to the bookkeeper at 5:00 PM each day and cash is locked in a filing cabinet until the deposit is made.
4. Deposits are not made on a daily basis.
5. Bookkeeper posts all transactions, daily collections and settlements to the manual cash journal.
6. Bookkeeper prepares settlements and posts them to the cash journal. Tax Assessor-Collector usually signs the checks for settlement. However, the bookkeeper is also an authorized signor on the bank account.
7. Bookkeeper reconciles the bank statements.
8. Bookkeeper reconciles the land sale listing from the computer to the real property receipts for the August land sale.
9. Bookkeeper writes the receipts, collects the cash and posts receipts to the computer for the August land sale.
10. Legislative tag credit is not properly posted to the cash journal.
11. Some real property tax collections are not listed on the daily manual cash sheet, recorded in the cash journal, deposited into the bank account or included on the monthly settlement report.

Effect:

Failure to implement controls over cash in the Tax Assessor-Collector's office could result in the loss or misappropriation of public funds.

Recommendation:

The Tax Assessor-Collector should ensure there is adequate segregation of duties in the receipting/collecting, recording and settlement functions, as well as implement a system to properly safeguard cash collections.

Management's Response:

Regarding the Federal Audit Finding Development Worksheet for the year ending September 30, 2017, for Calhoun County, Mississippi, below is my response to the deficiencies:

- a. Each deputy adds all of their receipts, and prepares their individual checkout for the day. The Tax Collector verifies their figures for accuracy and forwards the daily checkouts to the Bookkeeper.
- b. Daily, each deputy posts all of their receipts in the computer.
- c. Daily collections are given to the Tax Collector from each individual deputy. After verification by the Tax Collector, these collections are given to the Bookkeeper the following morning. A new safe has been ordered for nightly storage of these daily collections.
- d. Deposits are now made on a daily basis.
- e. The manual cash journal has been eliminated and all transactions are now being posted in the computer by individual deputies and verified by Tax Collector before being turned on to the Bookkeeper.
- f. The Bookkeeper prepares the settlement based on computer information. The information is no longer kept in a manual journal.
- g. The bank statement is now being reconciled by both the Bookkeeper and Tax Collector.
- h. Same.
- i. Each deputy collects payment and posts receipts in the computer. The receipts are verified by the Tax Collector to ensure totals match the daily computer generated printout of actual receipts.
- j. Legislative credit is posted daily in the computer. This legislative credit is no longer recorded manually in the cash journal.
- k. Each deputy enters all receipts as collections are made from customers daily.

Auditor's Note:

This matter has been referred to the Investigative Division of the Office of the State Auditor.

Justice Court Clerk

Material Weakness

Finding 2017 - 003 - Controls over cash collections and disbursements in the Justice Court Clerk's office should be strengthened.

Criteria:

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

Condition:

As reported in the prior three audits, it was noted that cash collection and disbursement functions in the Justice Court Clerk's office are not adequately segregated for effective internal control and therefore, controls over cash are inadequate.

Cause:

The Justice Court Clerk receipts cash, prepares all bank deposits, maintains the cash journals, reconciles the bank statements, calculates the monthly settlements and disburses all funds.

Effect/Possible Effect:

Failure to implement controls over cash in the Justice Court Clerk's office could result in the loss or misappropriation of public funds.

Recommendation:

The Justice Court Clerk should ensure there is adequate segregation of duties in the collecting, recording and settlement functions.

Management's Response:

Calhoun County Justice Court consist of two (2) employees. The Justice Court Clerk and Deputy Clerk. The Justice Court Clerk has requested a part time helper but has been turned down each time. The Clerk and Deputy clerk both receipts cash and the daily bank deposits. If the Deputy clerk does the deposit for that day the clerk will run the report. If the clerk does the deposit for that day the clerk will run the report. If the clerk does the deposit, the deputy will the report. Since there is only 2 of us in the office the clerk is the only one authorized to write checks or disburse cash. We do ensure adequate segregation of duties when possible. We are very limited on what we can and cannot do being there is only the 2 of us. Collection and Accounting duties are separated between the clerk and deputy clerk within the office.

The Justice Court Clerk has and will comply with Auditors finding.

Inventory Control Clerk

Material Weakness

Finding 2017 - 004 - Capital asset records were not maintained during the fiscal year.

Criteria:

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, costs, locations, acquisition dates, disposition dates, methods of disposition, and other relevant information. The presence of these data elements in capital asset records help identify and distinguish County assets from one another, thereby safeguarding County assets from loss or misappropriation. The information is also very important to the financial reporting process.

Condition:

As reported in the prior five years' audit reports, deficiencies were noted in the capital asset records. These deficiencies are repeated verbatim from the prior period audit report due to the capital assets not being maintained in fiscal year 2017:

1. The County does not maintain a depreciation schedule within their inventory system. Discrepancies such as the following were noted between the County's inventory system and the depreciation schedule provided to the auditors:
 - a. Asset classifications such as construction in progress - non depreciable, infrastructure, improvements and leased property under capital leases are not maintained on the County's inventory system.
 - b. Several items listed on the depreciation schedule are not listed on the County's inventory system.
 - c. Several items listed on the County's inventory system are not listed on the depreciation schedule despite still being in use by the County.
2. A backhoe (asset number 1814) costing \$76,960 was located during audit procedures as being retired on the fixed asset retirement register but not on County inventory records.
3. Construction-in-progress for drainage and parking lot improvements to the Multi-Purpose Building totaling \$152,999 were not included on the capital assets listing.

Cause:

These errors in the capital asset records were caused by failure to implement internal control

procedures to ensure that all items are recorded, valued properly, and classified properly in the County's capital asset records.

Effect/Possible Effect:

Failure to maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation:

The Inventory Control Clerk should implement appropriate control procedures to ensure that all items are recorded, valued properly and classified properly in the County's capital asset records. The information listed in the County's capital asset records should be reconciled by all involved department heads through an annual inventory to ensure records are accurate and complete.

Management's Response:

I keep a depreciation schedule with the inventory system. If I Enter an item that needs to be on that schedule my software will not allow me to go further unless I do that.

The backhoe, asset number 1814, has been deleted from inventory. It was deleted as soon as I was aware that it had not been deleted.

I was not aware of the construction in progress at the Multi-Purpose Building. I will make a point to do my best to keep up with construction in progress.

I have taken this finding under advisement and will look further into the steps that I need to take in order to be in compliance.