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ITAWAMBA COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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SEPTEMBER 30, 2017**

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Itawamba County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Itawamba County, Mississippi, (the County) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Itawamba County, Mississippi, as of September 30, 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.

Basis for Qualified Opinion on Governmental Activities and the General Fund

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Justice Court and the aging of these fines receivable. Due to the nature of the County’s records, we were unable to satisfy ourselves as to the fair presentation of Justice Court fines receivable, net, reported on the Statement of Net Position as of September 30, 2017. Also, because of the nature of the Justice Court fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions in the General Fund, which affects the accuracy of assets and deferred inflows of resources on the Governmental Funds Balance Sheet.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities and the General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of Itawamba County, Mississippi, as of September 30, 2017, and the changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, Port Fund, Nursing Home Fund, Countywide Road Maintenance Fund, Solid Waste Fund, and the aggregate remaining fund information of Itawamba County, Mississippi, as of September 30, 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 the Schedule of the County’s Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2020, on our consideration of Itawamba County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Itawamba County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Itawamba County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "J. E. Vance & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

J. E. Vance & Company, P.A.
February 14, 2020

BASIC FINANCIAL STATEMENTS

Itawamba County
Statement of Net Position
September 30, 2017

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 7,062,828	571,551	7,634,379
Property tax receivable	5,242,597		5,242,597
Accounts receivable (net of allowance for uncollectibles of \$446,207)		126,765	126,765
Fines receivable (net of allowance for uncollectibles of \$2,057,372)	634,704		634,704
Intergovernmental receivables	516,498		516,498
Other receivables	174,423	62,212	236,635
Internal balances	107,676	(107,676)	
Prepaid items	46,054		46,054
Capital assets:			
Land and construction in progress	7,681,397		7,681,397
Other capital assets, net	20,207,326	395,022	20,602,348
Total Assets	41,673,503	1,047,874	42,721,377
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	100,200		100,200
Deferred outflows related to pensions	761,172	84,574	845,746
Total Deferred Outflows of Resources	861,372	84,574	945,946
LIABILITIES			
Claims payable	739,712	90,776	830,488
Intergovernmental payables	308,773		308,773
Accrued interest payable	39,714	344	40,058
Unearned revenue		95,811	95,811
Amounts held in custody for others	12,276		12,276
Long-term liabilities:			
Net Pension Liability	7,956,588	884,066	8,840,654
Due within one year:			
Capital debt	1,366,221	95,560	1,461,781
Due in more than one year:			
Capital debt	5,048,414	164,340	5,212,754
Non-capital debt	173,887	23,589	197,476
Total Liabilities	15,645,585	1,354,486	17,000,071
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	71,615	7,957	79,572
Property tax for future reporting period	5,242,597		5,242,597
Total Deferred Inflows of Resources	5,314,212	7,957	5,322,169
NET POSITION			
Net investment in capital assets	21,574,288	135,122	21,709,410
Restricted:			
Expendable:			
General government	30,940		30,940
Public safety	1,015,498		1,015,498
Public works	1,890,745		1,890,745
Health and welfare	1,425,612		1,425,612
Economic development	610,116		610,116
Debt service	506,973		506,973
Unrestricted	(5,479,094)	(365,117)	(5,844,211)
Total Net Position	\$ 21,575,078	(229,995)	21,345,083

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

Itawamba County
Statement of Activities
For the Year Ended September 30, 2017

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,149,014	819,548	33,440		(2,296,026)		(2,296,026)
Public safety	2,270,582	386,165	113,842		(1,770,575)		(1,770,575)
Public works	9,513,455		6,587,528	467,069	(2,458,858)		(2,458,858)
Health and welfare	212,210		28,239		(183,971)		(183,971)
Culture and recreation	91,250				(91,250)		(91,250)
Conservation of natural resources	101,130				(101,130)		(101,130)
Economic development and assistance	1,233,681		897,312		(336,369)		(336,369)
Interest on long-term debt	177,697				(177,697)		(177,697)
Pension expense	1,271,758				(1,271,758)		(1,271,758)
Total Governmental Activities	<u>18,020,777</u>	<u>1,205,713</u>	<u>7,660,361</u>	<u>467,069</u>	<u>(8,687,634)</u>		<u>(8,687,634)</u>
Business-type activities:							
Solid Waste	1,291,694	1,261,365	14,838			(15,491)	(15,491)
Total Primary Government	<u>\$ 19,312,471</u>	<u>2,467,078</u>	<u>7,675,199</u>	<u>467,069</u>	<u>(8,687,634)</u>	<u>(15,491)</u>	<u>(8,703,125)</u>
General revenues:							
Property taxes					\$ 6,924,224		6,924,224
Road & bridge privilege taxes					380,902		380,902
Grants and contributions not restricted to specific programs					572,227		572,227
Unrestricted interest income					71,342	806	72,148
Miscellaneous					923,247	1,785	925,032
Transfers					<u>15,440</u>	<u>(15,440)</u>	<u>-0-</u>
Total General Revenues and Transfers					8,887,382	(12,849)	8,874,533
Changes in Net Position					199,748	(28,340)	171,408
Net Position - Beginning					<u>21,375,330</u>	<u>(201,655)</u>	<u>21,173,675</u>
Net Position - Ending					<u>\$ 21,575,078</u>	<u>(229,995)</u>	<u>21,345,083</u>

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

Itawamba County
Balance Sheet - Governmental Funds
September 30, 2017

Exhibit 3

	Major Funds					
	General Fund	Port Fund	Nursing Home Fund	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 1,584,779	387,589	936,245	1,481,928	2,672,287	7,062,828
Property tax receivable	3,101,000			824,000	1,317,597	5,242,597
Fines receivable (net of allowance for uncollectibles of \$2,057,372)	634,704					634,704
Intergovernmental receivables	121,734	114,422		65,237	68,028	369,421
Other receivables	95,283			166	78,974	174,423
Due from other funds	14,441		365,177	44,409	34,831	458,858
Advances to other funds	130,617		96,000			226,617
Total Assets	\$ 5,682,558	502,011	1,397,422	2,415,740	4,171,717	14,169,448
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 293,753	82,487		254,130	109,342	739,712
Intergovernmental payables	308,773					308,773
Due to other funds	116,622	365,177				481,799
Advances from other funds					96,000	96,000
Amounts held in custody of others	12,276					12,276
Total Liabilities	731,424	447,664	-0-	254,130	205,342	1,638,560
Deferred inflows of resources:						
Unavailable revenue - property taxes	3,101,000			824,000	1,317,597	5,242,597
Unavailable revenue - fines	634,704					634,704
Total Deferred Inflows of Resources	3,735,704	-0-	-0-	824,000	1,317,597	5,877,301
Fund balances:						
Nonspendable:						
Advances	130,617					130,617
Restricted for:						
General government					30,940	30,940
Public safety					1,015,498	1,015,498
Public works		54,347		1,337,610	498,788	1,890,745
Health and welfare			1,397,422		28,190	1,425,612
Economic development and assistance					610,116	610,116
Debt service					546,687	546,687
Unassigned	1,084,813				(81,441)	1,003,372
Total Fund Balances	1,215,430	54,347	1,397,422	1,337,610	2,648,778	6,653,587
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,682,558	502,011	1,397,422	2,415,740	4,171,717	14,169,448

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

Itawamba County
Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2017

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,653,587
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 \$16,324,229.	27,888,723
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	634,704
Prepaid items	46,054
Intergovernmental receivables	147,077
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(6,588,522)
Deferred amount on refunding is not a financial resource and, therefore, is not reported in the funds.	100,200
Net Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(7,956,588)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(39,714)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions	761,172
Deferred inflows of resources related to pensions	<u>(71,615)</u>
Total Net Position - Governmental Activities	\$ <u><u>21,575,078</u></u>

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

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

Exhibit 4

	Major Funds					
	General Fund	Port Fund	Nursing Home Fund	County wide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 4,035,540			1,093,240	1,795,444	6,924,224
Road and bridge privilege taxes				380,902		380,902
Licenses, commissions and other revenue	276,694				30,983	307,677
Fines and forfeitures	329,658					329,658
Intergovernmental revenues	584,178	3,931,836		3,767,789	1,065,394	9,349,197
Charges for services	89,272				263,497	352,769
Interest income	54,092		11,286	2,118	3,846	71,342
Miscellaneous revenues	161,789	384,805	278,312	3,339	71,172	899,417
Total Revenues	<u>5,531,223</u>	<u>4,316,641</u>	<u>289,598</u>	<u>5,247,388</u>	<u>3,230,336</u>	<u>18,615,186</u>
EXPENDITURES						
Current:						
General government	2,938,933				357,246	3,296,179
Public safety	1,987,339				391,224	2,378,563
Public works		3,670,227		5,703,646	139,797	9,513,670
Health and welfare	125,510				60,000	185,510
Culture and recreation	91,250					91,250
Conservation of natural resources	101,130					101,130
Economic development and assistance	151,688				917,669	1,069,357
Debt service:						
Principal	68,693			202,323	1,162,987	1,434,003
Interest	2,973	7,557		7,266	149,001	166,797
Total Expenditures	<u>5,467,516</u>	<u>3,677,784</u>	<u>0</u>	<u>5,913,235</u>	<u>3,177,924</u>	<u>18,236,459</u>
Excess of Revenues over (under) Expenditures	<u>63,707</u>	<u>638,857</u>	<u>289,598</u>	<u>(665,847)</u>	<u>52,412</u>	<u>378,727</u>
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	75,140			261,650		336,790
Proceeds from sale of capital assets	1,350			124,603		125,953
Transfers in	763			500,000	290,163	790,926
Transfers out		(67,928)	(700,000)	(3,619)	(19,379)	(790,926)
Total Other Financing Sources and Uses	<u>77,253</u>	<u>(67,928)</u>	<u>(700,000)</u>	<u>882,634</u>	<u>270,784</u>	<u>462,743</u>
Net Changes in Fund Balances	<u>140,960</u>	<u>570,929</u>	<u>(410,402)</u>	<u>216,787</u>	<u>323,196</u>	<u>841,470</u>
Fund Balances - Beginning	<u>1,074,470</u>	<u>(516,582)</u>	<u>1,807,824</u>	<u>1,120,823</u>	<u>2,325,582</u>	<u>5,812,117</u>
Fund Balances - Ending	<u>\$ 1,215,430</u>	<u>54,347</u>	<u>1,397,422</u>	<u>1,337,610</u>	<u>2,648,778</u>	<u>6,653,587</u>

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

Itawamba County
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 841,470
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$888,743 and transfers of \$15,440 exceeded depreciation of \$1,286,336 in the current period.	(382,153)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$22,480 and the proceeds from the sale of \$124,603 in the current period.	(102,123)
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.	221,829
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in long-term receivables:	
Intergovernmental revenues	(655,759)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Proceeds of capital debt issued	(336,790)
Debt repayments	1,434,003
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Increase in compensated absences	(17,862)
Decrease in accrued interest payable	5,800
Decrease in prepaid insurance	(7,553)
Amortization of deferred amount on refunding	(16,700)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,271,758)
Recording of contributions made to defined benefit pension plan	<u>487,344</u>
Change in Net Position of Governmental Activities	<u>\$ 199,748</u>

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

Itawamba County
Statement of Net Position - Proprietary Fund
September 30, 2017

Exhibit 5

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 571,551
Accounts receivable (net of allowance for uncollectibles of \$446,207)	126,765
Other receivables	62,212
Due from other funds	37,382
Total Current Assets	<u>797,910</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	395,022
Total Noncurrent Assets	<u>395,022</u>
Total Assets	<u>1,192,932</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	84,574
Total Deferred Outflows of Resources	<u>84,574</u>
 LIABILITIES	
Current liabilities:	
Claims payable	90,776
Due to other funds	14,441
Advances from other funds	130,617
Accrued interest payable	344
Unearned revenue	95,811
Capital debt:	
Capital leases payable	95,560
Total Current Liabilities	<u>427,549</u>
Noncurrent Liabilities:	
Net Pension Liability	884,066
Capital debt:	
Capital leases payable	164,340
Non-capital debt:	
Compensated absences payable	23,589
Total Noncurrent Liabilities	<u>1,071,995</u>
Total Liabilities	<u>1,499,544</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	7,957
Total Deferred Inflows of Resources	<u>7,957</u>
 NET POSITION	
Net investment in capital assets	135,122
Unrestricted	(365,117)
Total Net Position	<u>\$ (229,995)</u>

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

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

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 1,261,365
Other operating revenues	1,784
Total Operating Revenues	<u>1,263,149</u>
Operating Expenses	
Personal services	475,197
Pension expense	141,306
Contractual services	404,955
Materials and supplies	150,688
Depreciation expense	97,489
Indirect administrative cost	14,441
Total Operating Expenses	<u>1,284,076</u>
Operating Income (Loss)	<u>(20,927)</u>
Nonoperating Revenues (Expenses)	
Interest income	806
Interest expense	(5,397)
Intergovernmental grants	14,838
Gain (Loss) on sale of capital assets	(2,220)
Net Nonoperating Revenue (Expenses)	<u>8,027</u>
Net Income (Loss) Before Transfers	(12,900)
Transfers out	<u>(15,440)</u>
Change in Net Position	<u>(28,340)</u>
Net Position - Beginning	<u>(201,655)</u>
Net Position - Ending	<u>\$ (229,995)</u>

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

Itawamba County
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2017

Exhibit 7

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,257,900
Payments to suppliers	(523,784)
Payments to employees	(527,964)
Other operating cash receipts	2,005
Net Cash Provided (Used) by Operating Activities	<u>208,157</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	159,616
Principal paid on long-term debt	(159,304)
Interest paid on long-term debt	(5,366)
Proceeds from sale of capital assets	0
Acquisition of capital assets	(200,567)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(205,621)</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	14,838
Net Cash Provided (Used) by Noncapital Financing Activities	<u>14,838</u>
Cash Flows From Investing Activities	
Interest on deposits	806
Net Cash Provided (Used) by Investing Activities	<u>806</u>
Net Increase (Decrease) in Cash and Cash Equivalents	18,180
Cash and Cash Equivalents at Beginning of Year	553,371
Cash and Cash Equivalents at End of Year	<u>\$ 571,551</u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (20,927)
Adjustments to reconcile operating income (loss) to net cash	
provided (used) by operating activities:	
Depreciation expense	97,489
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,416)
(Increase) decrease in other receivables	(4,166)
(Increase) decrease in interfund receivables	(1,108)
(Increase) decrease in deferred outflows of resources	106,591
Increase (decrease) in claims payable	31,859
Increase (decrease) in unearned revenue	3,445
Increase (decrease) in net pension liability	(24,974)
Increase (decrease) in compensated absences liability	1,382
Increase (decrease) in deferred inflows of resources	5,541
Increase (decrease) in interfund payables	14,441
Total Adjustments	<u>229,084</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 208,157</u>

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

Itawamba County
Statement of Fiduciary Assets and Liabilities
September 30, 2017

Exhibit 8

	Agency Funds
ASSETS	
Cash and investments	\$ 192,244
Total Assets	\$ 192,244
LIABILITIES	
Amounts held in custody for others	\$ 2,426
Other liabilities	113,644
Intergovernmental payables	76,174
Total Liabilities	\$ 192,244

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

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

Itawamba County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Itawamba County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

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

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

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

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

B. Individual Component Unit Disclosures

Blended Component Units

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

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

B. Individual Component Unit Disclosures (Continued)

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

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

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

C. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

D. Measurement Focus and Basis of Accounting

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

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

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

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major Proprietary Fund:

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

Additionally, the County reports the following fund types:

Governmental Fund Types

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

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

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

D. Measurement Focus and Basis of Accounting (Continued)

Proprietary Fund Type

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

Fiduciary Fund Type

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

E. Account Classifications

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

F. Deposits and Investments

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

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

G. Receivables

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

H. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements, and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as “due to/from other funds.” Noncurrent portions of interfund receivables and payables are reported as “advances to/from other funds.” Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

I. Prepaid Items

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

J. Capital Assets

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

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

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

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

The following schedule details those thresholds and estimated useful lives:

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

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

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

K. Deferred Outflows/Inflows of Resources

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

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

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Notes 9 and 12 for additional details.

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

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

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

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Notes 9 and 12 for additional details.

L. Pensions

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

M. Long-Term Liabilities

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

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

N. Equity Classifications

Government-wide Financial Statements:

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

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

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

Unrestricted net position – All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

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

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

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

N. Equity Classifications (continued)

Fund Balance Flow Assumption:

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

O. Property Tax Revenues

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

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

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

P. Intergovernmental Revenues in Governmental Funds

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

Q. Compensated Absences

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

R. 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.

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(2) Deposits

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$7,826,623 (including deposits of \$192,244 in fiduciary accounts), and the bank balance was \$7,918,577. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. 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

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 14,441
Nursing Home Fund	Port Fund	365,177
Countywide Road	General Fund	44,409
Other Governmental Funds	General Fund	34,831
Solid Waste Fund	General Fund	37,382
Total		<u>\$ 496,240</u>

The payables from the General Fund represent the tax revenue collected but not settled until October 2017. The payable from the Solid Waste Fund represents the indirect cost for the September 30, 2017 fiscal year, which is expected to be repaid within one year. The payable from the Port Fund reflects a loan agreement entered with the Nursing Home Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 130,617
Nursing Home Fund	Other Governmental Funds	96,000
Total		<u>\$ 226,617</u>

The advance to the Solid Waste Fund represents the indirect cost for the 2009 through 2016 fiscal year, which is not expected to be repaid within one year. The advance to other governmental funds represents a loan to cover costs of another fund, which is not expected to be repaid within one year.

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(3) Interfund Transactions and Balances (Continued)

C. Transfers In/Out:

Transfers In	Transfers Out	Amount
<i>Governmental Funds:</i>		
General Fund	Other Governmental Funds	\$ 763
Countywide Road Maintenance Fund	Nursing Home Fund	500,000
Other Governmental Funds	Port Fund	67,928
Other Governmental Funds	Nursing Home Fund	200,000
Other Governmental Funds	Countywide Road Maintenance Fund	3,619
Other Governmental Funds	Other Governmental Funds	18,616
Total Governmental Funds		<u>\$ 790,926</u>
Governmental Activities	Business-type Activities	<u>\$ 15,440</u>

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

(4) Intergovernmental Receivables

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

Description	Amount
<i>Governmental Funds:</i>	
<i>General Fund</i>	
Legislative tag credit	\$ 115,900
Other	5,834
	<u>121,734</u>
<i>Port Fund</i>	
Multi-Modal State Grant	114,422
<i>County-Wide Road Maintenance Fund</i>	
Motor vehicle fuel tax	47,765
Motor vehicle licenses	17,472
	<u>65,237</u>
<i>Other Governmental Funds</i>	
Community Development Block Grant	39,120
Appalachian Regional Commission Grant	28,587
Motor vehicle licenses	321
	<u>68,028</u>
Total Governmental Funds	<u>369,421</u>
Harvest permits and overweight fines	18,760
Federal/State payments in lieu of tax	128,317
Total Long-Term Receivables	<u>147,077</u>
Total Governmental Activities	<u>\$ 516,498</u>

ITAWAMBA COUNTY
NOTES TO 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:

	Balance Oct. 1, 2016	Additions	Deletions	Completed Construction	Adjustments	Balance Sept. 30, 2017
Governmental Activities:						
<u>Non-depreciable capital assets</u>						
Land	\$ 7,196,977	35,000				\$ 7,231,977
Construction in progress	161,679	468,088		(180,347)		449,420
Total non-depreciable capital assets	7,358,656	503,088	-0-	(180,347)	-0-	7,681,397
<u>Depreciable capital assets</u>						
Infrastructure	10,532,655			180,347		10,713,002
Buildings	5,419,986					5,419,986
Improvements other than buildings	9,350,642					9,350,642
Mobile equipment	7,844,256	131,074	(152,131)		184,909	8,008,108
Furniture and equipment	2,010,329		(12,710)			1,997,619
Leased property under capital leases	952,849	254,581	(134,732)		(30,500)	1,042,198
Total depreciable assets	36,110,717	385,655	(299,573)	180,347	154,409	36,531,555
<u>Less accumulated depreciation for:</u>						
Infrastructure	1,751,061	237,211				1,988,272
Buildings	2,509,354	108,400				2,617,754
Improvements other than buildings	3,256,381	374,026				3,630,407
Mobile equipment	6,043,631	245,100	(136,918)		155,439	6,307,252
Furniture and equipment	1,281,237	189,022	(12,028)			1,458,231
Leased property under capital leases	254,710	132,577	(48,504)		(16,470)	322,313
Total accumulated depreciation	15,096,374	1,286,336	(197,450)	-0-	138,969	16,324,229
Total depreciable capital assets, net	21,014,343	(900,681)	(102,123)	180,347	15,440	20,207,326
Governmental activities capital assets, net	\$ 28,372,999	(397,593)	(102,123)	-0-	15,440	\$ 27,888,723
Business-type Activities:						
<u>Depreciable capital assets</u>						
Mobile equipment	519,128	41,091	(22,210)	1,084		539,093
Leased property under capital leases	384,307	159,476		(155,493)		388,290
Total depreciable assets	903,435	200,567	(22,210)	(154,409)		927,383
<u>Less accumulated depreciation for:</u>						
Mobile equipment	433,761	41,950	(19,990)	(55,003)		400,718
Leased property under capital leases	160,070	55,539		(83,966)		131,643
Total accumulated depreciation	593,831	97,489	(19,990)	(138,969)		532,361
Total depreciable capital assets, net	309,604	103,078	(2,220)	(15,440)		395,022
Business-type activities capital assets, net	\$ 309,604	103,078	(2,220)	(15,440)		\$ 395,022

Adjustments were made to reclassify assets no longer under capital lease obligation and to transfer business-type capital assets to governmental activities.

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(5) Capital Assets (Continued)

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 78,841
Public safety	100,114
Public works	916,358
Health and welfare	26,700
Economic Development	<u>164,323</u>
Total Governmental Activities	<u>\$ 1,286,336</u>
Business-type activities:	
Solid Waste	<u>\$ 97,489</u>
Total Business-type Activities	<u>\$ 97,489</u>

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

Governmental Activities:	Remaining	Expected Date of
<u>Description of Commitment</u>	<u>Financial</u>	<u>Completion</u>
	<u>Commitment</u>	
LSBP 29 32	\$ 327,873	December-18
LSBP 29 33	32,773	September-18
BR 0029 33 BO	<u>Unknown</u>	Unknown
Total Governmental Activities	<u>\$ 360,646</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 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.

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

(7) Operating Leases

As Lessor:

The County receives income from property it leases under noncancelable operating leases. Total income from such leases was \$622,991 for the year ended September 30, 2017.

On June 14, 2010, Itawamba County entered into an operating agreement with BlueFire Fulton Renewable Energy, LLC for the lease of certain land owned by the County for the purpose of developing, constructing and operating a biofuel facility on the property. The operating lease stipulated that the lessee (BlueFire) would pay approximately \$10,292 per month in lease payments, commencing July 1, 2010. During recent years, BlueFire has been deficient in its payments to the County. The lease was terminated by the County on May 10, 2017.

On October 23, 2001, the Itawamba County Port Commission (blended component unit of Itawamba County) entered into an operating lease with Monotech of Mississippi – Fulton (PSP Industries) for the lease of certain real property to be used for a steel fabrication plant. The operating lease stipulated that the lessee would pay approximately \$6,500 per month in lease payments commencing November 1, 2001 and continuing for a fifteen-year period ending November 1, 2016. The lessee has an option to renew the lease for four fifteen-year terms and has elected to renew the first fifteen-year term beginning November 1, 2016 and ending November 1, 2031. Lease payments are adjusted every five years according to the consumer price index, not to exceed ten percent of the then existing base rent. As of September 30, 2017, current monthly lease payments are \$8,651 per month.

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

On April 7, 2015, Itawamba County entered into an operating agreement with North Mississippi Rail Service, LLC for the lease of the Itawamba County Railway Authority assets. The operating lease stipulated that the lessee would pay \$0 in lease payments for the first six months and \$1,500 for each month thereafter continuing for a five-year period. The lessee has an option to renew the lease for an additional five-year term.

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

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(7) Operating Leases

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2017, are as follows:

Year Ending September 30,	PSP Industries	Community Living Centers	Seacor	North MS Rail Services	Total
2018	\$ 78,000	272,544	240,000	18,000	608,544
2019	78,000	272,544	240,000	18,000	608,544
2020	78,000	227,120		18,000	323,120
2021	78,000			16,500	94,500
2022	78,000				78,000
2023-2027	390,000				390,000
2028-2032	318,500				318,500
Total	\$ 1,098,500	772,208	480,000	70,500	2,421,208

(8) Capital Leases

As Lessee:

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

Classes of Property	Amount
<i>Governmental Activities:</i>	
Mobile equipment	\$ 1,042,198
Less: Accumulated depreciation	(322,313)
Leased Property Under Capital Leases, Net	\$ 719,885
<i>Business-type Activities:</i>	
Mobile equipment	\$ 388,290
Less: Accumulated depreciation	(131,643)
Leased Property Under Capital Leases, Net	\$ 256,647

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	\$ 193,568	8,838	95,560	4,414
2019	198,286	4,927	58,551	2,718
2020	88,991	2,094	59,701	1,568
2021	57,444	680	37,704	547
2022	5,226	115	8,384	28
Total	\$ 543,515	16,654	259,900	9,275

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

(9) Defined Benefit Pension Plan

Primary Government

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

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

Contributions. At September 30, 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 \$541,494, \$518,806, and \$513,731, respectively, equal to the required contributions for each year.

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(9) Defined Benefit Pension Plan (Continued)

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

At September 30, 2017, the County reported a liability of \$8,840,654 (\$7,956,588 for governmental activities and \$884,066 for business-type activities) 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 0.053182 percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.002291 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.

Internally, the County allocates its proportionate share of the net pension liability to governmental activities and business-type activities. As of September 30, 2017, the internal proportionate share allocated to governmental activities and business-type activities was 90% and 10%, respectively, which was equal to the allocation percentages determined as of September 30, 2016.

For the year ended September 30, 2017, the County recognized pension expense of \$1,271,758 for governmental activities and \$141,306 for business-type activities. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	Business-type Activities	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 114,311	12,701	127,012
Net difference between projected and actual earnings on pension plan investments	108,387	12,043	120,430
Changes of assumptions	176,845	19,649	196,494
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	237,016	26,335	263,351
County contributions subsequent to the measurement date	124,613	13,846	138,459
Total Deferred Outflows of Resources	\$ 761,172	84,574	845,746
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 58,057	6,451	64,508
Changes of assumptions	13,558	1,506	15,064
Total Deferred Inflows of Resources	\$ 71,615	7,957	79,572

\$138,459 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending September 30, 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:

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(9) Defined Benefit Pension Plan (Continued)

Year ending September 30:	Governmental Activities	Business-type Activities	Total
2018	\$ 460,316	51,146	511,462
2019	218,007	24,223	242,230
2020	40,313	4,479	44,792
2021	(153,692)	(17,077)	(170,769)
2022	-0-	-0-	-0-
Thereafter	-0-	-0-	-0-
	<u>\$ 564,944</u>	<u>62,771</u>	<u>627,715</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	3.00 percent
Salary increases	3.75 – 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, set forward one year for males.

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:

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(9) Defined Benefit Pension Plan (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
Total	<u>100.00 %</u>	

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 11,595,107	8,840,654	6,553,858

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

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(10) Long-term Debt

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

Description and Purpose	Amount Outstanding	Interest Rates	Maturity Date
Governmental Activities:			
General Obligation Bonds:			
2013 General Obligation Refunding Bonds	\$ 1,325,000	1.25-3.00%	Apr-22
2014 General Obligation Refunding Bonds	755,000	1.10-2.35%	Aug-19
2014 General Obligation Bonds	<u>3,650,000</u>	1.10-2.25%	Apr-24
Total General Obligation Bonds	<u><u>5,730,000</u></u>		
Capital Leases:			
2013 Dodge Ram, Explorer, Taurus	7,489	2.27%	Feb-18
Three 2015 Mack Dump Trucks	130,655	1.87%	Apr-19
2014 Ford F-150	3,385	2.52%	Jan-18
Two 2015 Ford F-150s	29,605	2.14%	May-20
Two Police Interceptors	38,780	1.76%	Nov-20
Houston District Fire Truck	60,589	1.71%	Jun-21
Two JD Tractors	109,489	2.11%	Nov-21
2017 Mack Dump Truck	72,806	1.85%	Dec-19
Volvo Dump Truck	24,548	1.97%	Oct-19
2017 Sheriff Ford F-150	35,820	1.76%	Oct-21
Two Dodge Chargers	<u>30,349</u>	2.21%	Jul-21
Total Capital Leases	<u><u>543,515</u></u>		
Other Loans:			
Pord Development (Project 2)	<u>141,120</u>	0.25%	Oct-19
Total Governmental Activities	<u><u>\$ 6,414,635</u></u>		
Business-type Activities:			
Capital Leases:			
Garbage Truck	\$ 38,346	1.87%	Aug-19
Garbage Truck	84,885	1.83%	Nov-20
Two Garbage Trucks	<u>136,669</u>	2.01%	Dec-21
Total Business-type Activities	<u><u>\$ 259,900</u></u>		

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

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2018	\$ 1,105,000	120,488	67,653	276
2019	1,135,000	98,387	67,822	106
2020	770,000	74,075	5,645	15
2021	785,000	59,244	-0-	-0-
2022	810,000	42,856	-0-	-0-
2023-2027	<u>1,125,000</u>	<u>36,019</u>	<u>-0-</u>	<u>-0-</u>
Total	<u><u>\$ 5,730,000</u></u>	<u><u>431,069</u></u>	<u><u>141,120</u></u>	<u><u>397</u></u>

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(10) Long-term Debt (Continued)

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2017, the amount of outstanding debt was equal to 3.83% of the latest property assessments.

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	Adjustments	Balance Sep. 30, 2017	Amount due within one year
<i>Governmental Activities:</i>						
Compensated absences	\$ 156,025			17,862	173,887	
General obligation bonds	6,810,000		1,080,000		5,730,000	1,105,000
Capital leases	493,244	336,790	286,519		543,515	193,568
Other loans	208,604		67,484		141,120	67,653
Totals	\$ 7,667,873	336,790	1,434,003	17,862	6,588,522	1,366,221
<i>Business-type Activities:</i>						
Compensated absences	\$ 22,207			1,382	23,589	
Capital leases	259,588	159,616	159,304		259,900	95,560
Totals	\$ 281,795	159,616	159,304	1,382	283,489	95,560

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

(11) Contingencies

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

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

Solid Waste Revenue Refunding Bonds

In 1998, solid waste revenue refunding bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,210,000. In fiscal year 2012 the bonds were refinanced. The bonds were reissued for \$4,235,000. As part of a solid waste disposal service agreement between Itawamba County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the Authority that are not covered by fees generated from solid waste disposal services. The County's pro rata share (6.71%) of the \$2,285,000 refunding bonds balance at September 30, 2017, is \$153,324.

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

(12) Effect of Deferred Amounts on Net Position

Governmental Activities

The governmental activities' unrestricted net position amount of (\$5,479,094) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$124,613 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 \$636,559 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 \$71,615 balance of the 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 (\$5,479,094) includes the effect of deferring the recognition of expenditures resulting from a refunding of County debt. The \$100,200 balance of deferred outflows of resources at September 30, 2017, will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

Business-type Activities

The business-type activities' unrestricted net position amount of (\$365,117) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$13,846 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 \$70,728 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 \$7,957 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next 3 years.

(13) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

Three Rivers Solid Waste Management Authority operates in a district composed of the counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union and the cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The Itawamba County Board of Supervisors appoints one of the seven members of the board of directors. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste deposited. The County did not appropriate any funds for the support of the authority in fiscal year 2017.

Three Rivers Planning and Development District operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Itawamba County Board of Supervisors appoints two of the forty members of the board of directors. The County appropriated \$101,159 for the support of the district in fiscal year 2017.

Itawamba Community College operates in a district composed of the Counties of Chickasaw, Itawamba, Lee, Monroe and Pontotoc. The Itawamba County Board of Supervisors appoints six of the thirty members of the College Board of Trustees. The County appropriated \$1,039,100 for the maintenance and support of the College in fiscal year 2017.

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Itawamba County Board of Supervisors appoints one of the seven members of the board of commissioners. The County appropriated \$16,878 for support of the commission in fiscal year 2017.

Lift, Inc. operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Itawamba County Board of Supervisors appoints one of the twenty-four members of the board of directors. The County appropriated \$5,635 in fiscal year 2017 to the organization.

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

(13) Jointly Governed Organizations (Continued)

Northeast Mississippi Emergency Medical Services serves the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Itawamba County Board of Supervisors appoints four of the thirty-six members of the board of directors. The County appropriated \$17,317 for support of the district in fiscal year 2017.

(14) Deficit Fund Balance

The following funds reported deficits in fund balances at September 30, 2017.

<u>Fund</u>	<u>Deficit</u>
Townhouse Building Fund	\$ (81,294)
Homeland Security Fund	(148)
	<u>\$ (81,442)</u>

(15) Tax Abatements

There are currently a number of agencies with economic development directives and targeted industries in Itawamba County, Mississippi. These efforts to bring businesses and industries into Itawamba County afford the County the opportunity to develop these partnerships that help raise the prominence of the region and attract prospective projects. Due to the pro-business attitude and wise infrastructure planning of the local elected officials as well as the ability to offer various incentives to entice businesses and industries to locate in Itawamba County, the County operates strongly with a well diverse base of manufacturers and distributors.

Facts and Assumptions

Itawamba County provides tax incentives and abatements under four programs: Property tax reductions not to exceed ten years for new enterprises, property tax reductions not to exceed ten years for additions to or expansions of facilities or properties, fee in lieu of personal and real property taxes and tax increment financing. Various Mississippi Code sections allow the County to offer the before mentioned incentives. In order to qualify for any incentive there is an application process, presentation to the Board of Supervisors and ultimately a recommendation by the Board of Supervisors to grant the incentive.

- Mississippi Code Section 27-31-101, allows County Board of Supervisors, at their discretion, to grant tax exemptions for new enterprises from ad valorem taxation, however they do not have the authority to exempt ad valorem taxes for school districts and shall not exceed a period longer than ten years. The date of completion of the new enterprise is when the exemption shall begin. The various new enterprises which fall under this code section and are eligible for an exemption are determined by the Mississippi Department of Revenue and are limited to the following: Warehouse and/or distribution centers, manufacturing, processors and refineries, research facilities, corporate regional and national headquarters meeting minimum criteria established by the Mississippi Development Authority, recreational facilities that impact tourism and data/information procession enterprises that both meet minimum established criteria, technology intensive enterprises or facilities, health care industry facilities as defined in Code Section 57-117-3 and telecommunications enterprises meeting minimum criteria.

**ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

(15) Tax Abatements (Continued)

- Mississippi Code Section 27-31-105, allows County Board of Supervisors, at their discretion, to grant tax exemptions for any enterprise who makes additions to or expansions of the facilities or properties or replaces equipment used in conjunction with or necessary to the operation of such enterprises from ad valorem taxation with the exception of school district taxes and not to exceed a period longer than ten years. The initial request for exemption must be made in writing by June 1st of the year immediately following the year in which the additions, expansions or replacements are completed. The time of the exemption shall commence from the date of completion of the additions, expansions or replacements and shall extend for a period not to exceed ten years, however the Board of Supervisors in lieu of granting the exemption for one period of ten years, may grant the exemption in consecutive periods of five years each, not to exceed ten years.
- Mississippi Code Section 27-31-104, allows County Board of Supervisors, at their discretion, to grant a fee in lieu of taxes for certain projects. The County Board of Supervisors are authorized to enter into an agreement with a private company having a minimum capital investment of one hundred million dollars or a qualified business meeting minimum criteria established by the Mississippi Development Authority. The Board of Supervisors may enter into a fee in lieu agreement on behalf of the County and the County school district. Any grant of fee in lieu of ad valorem taxes shall be in a written agreement negotiated by the enterprise and the Board of Supervisors with final approval given by the Mississippi Development Authority. The minimum sum allowable as a fee in lieu shall not be less than one-third of the ad valorem levy, including ad valorem taxes for school district purposes.
- Mississippi Code Section 27-31-51 allows County Board of Supervisors, at their discretion, to grant eligible warehouses a license to operate as a free port warehouse. A free port warehouse is regularly engaged in the handling and storage of personal property pending transit to a final destination outside the State of Mississippi. This exemption may be granted for all local property taxes and may be granted for any period of time set by the Board of Supervisors.

<u>Tax Abatement Programs</u>	<u>Industries</u>	<u>Reported Capital Investment</u>	<u>Amount of taxes abated during the fiscal year</u>
Personal / Real Tax Exemptions	18 Industrial Exemptions	\$ 19,422,834	\$ 1,257,628
Free-port Warehouse	4 Industrial Exemptions	\$ 1,626,747	\$ 431,419

These incentives have served many purposes, including but not limited to: the amount of dollars through infrastructure improvements, the overall number of new businesses and industries that have located or relocated to Itawamba County, the number of jobs that have been and continue to be created in Itawamba County, and most importantly an excellent quality of life for all citizens throughout the County while maintaining a low tax bill without a significant tax increase.

ITAWAMBA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(16) Purchasing and Compliance with State Laws

The Mississippi Office of the State Auditor (OSA) has elected to perform limited procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the County's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>. OSA's report will include a Purchasing Report and Limited Compliance Review Report.

(17) Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Itawamba County evaluated the activity of the County through February 14, 2020, (the date the financial statements were available to be issued) and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements.

Subsequent to September 30, 2017, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/04/17	2.21%	40,085	Capital Lease	Ad valorem taxes
11/06/17	2.15%	25,170	Capital Lease	Ad valorem taxes
11/30/17	2.21%	53,043	Capital Lease	Ad valorem taxes
02/27/18	2.81%	33,648	Capital Lease	Ad valorem taxes
05/29/18	2.90%	50,000	Capital Lease	Ad valorem taxes
05/30/18	3.06%	167,679	Capital Lease	Ad valorem taxes
09/19/18	3.17%	41,370	Capital Lease	Ad valorem taxes
10/01/18	3.49%	111,702	Capital Lease	Ad valorem taxes
10/18/18	3.38%	36,737	Capital Lease	Ad valorem taxes
08/21/19	2.40%	784,797	Capital Lease	Ad valorem taxes
09/03/19	2.39%	90,000	Capital Lease	Ad valorem taxes
10/01/19	4.00%	800,000	Other Loan	Ad valorem taxes
01/13/20	2.52%	21,530	Capital Lease	Ad valorem taxes
02/04/20	1.99%	117,901	Capital Lease	Ad valorem taxes

REQUIRED SUPPLEMENTARY INFORMATION

Itawamba County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2017
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Property taxes	\$ 4,179,983	4,080,378	4,029,294	(51,084)
Licenses, commissions and other revenue	239,151	275,105	280,679	5,574
Fines and forfeitures	258,500	297,975	319,199	21,224
Intergovernmental revenues	795,500	738,002	585,837	(152,165)
Charges for services	21,750	3,710	82,826	79,116
Interest income	36,000	83,236	54,924	(28,312)
Miscellaneous revenues	106,000	176,452	74,335	(102,117)
Total Revenues	<u>5,636,884</u>	<u>5,654,858</u>	<u>5,427,094</u>	<u>(227,764)</u>
EXPENDITURES				
Current:				
General government	3,168,376	2,902,260	2,830,922	71,338
Public safety	1,509,028	1,841,219	1,952,517	(111,298)
Health and welfare	167,272	166,429	125,773	40,656
Culture and recreation	99,135	96,135	90,500	5,635
Conservation of natural resources	108,455	101,777	101,777	-0-
Economic development and assistance	151,295	151,295	151,295	-0-
Debt service:				
Principal	60,304	68,693	158,693	(90,000)
Interest	2,500	2,973	2,973	-0-
Total Expenditures	<u>5,266,365</u>	<u>5,330,781</u>	<u>5,414,450</u>	<u>(83,669)</u>
Excess of Revenues over (under) Expenditures	<u>370,519</u>	<u>324,077</u>	<u>12,644</u>	<u>(311,433)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of long-term capital debt	-0-	-0-	75,140	75,140
Proceeds from sale of capital assets	-0-	-0-	91,350	91,350
Transfers in	-0-	1,350	763	(587)
Total Other Financing Sources and Uses	<u>-0-</u>	<u>1,350</u>	<u>167,253</u>	<u>165,903</u>
Net Change in Fund Balance	370,519	325,427	179,897	(145,530)
Fund Balances - Beginning	<u>999,576</u>	<u>999,576</u>	<u>999,576</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 1,370,095</u>	<u>1,325,003</u>	<u>1,179,473</u>	<u>(145,530)</u>

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

Itawamba County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Port Fund
For the Year Ended September 30, 2017
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$ -0-	3,868,612	3,868,612	-0-
Miscellaneous revenues	512,875	384,805	384,805	-0-
Total Revenues	512,875	4,253,417	4,253,417	-0-
EXPENDITURES				
Current:				
Public works	195,099	3,970,825	3,970,825	-0-
Debt service:				
Interest	-0-	7,557	7,557	-0-
Total Expenditures	195,099	3,978,382	3,978,382	-0-
Excess of Revenues over (under) Expenditures	317,776	275,035	275,035	-0-
OTHER FINANCING SOURCES (USES)				
Transfers out	-0-	(91,259)	(91,259)	-0-
Total Other Financing Sources and Uses	-0-	(91,259)	(91,259)	-0-
Net Change in Fund Balance	317,776	183,776	183,776	-0-
Fund Balances - Beginning	203,813	203,813	203,813	-0-
Fund Balances - Ending	\$ 521,589	387,589	387,589	-0-

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

Itawamba County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Nursing Home Fund
For the Year Ended September 30, 2017
UNAUDITED

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
REVENUES				
Interest income	\$ 1,000	23,331	23,331	-0-
Miscellaneous revenues	<u>303,432</u>	<u>278,312</u>	<u>278,312</u>	<u>-0-</u>
Total Revenues	<u>304,432</u>	<u>301,643</u>	<u>301,643</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-0-	11,286	11,286	-0-
Transfers out	<u>(27,000)</u>	<u>(700,000)</u>	<u>(700,000)</u>	<u>-0-</u>
Total Other Financing Sources and Uses	<u>(27,000)</u>	<u>(688,714)</u>	<u>(688,714)</u>	<u>-0-</u>
Net Change in Fund Balance	277,432	(387,071)	(387,071)	-0-
Fund Balances - Beginning	<u>1,323,315</u>	<u>1,323,315</u>	<u>1,323,315</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 1,600,747</u>	<u>936,244</u>	<u>936,244</u>	<u>-0-</u>

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

Itawamba County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Countywide Road Maintenance Fund
For the Year Ended September 30, 2017
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Property taxes	\$ 1,065,000	1,086,917	1,090,917	4,000
Road and bridge privilege taxes	260,000	382,504	382,504	-0-
Intergovernmental revenues	312,600	1,618,411	3,841,409	2,222,998
Charges for services				-0-
Interest income	-0-	2,118	2,118	-0-
Miscellaneous revenues	-0-	319,475	15,184	(304,291)
Total Revenues	<u>1,637,600</u>	<u>3,409,425</u>	<u>5,332,132</u>	<u>1,922,707</u>
EXPENDITURES				
Current:				
Public works	1,765,000	3,385,251	5,604,216	(2,218,965)
Debt service:				
Principal	45,000	110,786	112,323	(1,537)
Interest	<u>5,000</u>	<u>8,733</u>	<u>7,266</u>	<u>1,467</u>
Total Expenditures	<u>1,815,000</u>	<u>3,504,770</u>	<u>5,723,805</u>	<u>(2,219,035)</u>
Excess of Revenues over (under) Expenditures	<u>(177,400)</u>	<u>(95,345)</u>	<u>(391,673)</u>	<u>(296,328)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-0-	-0-	34,603	34,603
Proceeds from issuance of capital debt	-0-	-0-	261,650	261,650
Transfers in	-0-	500,000	500,000	-0-
Transfers out	-0-	(3,045)	(3,619)	(574)
Total Other Financing Sources and Uses	<u>-0-</u>	<u>496,955</u>	<u>792,634</u>	<u>295,679</u>
Net Change in Fund Balance	(177,400)	401,610	400,961	(649)
Fund Balances - Beginning	<u>1,080,966</u>	<u>1,080,966</u>	<u>1,080,966</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 903,566</u>	<u>1,482,576</u>	<u>1,481,927</u>	<u>(649)</u>

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

ITAWAMBA COUNTY
SCHEDULE OF THE COUNTY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS*
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	0.053182%	0.050891%	0.050654%	0.049893%
County's proportionate share of the net pension liability	\$ 8,840,653	9,090,403	7,830,110	6,056,097
County's covered payroll	\$ 3,438,029	3,294,000	3,261,784	3,137,060
County's proportionate share of the net pension liability as a percentage of its covered payroll	257.14%	275.97%	240.06%	193.05%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

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

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

**ITAWAMBA COUNTY
SCHEDULE OF COUNTY CONTRIBUTIONS
LAST TEN FISCAL YEARS*
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 541,494	518,806	513,731	494,087
Contributions in relation to the contractually required contribution	(541,494)	(518,806)	(513,731)	(494,087)
Contribution deficiency (excess)	\$ <u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>
 County's covered payroll	 3,438,029	 3,294,000	 3,261,784	 3,137,060
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 County has only presented information for the years in which information is available.

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

ITAWAMBA COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

UNAUDITED

Budgetary Comparison Schedules

A. Budgetary Information

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

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

B. Basis of Presentation

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

C. Budget/GAAP Reconciliation

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

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
3. Other financing sources and uses related to interfund activity are recorded when paid or received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

ITAWAMBA COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

C. Budget/GAAP Reconciliation (Continued)

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

	Governmental Fund Types			
	General Fund	Port Fund	Nursing Home Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ 179,897	\$ 183,776	\$ (387,071)	\$ 400,961
Increase (Decrease)				
Net adjustments for:				
Revenue accruals	104,129	63,224	(12,045)	(84,744)
Expenditure accruals	(53,066)	300,598	-0-	(189,430)
Other financing sources and uses accruals	(90,000)	23,331	(10,986)	90,000
GAAP Basis	<u>\$ 140,960</u>	<u>\$ 570,929</u>	<u>\$ (410,102)</u>	<u>\$ 216,787</u>

Pension Schedules

A. Changes of Assumptions

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

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

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

2016

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

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%.

ITAWAMBA COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

B. Changes in benefit provisions

2016

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

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

SUPPLEMENTAL INFORMATION

ITAWAMBA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
<i>Passed through the Mississippi Department of Housing and Urban Development:</i>			
Community Development Block Grants *	14.228	1133-16-029-ED-01	\$ 457,701
Total U. S. Department of Housing and Urban Development			457,701
Appalachian Regional Commission			
Appalachian Area Development *	23.002	MS-16-18593	\$ 338,311
Total Appalachian Regional Commission			338,311
U.S. Department of Transportation - Federal Highway Administration			
<i>Passed through the Mississippi Department of Transportation:</i>			
Highway Planning and Construction	20.205	N/A	29,070
Total U.S. Department of Transportation - Federal Highway Administration			29,070
Total Expenditures of Federal Awards			\$ 825,082

* Denotes major federal program

The accompanying notes are an integral part of this schedule.

ITAWAMBA COUNTY
NOTES TO THE SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Schedule of Expenditures of Federal Awards

(1) Significant Accounting Policies

- (A) The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the County under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements/or Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, results of operations, changes in net assets or cash flows of the County.
- (B) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (C) The County did not elect to use the 10% de minimis indirect cost rate.

OTHER INFORMATION

Itawamba County
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2017

UNAUDITED

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

SPECIAL REPORTS

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

Members of the Board of Supervisors
Itawamba County, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Itawamba County, Mississippi, as of and for the year ended September 30, 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 February 14, 2020. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that includes the financial data for its component units. Additionally, our report includes a qualified opinion on Governmental Activities and the General Fund because the County did not maintain and preserve adequate subsidiary records documenting the valuation of Justice Court fines receivable, net.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2017-001 through 2017-009 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2017-010 to be a significant deficiency.

Compliance and Other Matters

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

However, we noted certain matters which we have reported to the management of Itawamba County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated February 14, 2020, included within this document.

Itawamba County's Responses to Findings

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

Purpose of the Report

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

A handwritten signature in cursive script that reads "J. E. Vance & Company". The signature is written in dark ink and is positioned above the printed address.

Tupelo, Mississippi
February 14, 2020

J. E. VANCE & COMPANY, P.A.
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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board of Supervisors
Itawamba County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Itawamba County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Tupelo, MS
February 14, 2020

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Limited Internal Control and Compliance Review Management Report

Members of the Board of Supervisors
Itawamba County, Mississippi

In planning and performing our audit of the financial statements of Itawamba County, Mississippi for the year ended September 30, 2017, we considered Itawamba County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Itawamba County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated February 14, 2020, on the financial statements of Itawamba County, Mississippi.

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

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below

Board of Supervisors

County Administrator

1. The county signed warrants without sufficient funds available.

Repeat Finding Yes

Criteria Section 19-13-43, Miss. Code Ann. (1972) states that "No warrant shall be signed, removed from the warrant book, nor delivered by the clerk until there is sufficient money in the fund upon which it is drawn to pay the same and all prior unpaid warrants drawn upon that fund, whether delivered or not".

Condition As reported in prior years, warrants were issued on funds that did not have sufficient cash and/or fund balances to pay the warrants.

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

Effect At various times during the year, the following funds had negative cash balances:

- General Fund
- Tremont Fire District Fund
- Tilden-New Salem Fire District Fund
- Port Fund
- GO Road and Bridge Bonds 2011 Debt Service Fund
- Solid Waste Enforcement Fund

Also, at fiscal year end, the following funds had deficit fund balances:

- Townhouse Building Fund
- Homeland Security Fund

Recommendation We recommend that the County Administrator adopt procedures to ensure no warrants are signed or delivered until there is sufficient money and/or fund balance in the fund upon which it is drawn to pay the same, as required by law.

View of Responsible

Official(s) The County had sufficient overall funds to cover warrants, but in many cases the timing of transfers resulted in a temporary negative balance. We will continue to monitor and improve this issue.

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

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



Tupelo, Mississippi
February 14, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**ITAWAMBA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Section 1: Summary of Auditor's Results

Financial Statements:

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

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

2. Internal control over financial reporting:

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

3. Noncompliance material to the financial statements noted? No

Federal Awards:

4. Internal control over major programs:

- | | |
|--|---------------|
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None Reported |

5. Type of auditor's report issued on compliance for major federal programs: Unmodified

6. Any audit findings(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

7. Identification of major federal programs:

- (a). CFDA #14.228, Community Development Block Grants
(b). CFDA #23.002, Appalachian Area Development

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? No

**ITAWAMBA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2017-001 Financial data for component units should be included in the County's financial statements.

Repeat Finding Yes.

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

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

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

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

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

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

Material Weakness

2017-002 Segregation of duties over County accounting functions should be strengthened.

Repeat Finding Yes.

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

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

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

**ITAWAMBA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Section 2: Financial Statement Findings (Continued)

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

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

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

Material Weakness

2017-003 Internal controls over the receiving process should be strengthened.

Repeat Finding No.

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

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

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

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

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

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

Response I will review with Receiving Clerk.

**ITAWAMBA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Section 2: Financial Statement Findings (Continued)

Material Weakness

2017-004 Controls over cash receipts in the Bookkeeper's Office should be strengthened and monies should be deposited timely.

Repeat Finding No.

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

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

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

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

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

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

Response I will make deposits in a more timely fashion.

Material Weakness

Chancery Clerk.

2017-005 Internal controls over bank deposits should be strengthened.

Repeat Finding No.

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

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

**ITAWAMBA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Section 2: Financial Statement Findings (Continued)

Cause The Chancery Clerk failed to make timely deposits.

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

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

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

Material Weakness

Circuit Clerk.

2017-006 Segregation of duties in the Circuit Clerk's Office should be strengthened.

Repeat Finding Yes.

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

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

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

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

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

Response We will try to correct this.

Material Weakness

2017-007 Internal controls over bank deposits should be strengthened.

Repeat Finding No.

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

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

**ITAWAMBA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Section 2: Financial Statement Findings (Continued)

Cause The Circuit Clerk failed to make timely deposits.

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

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

Response We will try to make more timely deposits.

Material Weakness

Tax Collector.

2017-008 Internal Controls over collections should be strengthened.

Repeat Finding No.

Criteria Internal controls over collections should be strengthened.

Condition As a result of procedures performed, and inquiry of the Deputy Clerk, we noted that the daily collections for individual drawers could not be verified by cash and type of collections. This is due to clerks changing the type of payment accepted without changing the receipt to the correct type of payment. When taxpayers originally state their payment type/method (cash, check, credit card), a receipt is started. At the time of actual collection of funds, some taxpayers change their method of payment to a different payment type such as: from cash to check or from credit card to cash. The receipt marked with the original payment type/method is not voided and changed to final payment type.

Cause The Tax Collector did not implement adequate controls over the collections process.

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

Recommendation The Tax Collector should ensure that adequate controls are implemented over the collection process.

Response We will work on correcting this.

Justice Court.

Material Weakness

2017-009 Internal Controls over fines receivable in the Justice Court Clerk's office should be strengthened.

Repeat Finding Yes.

**ITAWAMBA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Section 2: Financial Statement Findings (Continued)

Criteria:	Effective internal controls over Justice Court fines receivable should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance and should ensure that fines receivable is properly aged in order to estimate the collectability of these fines receivable and includes only fines due the county.
Condition	As reported in prior years, based on audit procedures performed, management did not maintain and preserve adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court fines and the aging of fines receivable at September 30, 2017.
Cause	Internal controls over Justice Court fines receivable were not effective in ensuring the preparation and retention of a detailed aged fines receivable schedule at September 30, 2017.
Effect	Failure of internal controls over aging of Justice Court fines receivable could cause misstatements in the financial statements. Therefore, the Independent Auditor's Report includes a qualified opinion on the General Fund because we were not able to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.
Recommendation	The Justice Court Clerk should ensure that internal control procedures are in place to allow for the preparation and preservation of a detailed aged fines receivable schedule so that fines receivable due to the County can be properly reported in the financial statements.
Response	We have transitioned to a software program that should be better equipped to handle our reporting requirements.

Sheriff.

Significant Deficiency

2017-010	<u>Segregation of duties in the Sheriff's office should be strengthened.</u>
Criteria:	Effective internal controls should include adequate segregation of duties. Segregation of duties is the separation of the authority, custody, and accounting of an operation so that one individual cannot complete a transaction from start to finish.
Condition:	As reported in prior years, collection, disbursement, recording and reconciliation functions are not adequately segregated in the Sheriff's office. The bookkeeper receipts collections, posts to the cash journal, makes bank deposits, reconciles the bank statements, disburses all funds, and makes the monthly settlements.
Cause	The Sheriff's office has not implemented adequate segregation of duties or compensating internal controls to mitigate risk of one individual performing so that there is separation of the authority, custody, and accounting of operations.
Effect	Segregation of duties helps prevent fraud, waste, and abuse in the internal control system including the risk of management override of existing internal controls.

**ITAWAMBA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Section 2: Financial Statement Findings (Continued)

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

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

Section 3: Federal Award Findings and Questioned Costs

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