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CLAIBORNE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2014

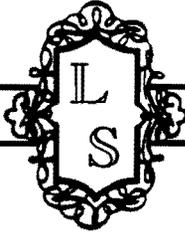
CLAIBORNE COUNTY

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CLAIBORNE COUNTY

FINANCIAL SECTION



LYLES AND SINCLAIR

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CERTIFIED PUBLIC ACCOUNTANTS

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MARY LYLES, CPA, MPA

INDEPENDENT AUDITOR'S REPORT

TRACEY SINCLAIR, CPA

Members of the Board of Supervisors
Claiborne County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, the debt service fund and the aggregate remaining fund information of Claiborne County, Mississippi, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Business-type Activities

The financial statements do not include financial data for the Claiborne County Medical Center, the County's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported as a major enterprise fund and financial information about the component unit to be part of the business-type activities, thus increasing that activity's assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses, and changes in net position. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses of the business-type activities and the omitted major fund 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

MEMBER:

American Institute of CPA's and Mississippi Society of CPA's

Business-type Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the Claiborne County Medical Center of Claiborne County, Mississippi, as of September 30, 2014, or the changes in financial position or cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, because of the omission of the Claiborne County Medical Center, as described above, the financial statements referred to above do not present fairly the financial position of the business-type activities of Claiborne County, Mississippi, as of September 30, 2014, or the changes in financial position, thereof for the year then ended in conformity 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 governmental activities, the general fund, the debt service fund and the aggregate remaining fund information for Claiborne County, Mississippi, as of September 30, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes 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.

Claiborne 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 government 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 Claiborne County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste have 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2015, on our consideration of Claiborne County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Claiborne County, Mississippi's internal control over financial reporting and compliance.


Lyles and Sinclair, PLLC

August 12, 2015

CLAIBORNE COUNTY

FINANCIAL STATEMENTS

CLAIBORNE COUNTY
Statement of Net Position
September 30, 2014

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 2,095,875
Accrued interest receivable	25
Property tax receivable	2,699,278
Accounts receivable (net of allowance for uncollectibles of \$336,870)	106,380
Fines receivable (net of allowance for uncollectibles of \$318,654)	722,767
Loans receivable	1,545,411
Intergovernmental receivables	456,529
Other receivables, net	272,825
Capital assets:	
Land and construction in progress	1,103,049
Other capital assets, net	11,648,890
Total Assets	<u>20,651,029</u>
LIABILITIES	
Claims payable	442,205
Retainage payable	60,244
Intergovernmental payables	58,438
Accrued interest payable	77,085
Amounts held in custody for others	15,236
Other payables	17,251
Long-term liabilities	
Due within one year:	
Capital debt	674,833
Non-capital debt	719,641
Due in more than one year:	
Capital debt	6,942,346
Non-capital debt	2,593,110
Total Liabilities	<u>11,600,389</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax for future reporting period	2,699,278
Total deferred inflows of resources	<u>2,699,278</u>
NET POSITION	
Net investment in capital assets	5,134,760
Restricted for:	
Expendable:	
Public safety	277,648
Public works	257,125
Culture and recreation	4,038
Economic development	790,072
Unrestricted	(112,281)
Total Net Position	<u>\$ 6,351,362</u>

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

CLAIBORNE COUNTY
Statement of Activities
For the Year Ended September 30, 2014

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
Primary government:					
Governmental activities:					
General government	\$ 5,324,481	820,873	13,184	78,447	(4,411,977)
Public safety	1,467,833	112,215	343,952	716,660	(295,006)
Public works	1,867,727	1,671	551,005	106,464	(1,208,587)
Health and welfare	1,106,959		963,648		(143,311)
Culture and recreation	49,834		23,085	115,859	89,110
Conservation of natural resources	48,244				(48,244)
Economic development and assistance	108,814			115	(108,699)
Interest on long-term debt	536,171				(536,171)
Total Governmental Activities	<u>10,510,063</u>	<u>934,759</u>	<u>1,894,874</u>	<u>1,017,545</u>	<u>(6,662,885)</u>
General revenues:					
Property taxes				\$	3,852,282
Road & bridge privilege taxes					109,889
Grants and contributions not restricted to specific programs					4,875,077
Unrestricted interest income					5,716
Miscellaneous					<u>189,942</u>
Total General Revenues					<u>9,032,906</u>
Changes in Net Position					<u>2,370,021</u>
Net Position - Beginning, as previously reported					3,662,645
Prior period adjustment					<u>318,696</u>
Net Position - Beginning, as restated					<u>3,981,341</u>
Net Position - Ending				\$	<u>6,351,362</u>

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

CLAIBORNE COUNTY
Balance Sheet - Governmental Funds
September 30, 2014

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Debt Service Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 1,526,904	6,255	562,716	2,095,875
Accrued interest receivable	12		13	25
Property tax receivable	1,086,106	1,154,913	458,259	2,699,278
Accounts receivable (net of allowance for uncollectibles of \$336,870)			106,380	106,380
Fines receivable (net of allowance for uncollectibles of \$318,654)	722,767			722,767
Loans receivable	755,411		790,000	1,545,411
Intergovernmental receivables	372,797		66,368	439,165
Other receivable (net of allowance for uncollectibles of \$869,000)	8,671		264,154	272,825
Due from other funds		18,520	16,378	34,898
Advances to other funds	1,406,790	13,543	74,278	1,494,611
Total Assets	\$ 5,879,458	1,193,231	2,338,546	9,411,235
LIABILITIES				
Liabilities:				
Claims payable	\$ 326,435		115,770	442,205
Retainage payable	60,244			60,244
Intergovernmental payables	56,158			56,158
Due to other funds	37,178			37,178
Advances from other funds	42,267	100,000	1,334,980	1,477,247
Amounts held in custody for others	15,236			15,236
Other payables	17,251			17,251
Total Liabilities	\$ 554,769	100,000	1,450,750	2,105,519
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	1,086,106	1,154,913	458,259	2,699,278
Unavailable revenue - accounts receivable			106,380	106,380
Unavailable revenue - fines	722,767			722,767
Total deferred inflows of resources	\$ 1,808,873	1,154,913	564,639	3,528,425
Fund balances:				
Nonspendable:				
Advances	1,406,790			1,406,790
Loans receivable	755,411			755,411
Restricted for:				
Public safety			277,648	277,648
Public works			74,278	74,278
Culture and recreation			4,038	4,038
Economic development and assistance			790,072	790,072
Unassigned	1,353,615	(61,682)	(822,879)	469,054
Total Fund Balances	\$ 3,515,816	(61,682)	323,157	3,777,291
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,879,458	1,193,231	2,338,546	9,411,235

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

CLAIBORNE COUNTY

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2014

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,777,291
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 \$9,302,067.	12,751,939
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	829,147
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(10,929,930)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(77,085)
Total Net Position - Governmental Activities	\$ <u>6,351,362</u>

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

CLAIBORNE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2014

	Major Funds			Total Governmental Funds
	General Fund	Debt Service Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 1,797,159	1,414,209	640,914	3,852,282
Road and bridge privilege taxes			109,889	109,889
Licenses, commissions and other revenue	101,674		3,772	105,446
Fines and forfeitures	184,575			184,575
Intergovernmental revenues	5,935,503	200,000	1,651,993	7,787,496
Charges for services	9,626		104,445	114,071
Interest income	5,716			5,716
Miscellaneous revenues	103,476		86,466	189,942
Total Revenues	<u>8,137,729</u>	<u>1,614,209</u>	<u>2,597,479</u>	<u>12,349,417</u>
EXPENDITURES				
Current:				
General government	5,230,353			5,230,353
Public safety	2,410,080		161,487	2,571,567
Public works			1,502,318	1,502,318
Health and welfare	169,026		935,962	1,104,988
Culture and recreation	179,900		6,652	186,552
Conservation of natural resources	48,244			48,244
Economic development and assistance	1,500		106,921	108,421
Debt service:				
Principal	5,726	1,138,781	162,642	1,307,149
Interest	4,387	524,146	11,821	540,354
Total Expenditures	<u>8,049,216</u>	<u>1,662,927</u>	<u>2,887,803</u>	<u>12,599,946</u>
Excess of Revenues over (under) Expenditures	<u>88,513</u>	<u>(48,718)</u>	<u>(290,324)</u>	<u>(250,529)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	250,000			250,000
Proceeds from sale of capital assets	1,560		200,000	201,560
Compensation for loss of capital assets	5,313		13,340	18,653
Transfers in	100		1,643	1,743
Transfers out	(1,643)		(100)	(1,743)
Total Other Financing Sources and Uses	<u>255,330</u>	<u>0</u>	<u>214,883</u>	<u>470,213</u>
Net Changes in Fund Balances	<u>343,843</u>	<u>(48,718)</u>	<u>(75,441)</u>	<u>219,684</u>
Fund Balances - Beginning	<u>3,171,973</u>	<u>(12,964)</u>	<u>398,598</u>	<u>3,557,607</u>
Fund Balances - Ending	\$ <u>3,515,816</u>	<u>(61,682)</u>	<u>323,157</u>	<u>3,777,291</u>

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

CLAIBORNE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2014

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 219,684
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,581,710 exceeded depreciation of \$750,564 in the current period.	831,146
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$38,553 and the proceeds from the sale of \$201,560 in the current period.	(240,113)
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.	531,195
Solid waste 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.	(528)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$1,307,149 exceeded debt proceeds of \$250,000.	1,057,149
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:	
The amount of decrease in accrued interest payable	4,183
The amount of increase in compensated absences	(32,695)
Change in Net Position of Governmental Activities	\$ <u>2,370,021</u>

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

CLAIBORNE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2014

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	185,278
Due from other funds	2,280
Advances to other funds	35
Total Assets	<u>187,593</u>
LIABILITIES	
Amounts held in custody for others	8,599
Intergovernmental payables	161,595
Advances from other funds	17,399
Total Liabilities	<u>187,593</u>

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

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Claiborne 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 Claiborne 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 unit which has a significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- Claiborne County Medical Center

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

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

B. Individual Component Unit Disclosures.

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 Claiborne County Port Commission component unit's balances and transactions are blended with the balances and transactions of the primary government. As indicated above, the Claiborne County Medical Center component unit's balances and transactions are not presented.

C. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

CLAIBORNE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

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

The County reports the following major Governmental Funds:

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

Debt Service Fund - This fund is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

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.

FIDUCIARY FUND TYPES

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

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.

I. 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 governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets 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

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

elect not to report major general infrastructure assets retroactively. Claiborne County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

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

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

J. Deferred Inflows of Resources.

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. There are three types of deferred inflows and they are:

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.

Unavailable revenue – accounts receivable – 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.

K. Long-term Liabilities.

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

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

L. Equity Classifications.

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

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

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

Fund Balance Flow Assumption:

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

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

M. Property Tax Revenues.

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

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

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

N. Intergovernmental Revenues in Governmental Funds.

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

O. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee 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. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

P. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. The provisions of these standards have been incorporated into the financial statements and notes.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustment is as follows:

Exhibit 2 - Statement of Activities.

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Explanation	Amount
To correct capital assets, net	\$ 349,675
Prior year unamortized bond issuance costs resulting from accounting change	(30,979)
Total prior period adjustments	<u>\$ 318,696</u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$2,281,153 and the bank balance was \$2,603,569. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General	\$ 18,520
Other Governmental Funds	General	16,378
Agency Funds	General	2,280
Total		<u>\$ 37,178</u>

The receivables represent the tax revenue collected in September 2014 but not settled until October, 2014. 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	Debt Service Fund	\$ 100,000
General	Other Governmental Funds	1,289,426
General	Agency Funds	17,364
Debt Service Fund	Other Governmental Funds	13,543
Other Governmental Funds	General	42,267
Other Governmental Funds	Other Governmental Funds	32,011

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Agency Funds	Agency Funds	35
Total		\$ <u>1,494,646</u>

The amounts payable to the General Fund represent loans for the repayment of debt and a posting error. The other amounts payable represent an error in posting.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 100
Other Governmental Funds	General Fund	1,643
Total		\$ <u>1,743</u>

The principal purpose of interfund transfers was to move funds designated to pay for grant expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2014, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 43,998
State Aid	46,106
Wildlife, fisheries, and parks	100,000
Highway planning and construction	10,761
MS development authority	45,113
MS emergency management	163,304
Other	29,883
Total Governmental Activities	\$ <u>439,165</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2014, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Hospital loan	07-06-01	0.0%	N/A	\$ 60,000
Hospital loan	07-11-01	0.0%	N/A	65,000
Port Gibson Apartments, LLC	03-13-01	Various	09-50	410,000
Pattison Apartment Homes, LLC	07-02-03	1%	07-53	380,000
Hospital loan	03-09-04	0.0%	N/A	76,666
Hospital loan	08-12-12	0.0%	N/A	10,000

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Hospital loan	08-29-12	0.0%	N/A	23,745
Hospital loan	09-14-12	0.0%	N/A	150,000
Hospital loan	09-28-12	0.0%	N/A	155,000
Hospital loan	10-01-12	0.0%	N/A	45,000
Hospital loan	10-12-12	0.0%	N/A	145,000
Hospital loan	11-27-12	0.0%	N/A	150,000
Sub-total				<u>1,670,411</u>
Less: Allowance for doubtful accounts				125,000
Total				<u><u>1,545,411</u></u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2014:

Governmental activities:

	<u>Balance</u> <u>Oct. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments*</u>	<u>Balance</u> <u>Sept. 30, 2014</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,033,871			(4,315)	1,029,556
Construction in progress	<u>333,528</u>	<u>1,333,618</u>		<u>(1,593,653)</u>	<u>73,493</u>
Total non-depreciable capital assets	<u>1,367,399</u>	<u>1,333,618</u>	<u>0</u>	<u>(1,597,968)</u>	<u>1,103,049</u>
<u>Depreciable capital assets:</u>					
Infrastructure	4,943,670				4,943,670
Buildings	7,310,989			2,056,035	9,367,024
Improvements other than buildings	1,615,033	146,753			1,761,786
Mobile equipment	3,750,088	85,312	122,931	48,663	3,761,132
Furniture and equipment	783,783	16,027	10,697	35,895	825,008
Leased property under capital leases	<u>567,891</u>		<u>275,554</u>		<u>292,337</u>
Total depreciable capital assets	<u>18,971,454</u>	<u>248,092</u>	<u>409,182</u>	<u>2,140,593</u>	<u>20,950,957</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	840,504	98,878			939,382
Buildings	3,505,546	173,501		398,893	4,077,940
Improvements other than buildings	475,750	70,475			546,225
Mobile equipment	2,859,862	254,912	60,238	(164,585)	2,889,951
Furniture and equipment	770,039	50,564	9,627	(67,671)	743,305
Leased property under capital leases	<u>75,921</u>	<u>102,234</u>	<u>99,204</u>	<u>26,313</u>	<u>105,264</u>
Total accumulated					

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Depreciation	<u>8,527,622</u>	<u>750,564</u>	<u>169,069</u>	<u>192,950</u>	<u>9,302,067</u>
Total depreciable capital assets, net	<u>10,443,832</u>	<u>(502,472)</u>	<u>240,113</u>	<u>1,947,643</u>	<u>11,648,890</u>
Governmental activities capital assets, net	\$ <u>11,811,231</u>	<u>831,146</u>	<u>240,113</u>	<u>349,675</u>	<u>12,751,939</u>

*These adjustments are to correct asset balances and for completed construction in progress.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 132,477
Public safety	215,763
Health and welfare	1,971
Public works	359,955
Culture and recreation	36,214
Economic development	<u>4,184</u>
Total governmental activities depreciation expense	<u>\$ 750,564</u>

(8) Other Commitments.

Claiborne County participates in an interlocal agreement pertaining to a Multi-Jurisdictional Narcotics Enforcement Unit formed collectively with Claiborne, Grenada, Holmes, Humphreys, Jefferson, Leflore, and Jefferson Davis Counties and the City of Collins known as the North Central Narcotics Task Force. The task force was established to provide more widespread apprehension and prosecution of violators. The county appropriated \$12,000 for its support in fiscal year 2014.

(9) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2014, to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(10) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Classes of Property	Governmental Activities
Mobile equipment	\$ 292,337
Total	292,337
Less: Accumulated depreciation	105,264
Leased Property Under Capital Leases	\$ 187,073

The following is a schedule by years of the total payments due as of September 30, 2014:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2015	\$ 166,918	7,544
2016	171,324	3,139
2017	18,475	117
Total	\$ 356,717	10,800

(11) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2014:

Description of Debt	Balance Oct. 1, 2013	Additions	Reductions	Adjustments	Balance Sept. 30, 2014
Tax anticipation note	\$ 0	700,000	700,000		0
Total	\$ 0	700,000	700,000	0	0

During the month of December, 2013, the County issued \$800,000 of tax anticipation notes in the form of a line of credit with an interest rate was 3.00% and a maturity date of March 31, 2014, in order to alleviate a temporary operating cash flow deficiency. The County only received \$700,000 of this amount during the fiscal year.

(12) Long-term Debt.

Debt outstanding as of September 30, 2014, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
A. General Obligation Bonds:			
General obligation bonds-2005	\$ 2,920,000	3.875/4.25%	10-25
General obligation bonds-2011	1,204,609	5.00%	03-16

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Total General Obligation Bonds	\$ 4,124,609		
B. Limited Obligation Bonds:			
Special obligation bonds-series 2007A	\$ 3,320,000	4.5%	07-32
Special obligation bonds-series 2007B	2,550,000	5.65/5.90%	07-24
Total Limited Obligation Bonds	\$ 5,870,000		
C. Capital Leases:			
Trucks	\$ 160,126	3.56%	12-16
Tractors	196,591	1.75%	09-16
Total Capital Leases	\$ 356,717		
D. Other Loans:			
Water pollution control revolving loan	\$ 130,705	1.75%	03-33
Energy efficiency loan	250,000	1.25%	06-24
Total Other Loans	\$ 380,705		

Pledge of Future Revenues – The County has pledged future homestead exemption annual tax loss reimbursements to repay a \$136,431 loan from the Mississippi Department of Environmental Quality’s Water Pollution Control Revolving Loan Program issued in 2013. Proceeds from the loan provided financing for Hermanville wastewater improvements. The loan is payable through 2033. Annual principal and interest payments on the loan are expected to require less than 50 percent of the homestead exemption reimbursements. The total principal and interest remaining to be paid on the loan is \$153,656. Principal and interest paid for the current year and total homestead exemption annual tax loss reimbursements were \$8,305 and \$94,562, respectively.

In addition, the County has pledged future homestead exemption annual tax loss reimbursements to repay a \$250,000 loan from the Mississippi Development Authority’s Energy Investment Program issued in 2014. Proceeds from the loans provided financing for energy conservation measures for the Claiborne County Emergency Operations Center. The loan is payable through 2024. Annual principal and interest payments on the loan are expected to require less than 50 percent of the homestead exemption reimbursements. The total principal and interest remaining to be paid on the loan is \$267,508. No principal and interest payments were required for this fiscal year.

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

2015	\$	1,002,894	156,293	195,000	298,300
2016		631,715	110,919	205,000	287,283
2017		230,000	95,945	220,000	275,700
2018		240,000	86,545	230,000	263,270
2019		250,000	76,745	245,000	249,700
2020 – 2024		1,440,000	219,118	1,455,000	1,013,975
2025 – 2029		330,000	6,765	1,940,000	580,275
2030 – 2032				1,380,000	126,000
Total	\$	<u>4,124,609</u>	<u>752,330</u>	<u>5,870,000</u>	<u>3,094,503</u>

Year Ending September 30	Other Loans	
	Principal	Interest
2015	29,662	5,394
2016	30,064	4,993
2017	30,471	4,585
2018	30,885	4,172
2019	31,303	3,753
2020 – 2024	163,004	12,279
2025 – 2029	37,241	4,288
2030 – 2033	28,075	995
Total	<u>380,705</u>	<u>40,459</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2014, the amount of outstanding debt was equal to 5.7% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

	Balance Oct. 1, 2013	Additions	Reductions	Adjustments	Balance Sept. 30, 2014	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 165,204	44,727	12,032		197,899	
General obligation bonds	5,078,390		953,781		4,124,609	1,002,894
Special obligation bonds	6,055,000		185,000		5,870,000	195,000
Capital leases	519,359		162,642		356,717	166,918
Other loans	136,431	250,000	5,726		380,705	29,662
Total	\$ <u>11,954,384</u>	<u>294,727</u>	<u>1,319,181</u>	<u>0</u>	<u>10,929,930</u>	<u>1,394,474</u>

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Compensated absences will be paid from the funds from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, and Solid Waste.

(13) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2014:

Fund	Deficit Amount
Garbage and Solid Waste	\$ 107,731
Road Fund	849,649
Debt Service Fund	61,682

These deficit balances are mainly the result of loans from the General Fund for the repayment of debt.

(14) Contingencies.

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

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

(15) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the County's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2014
Industrial revenue bonds and notes	\$ 8,845,000

(16) Joint Ventures.

The County participates in the following joint venture:

The Claiborne County Board of Supervisors is a participant with the City of Port Gibson in a joint venture, authorized by Mississippi's non-profit corporate statutes, to operate the Harriette Person Memorial Library. The joint venture is governed by a nine-member board of trustees. By contractual agreement, the county's appropriation to the joint venture was \$47,250 in fiscal year 2014. Complete financial statements for the Harriette Person Memorial Library can be obtained from P. O. Box 1017, Port Gibson, Mississippi 39150.

(17) Jointly Governed Organizations.

CLAIBORNE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

The County participates in the following jointly governed organizations:

Hinds Community College operates in a district composed of the Counties of Claiborne, Copiah, Hinds, Rankin and Warren. The Claiborne County Board of Supervisors appoints one of the 15 members of the college board of trustees. The county appropriated \$175,260 for maintenance and support of the college in fiscal year 2014.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Claiborne County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$18,162 for its support in fiscal year 2014.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Claiborne County Board of Supervisors appoints four of the 40 members of the board of directors. The county appropriated \$7,200 for its support in fiscal year 2014.

Southwest Mississippi Development Corporation operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the county's Board of Supervisors. The member counties provide only modest financial support for the entity.

(18) Defined Benefit Pension Plan.

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

Funding Policy. At September 30, 2014, 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 rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members 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, 2014, 2013 and 2012 were \$502,851, \$453,553, and \$398,666 respectively, equal to the required contributions for each year.

(19) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Claiborne County evaluated the activity of the county through August 12, 2015, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring adjustment to or disclosure in the notes to the financial statements.

(20) Pollution Remediation Obligations.

The County has identified specific County-owned properties where it is either known or reasonably believed that the site contains certain pollutants. The site has been reported to a State regulatory agency as having a current or

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

reportable incident, thus voluntarily obligating the County for certain remediation activities. In addition, the County entered into an administrative agreement with a State agency to voluntarily assess the site. The related liability cannot be estimated at this time. Obligations pertain to soil or groundwater contamination, primarily from storage of underground fuel tanks at the site.

County staff has voluntarily worked with appropriate State regulators to assess the environmental impact and the state will be monitoring the site quarterly. Should further activities become necessary cost estimates would then be developed.

In addition, the County estimates that any cost associated with this process will be recovered from grant funds; therefore, potentially reducing any pollution liabilities to the County since this project is a part of the Port Connector Road project.

CLAIBORNE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CLAIBORNE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,768,082	1,804,358	1,804,358	0
Road and bridge privilege taxes	15,600	0	0	0
Licenses, commissions and other revenue	165,600	244,702	244,702	0
Fines and forfeitures	25,000	89,956	71,806	(18,150)
Intergovernmental revenues	8,494,816	10,426,058	10,426,058	0
Charges for services	12,000	9,370	9,370	0
Interest income	1,500	5,617	5,617	0
Miscellaneous revenues	51,250	93,923	93,923	0
Total Revenues	<u>10,533,848</u>	<u>12,673,984</u>	<u>12,655,834</u>	<u>(18,150)</u>
EXPENDITURES				
Current:				
General government	6,729,575	8,463,754	8,464,164	(410)
Public safety	2,329,206	2,422,555	2,422,116	439
Health and welfare	924,451	667,155	667,155	0
Culture and recreation	256,741	256,077	256,077	0
Conservation of natural resources	52,551	48,689	48,689	0
Economic development and assistance	1,500	1,500	1,500	0
Total Expenditures	<u>10,294,024</u>	<u>11,859,730</u>	<u>11,859,701</u>	<u>29</u>
Excess of Revenues over (under) Expenditures	<u>239,824</u>	<u>814,254</u>	<u>796,133</u>	<u>(18,121)</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		5,313	5,313	0
Transfers in		203,529	(203,529)	(407,058)
Total Other Financing Sources and Uses	<u>0</u>	<u>208,842</u>	<u>(198,216)</u>	<u>(407,058)</u>
Net Change in Fund Balance	239,824	1,023,096	597,917	(425,179)
Fund Balances - Beginning	<u>387,252</u>	<u>3,847,068</u>	<u>1,329,563</u>	<u>(2,517,505)</u>
Fund Balances - Ending	\$ <u>627,076</u>	<u>4,870,164</u>	<u>1,927,480</u>	<u>(2,942,684)</u>

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

CLAIBORNE COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2014

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

The following schedule reconciles the budgetary basis schedule to the GAAP basis financial statements for the General Fund:

		<u>Governmental Fund Types</u>
		<u>General Fund</u>
Budget (Cash Basis)	\$	597,917
Increase (Decrease)		
Net adjustments for revenue accruals		(223,651)
Net adjustments for expenditure accruals		(30,423)
		<hr/>
GAAP Basis	\$	<u>343,843</u>

CLAIBORNE COUNTY

SUPPLEMENTAL INFORMATION

CLAIBORNE COUNTY

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U. S. Department of Housing and Urban Development Community Development Block Grants/State's Program	14.228	1130-13-011-PF-01	\$ 73,493
U. S. Department of Justice Passed through the MS Department of Public Safety Crime Victim Assistance/Discretionary Grants	16.582	12VA1111	26,111
Crime Victim Assistance/Discretionary Grants	16.582	13VA1111	7,810
Total passed through the MS Department of Public Safety			<u>33,921</u>
U. S. Department of Transportation - Federal Highway Administration Passed through the MS Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	TCSP-0011-00(014)	56,463
Highway Planning and Construction	20.205	BR NBIS 079 B(10)	17,310
Recreational Trails Program	20.219		100,000
			<u>173,773</u>
U. S. Department of Transportation - Pipeline & Hazardous Materials Safety Administration Passed through the MS Emergency Management Agency Interagency Hazardous Materials Public Sector Training & Planning Grant	20.703		11,897
Total U. S. Department of Transportation			<u>185,670</u>
Direct Program U.S. Department of Health & Human Services Consolidated Health Centers (Note B)*	93.224	H80CS00482	<u>935,962</u>
U. S. Department of Homeland Security Passed through the MS Emergency Management Agency Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		99,110
Emergency Management Performance Grants	97.042	13EMPG	30,434
Total passed through the MS Emergency Management Agency			<u>129,544</u>
Passed through the MS Department of Public Safety Hazard Mitigation Grant Program*	97.039	10EC011	687,060
Total passed through the MS Dept of Public Safety			<u>687,060</u>
Direct Program Assistance to Firefighters Grant Program	97.044		38,000
Total U. S. Department of Homeland Security			<u>854,604</u>
Total Expenditures of Federal Awards			\$ <u>2,083,650</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

Note B - Consolidated Health Centers

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$935,962 to subrecipients during the year ended September 30, 2014.

* Denotes major federal award program.

CLAIBORNE COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2014

Operating Expenditures, Cash Basis:

Salaries	\$	180,219
Expendable Commodities:		
Gasoline and petroleum products		6,149
Repair parts		49,556
Contractual services		76,250
Supplies		5,744
Solid Waste Cash Basis Operating Expenditures		317,918
Full Cost Expenses:		
Indirect administrative costs		300
Depreciation on equipment		67,768
Net effect of other accrued expenses		12,517
		<hr/>
Solid Waste Full Cost Operating Expenses	\$	<u>398,503</u>

CLAIBORNE COUNTY

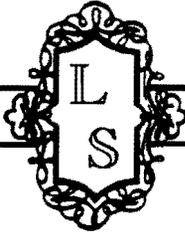
OTHER INFORMATION

CLAIBORNE COUNTY
 Schedule of Surety Bonds for County Officials
 For the Year Ended September 30, 2012

Name	Position	Company	Bond
Allen Burks	Supervisor District 1	Western Surety Company	\$100,000
Charlie Norrell, Sr.	Supervisor District 2	Western Surety Company	\$100,000
Eddwin Smith	Supervisor District 3	Western Surety Company	\$100,000
Ronald Shoulders	Supervisor District 4	Western Surety Company	\$100,000
Daniel Porter	Supervisor District 5	Western Surety Company	\$100,000
Brenda Buck	County Administrator	Western Surety Company	\$100,000
Gloria Dotson	Chancery Clerk	Western Surety Company	\$100,000
Avis King	Purchase Clerk	Western Surety Company	\$75,000
Henry Johnson	Receiving Clerk	Western Surety Company	\$75,000
Clora O'Quinn	Assistant Receiving Clerk	Western Surety Company	\$50,000
Gloria Dotson	Inventory Control Clerk	Western Surety Company	\$75,000
George White	Interim Road Manager	Western Surety Company	\$50,000
Edward Goods	Constable	Western Surety Company	\$50,000
Roosevelt Dotson	Constable	Western Surety Company	\$50,000
Sammie Good	Circuit Clerk	Western Surety Company	\$100,000
Marvin Lucas	Sheriff	Western Surety Company	\$100,000
Sheriff's Deputies, each	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety Company	\$50,000
Jimmy Ellis	Justice Court Judge	Western Surety Company	\$50,000
Daniel Lucas	Justice Court Judge	Western Surety Company	\$50,000
Mary Curry	Justice Court Clerk	Western Surety Company	\$50,000
Viola Moore	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Armertrice Ward	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Diane T. Davaul	Tax Collector-Assessor	Western Surety Company	\$100,000

CLAIBORNE COUNTY

SPECIAL REPORTS



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MARY LYLES, CPA, MPA

TRACEY SINCLAIR, CPA

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
Claiborne County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, the debt service fund and the aggregate remaining fund information of Claiborne County, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 12, 2015. Our report includes an adverse opinion on the business-type activities and major enterprise fund due to the omission of the blended component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

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

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 2014-001 and 2014-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2014-003, 2014-004, and 2014-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Claiborne County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts

and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

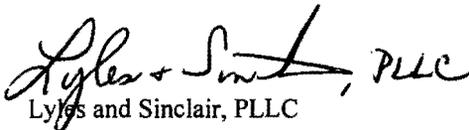
However, we noted certain matters that we reported to the management of Claiborne County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated August 12, 2015, included within this document.

Claiborne County's Responses to Findings

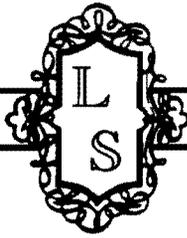
Claiborne County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Claiborne County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no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

Purpose of this Report

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


Lyles and Sinclair, PLLC

August 12, 2015



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MARY LYLES, CPA, MPA

TRACEY SINCLAIR, CPA

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

Members of the Board of Supervisors
Claiborne County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Claiborne County, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014. Claiborne County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Claiborne County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of Claiborne County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Claiborne County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

MEMBER:

American Institute of CPA's and Mississippi Society of CPA's

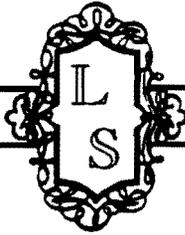
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.


Lyles and Sinclair, PLLC

August 12, 2015



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

Members of the Board of Supervisors
Claiborne County, Mississippi

We have examined Claiborne County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Claiborne County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Claiborne County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Inventory Control Clerk.

1. Controls over capital asset reporting should be strengthened.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. As reported in prior years' audit reports, capital asset control procedures were inadequate for maintaining adequate subsidiary records documenting the valuation of capital assets. The county did provide documentation for some of the county-owned land and buildings; however, documentation was not available on the dates of purchase and valuation for all of the county-owned land and buildings. We were unable to determine if values were recorded at historical cost or replacement cost for those items.

Recommendation

The Inventory Control Clerk should continue to ascertain the historical and/or estimated cost of land and buildings and the appropriate useful life of the assets.

MEMBER:

American Institute of CPA's and Mississippi Society of CPA's

Inventory Control Clerk's Response

I will comply with the auditor's recommendation.

Purchase Clerk

2. Controls over purchasing should be strengthened.

Finding

Section 31-7-103, Miss. Code Ann. (1972) requires the purchase clerk to purchase all equipment, heavy equipment, machinery, supplies, materials and services for the county from successful bidders or vendors in compliance with the central purchasing system. In addition, Section 31-7-13, Miss. Code Ann. (1972) requires the purchase clerk to obtain two written quotes for purchases between \$5,000 and \$50,000. We noted the following:

- Instances where there was only one quote obtained for purchases exceeding \$5,000.
- An instance where all purchasing documents were not in date sequence with the other purchasing documents.
- The vendor awarded the bid for cold asphalt mix was not used.

This results in noncompliance with state statutes.

Recommendation

We recommend that the Purchase Clerk follow prescribed procedures to ensure compliance with all purchase statutes.

Purchase Clerk's Response

I will look more closely in the future to follow prescribed procedures in order to comply with all purchase statutes.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Claiborne County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

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

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Claiborne County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.


Lyles and Sinclair, PLLC

August 12, 2015

CLAIBORNE COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2014

Schedule 1

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

CLAIBORNE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2014

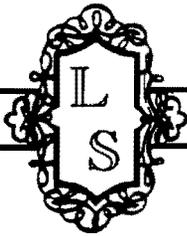
Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
05/04/2014	HVAC units	\$ 16,110	Star Service Inc. of Jackson	No air at Multi-purpose Center

CLAIBORNE COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2014

Schedule 3

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



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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Claiborne County, Mississippi

In planning and performing our audit of the financial statements of Claiborne County, Mississippi for the year ended September 30, 2014, we considered Claiborne 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 Claiborne County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 12, 2015, on the financial statements of Claiborne County, Mississippi.

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

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

Board of Supervisors.

1. Controls over the use of credit cards should be strengthened.

Finding

Section 19-3-68, Miss. Code Ann. (1972) authorizes the board of supervisors to obtain one or more credit cards to pay for authorized travel expenses. The supervisors and authorized county employees are to furnish receipts for the use of such credit cards each month to the chancery clerk or purchase clerk who shall submit a written report monthly to the board of supervisors. We noted instances where the expense was not supported by receipts and was not travel related. This results in noncompliance with state statutes.

Recommendation

We recommend that the board of supervisors strengthen procedures related to the use of credit cards to ensure compliance with state statutes.

Board of Supervisors' Response

The Office of the County Administrator will work with the Purchasing Clerk to ensure that a copy is provided to the Board of Supervisors.

2. Controls over tax levies should be strengthened.

MEMBER:

American Institute of CPA's and Mississippi Society of CPA's

Finding

Section 19-9-109, Miss. Code Ann. (1972) authorizes boards of supervisors to levy an annual ad valorem tax not to exceed one-fourth (1/4) of one mill to purchase, operate, and maintain fire trucks and other fire fighting equipment. The board of supervisors levied in excess of the one-fourth mill for these purposes. This results in noncompliance with state statutes.

Recommendation

We recommend that the board of supervisors strengthen procedures related to the tax levies to ensure compliance with state statutes.

Board of Supervisors' Response

The Board of Supervisors will ensure that future allocation of ¼ mill will be allocated for the stated services.

Chancery Clerk.

3. Controls over financial reporting should be strengthened.

Finding

An effective system of internal control over financial reporting should ensure that transactions are properly processed, recorded, and reported in the financial statements in accordance with generally accepted accounting principles. During our audit, we noted the following:

- a. An instance where the credit was not taken when the payment for the invoice was made.
- b. A payment for registration to a conference included a fee for dinner; however, the employee was reimbursed on his travel voucher for dinner on that date as well.
- c. Payments that were for more than the invoice amount.
- d. Transactions were reported in the wrong fund.

The vendor returned the amount for the credit that was not taken. The erroneous payments result in overpayments for goods actually received and the employee being reimbursed in excess of the travel allowance for meals. Also, adjustments were required to the financial statements for the transactions reported in the wrong fund.

Recommendation

We recommend that internal controls are strengthened to ensure that all transactions are properly processed, recorded, and reported in accordance with generally accepted accounting principles.

Chancery Clerk's Response

I will comply with the auditor's recommendation.

4. Controls over preparation of receipts and financial reports should be strengthened.

Finding

During the audit of Claiborne County, Mississippi we noted the following:

- Copies of receipts that did not reflect a complete receipt number were used instead of pre-numbered receipts.
- Eight out of forty receipts tested did not appear to have been recorded in the fee journal or deposited to the fee account.
- An adjustment in the Chancery Clerk's fee journal for 2013 appears to relate to income that should have been reported on the 2012 and 2013 annual financial report but was reported as if it was funds held payable to and for others. The previous annual reports have yet to be amended.

An effective system of internal control and MS Code Ann. (1972), Section 9-1-43 require that:

- Receipts must be issued for all amounts in excess of \$10 and must be pre-numbered.
- All income that is earned by the Chancery Clerk should be reported in the appropriate year and included on the annual financial report.

The practice of not using pre-numbered receipts is not in compliance with procedures in the County Accounting manual prescribed by the Office of the State Auditor and could result in misappropriation of funds received due to there being no way to determine if all receipts are accounted for. It appears that the Chancery Clerk's income may be understated for the receipts not deposited and adjustment to the fee journal which could result in the Chancery Clerk owing additional funds to the County General Fund for amounts over the fee cap. The Chancery Clerk's accountant stated that he thought the amounts included in the adjustment were funds that were payable for appeals.

Recommendation

We recommend that the Claiborne County Chancery Clerk ensures that all receipts are pre-numbered and prepared accurately. The Chancery Clerk should also ensure that all income is included in the fee journal and reported on the annual financial report in the applicable year. The Chancery Clerk should also amend the annual financial report and, if necessary, pay any additional funds required to the County General Fund.

Chancery Clerk's Response

I will comply with the auditor's recommendation.

Auditor's Note

The Chancery Clerk deposited the above receipts into the fee account and paid the County General Fund the amount due for over the cap fees as a result of the appeals payable. The annual financial reports were also amended.

5. Controls of monthly settlements should be strengthened.

Finding

During the audit of Claiborne County, Mississippi we noted the land redemption collections for January 2014 were not settled until February 24, 2014. We also noted that the unexplained difference of approximately \$247 noted when a cash count and reconciliation was performed on April 24, 2014 was still unresolved and the funds remained in the land redemption account. Section 27-45-1, Miss. Code Ann. (1972) requires the Chancery Clerk to make settlements within 20 days after the end of each month. This resulted in noncompliance with state statutes and the auditor not being able to verify that all land redemption release payments were properly settled. The Chancery Clerk indicated that the unresolved difference would be settled to the County.

Recommendation

We recommend that the Claiborne County Chancery Clerk ensures that all land redemption settlements are made timely in compliance with state statutes.

Chancery Clerk's Response

We regret that this occurred. I am aware that the land redemption settlement is due within 20 days after the end of each month. We had a problem with the printer. When the issue was resolved, the checks were printed. All land release payments were properly settled. Reports are available to verify the settlement. The unresolved difference totaling \$247 per the auditor request was settled to the County.

6. Controls over salary limits should be strengthened.

Finding

During our tests of statutory fees, we noted that the Chancery Clerk was paid more than the amount allowed.

Section 25-7-9(1)(f), Miss. Code Ann. (1972) sets the amount the Clerk is to be paid. This resulted in noncompliance with state law and an overpayment of \$600.00.

Recommendation

We recommend that controls be implemented to ensure compliance with state law regarding the payment of all fees. The Chancery Clerk should also reimburse the County General Fund \$600.00.

Chancery Clerk's Response

I will comply with the auditor's recommendation. The County General Fund was reimbursed \$600.

7. Controls over reporting interest transactions should be strengthened.

Finding

Section 19-9-29 requires any interest derived from special purpose funds which are outside the function of general county government to be paid into that special purpose fund. We noted that no interest was allocated to funds other than the general fund. This results in noncompliance with state law.

Recommendation

We recommend that the Chancery Clerk allocate interest to the other applicable special purpose funds.

Chancery Clerk's Response

I will comply with the auditor's recommendation.

8. Controls over capital asset reporting should be strengthened.

Finding

The following were noted in relation to capital assets:

- a. Some capital assets were over depreciated.
- b. Some capital assets were incorrectly recorded as to type.

An effective system of internal control over financial reporting requires subsidiary records to be properly updated and assets to be properly safeguarded. Failure to update the subsidiary records accurately results in the capital assets being misstated.

Recommendation

We recommend that the Inventory Control Clerk properly record capital assets in the subsidiary records.

Inventory Control Clerk's Response

I will comply with the auditor's recommendation.

Circuit Clerk.

9. Controls over recordkeeping should be strengthened.

Finding

An effective system of internal control should include properly maintaining cash journals and reconciling the bank statements to the cash journals. During our audit, we noted the following:

- As reported in prior years' audit reports, the bank statements were not reconciled accurately for all accounts.
- Two receipts were noted as not being recorded in the cash journal but were deposited to the bank account.
- One receipt was recorded in the cash journal but not deposited in the bank account.
- Mathematical errors in the totals in the cash journal.

The Circuit Clerk owes \$30 to the County General Fund for the two receipts not posted to the cash journal. The mathematical errors caused the distribution of cash form to be incorrect. In addition, the failure to properly process, record, and report transactions in the cash journal and bank account and to reconcile the bank statements to the cash journals could result in the loss of public funds.

Recommendation

The Circuit Clerk should ensure that the cash journals are maintained accurately and that the bank statements are reconciled accurately to the cash journals. The Circuit Clerk should also pay \$30 the County General Fund.

Circuit Clerk's Response

I will comply as recommended and consult with Townsend Consulting regarding maintaining bank statements. I will also pay the \$30.00 to the County General Fund.

Auditor's Note

A deposit of \$200 was made on June 9, 2015 for the receipt of funds not originally deposited in the bank account when received.

10. Controls over reporting should be strengthened.

Finding

An effective system of internal control should include properly preparing the annual report. An unallowed amount was used for the employer retirement contribution expense on the current annual report. As required by Section 25-11-106.1, MS Code Ann. (1972), this erroneous amount of the deduction results in expenses being overstated and an additional amount of \$837.50 being owed to the County General Fund.

Recommendation

The Circuit Clerk should ensure that the annual report is completely accurately.

Circuit Clerk's Response

I will consult with Townsend Consulting and ensure, as recommended, of a more effective system and accurate system.

Auditor's Note

The Circuit Clerk paid \$837.50 to the County General Fund on April 30, 2015, as referenced by receipt #41379.

11. Controls over timely deposits and settlements should be strengthened.

Finding

An effective system of internal control should include timely deposit and settlement of funds. We noted that some deposits and settlements were not made timely. Failure to make timely deposits and monthly settlements to the County General Fund could result in the loss of public funds. In addition, the failure to make other timely settlements denies the rightful owners access to their funds.

Recommendation

The Circuit Clerk should ensure that all deposits and settlements are made timely.

Circuit Clerk's Response

I will ensure all deposits and settlements are made timely as recommended.

Sheriff.

12. Controls over bank deposits should be strengthened.

Finding

An effective system of internal control should include procedures to ensure timely deposit of cash receipts. We noted instances where some receipts were not deposited for over a week. Failure to deposit cash receipts timely increases the risk of loss of public funds.

Recommendation

We recommend that deposits be made on a timely basis to ensure cash receipts are appropriately safeguarded and to reduce the risk of loss.

Sheriff's Response

I will follow the recommendation of the audit and make sure monies are deposited in a timely manner.

13. Bonds should be obtained for all deputies.

Finding

Sheriff's deputies hired under Section 45-5-9, Miss. Code Ann. (1972), are required to obtain a bond in the amount of \$50,000. Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. One of the deputies was not bonded. This results in noncompliance with state statutes.

Recommendation

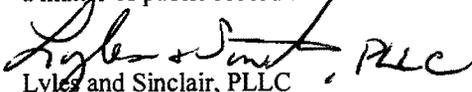
We recommend that the Sheriff ensure that a bond is obtained for all deputies and that the bond has a definite beginning and ending date.

Sheriff's Response

I will make sure that the deputies are bonded from beginning to the end.

Claiborne 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.


Lyles and Sinclair, PLLC
August 12, 2015

CLAIBORNE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CLAIBORNE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unmodified |
| | Business-type activities | Adverse |
| | General Fund | Unmodified |
| | Debt Service Fund | Unmodified |
| | Claiborne County Medical Center | Adverse |
| | Aggregate remaining fund information | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133? | No |
| 7. | Identification of major programs: | |
| | a. CFDA #93.224, Consolidated health centers | |
| | b. CFDA #97.039, Hazard mitigation grant program | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2014-001. County personnel should prepare the financial statements, related notes, and schedule of expenditures of federal awards.

Finding

CLAIBORNE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

The county did not prepare its financial statements and related notes. An effective system of internal control over financial reporting should ensure that personnel are capable of preparing the financial statements, related notes, and the schedule of expenditures of federal awards in accordance with generally accepted accounting principles. The county chose to have the auditor to prepare the financial statements, related notes, and schedule of expenditures of federal awards and has accepted responsibility for them prior to their issuance. Without adequate controls in place, the risk of inadequate information being reported increases.

Recommendation

We recommend the Board of Supervisors implement controls to ensure that personnel prepare the financial statements, related notes, and schedule of expenditures of federal awards in accordance with generally accepted accounting principles.

Board of Supervisors Response

The Board of Supervisors will adhere to the recommendation made.

Material Weakness

2014-002. The County should include the financial data for all of its blended component units in its financial statements.

Finding

The county's financial statements do not include the financial data of one of the county's legally separate component units which should be blended with the county's financial data. Generally accepted accounting principles require this information 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 of its component unit. Failure to include the data required by generally accepted accounting principles resulted in an adverse opinion on the business-type activities.

Recommendation

The Board of Supervisors should provide the financial data of all of its blended component units in accordance with generally accepted accounting principles.

Board of Supervisors' Response

The Board of Supervisors will adhere to the recommendation and proceed to include the financial data under the accounting principles guidelines stated.

Significant Deficiency

2014-003. Controls over solid waste collections should be strengthened.

Finding

An effective system of internal control over accounts receivable records should include adequate subsidiary records to substantiate the total accounts receivable balance and procedures to collect the past due amount owed. It appears that collections for garbage fees were stopped during the year. Failure to collect appropriate fees could result in the loss of public funds. The County is in the process of arranging to turn the collection of the garbage fees over to a collection agency.

Recommendation

CLAIBORNE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

We recommend that the Board of Supervisors should establish and maintain procedures to ensure that solid waste records are maintained and that the arrangements with the collection agency are finalized as soon as possible.

Board of Supervisors' Response

The Board of Supervisors will work to establish a procedure of collections for past due Garbage fees.

Inventory Control Clerk.

Significant Deficiency

2014-004. Controls over capital asset reporting should be strengthened.

Finding

An effective system of internal control over financial reporting requires maintaining adequate subsidiary records. As reported in prior years' audit reports, capital asset control procedures were inadequate for maintaining adequate subsidiary records documenting the valuation of capital assets. The county did provide documentation for some of the county-owned land and buildings; however, documentation was not available on the dates of purchase and valuation for all of the county-owned land and buildings. We were unable to determine if values were recorded at historical cost or replacement cost for those items.

Recommendation

The Inventory Control Clerk should continue to ascertain the historical and/or estimated cost of land and buildings and the appropriate useful life of the assets.

Inventory Control Clerk's Response

I will comply with the auditor's recommendation.

Significant Deficiency

2014-005. Controls over reporting of fines receivable should be strengthened.

Finding

An effective system of internal control should include a review of the criminal cases to identify the amount to be included in the fines receivable records. We noted that some accounts were reported incorrectly and some accounts were not included. Failure to review the criminal cases and ensure that the fines are included in the fines receivable records could cause the fines receivable records to be misstated.

Recommendation

We recommend that the Circuit Clerk review all criminal cases to identify outstanding fines and to ensure that the fines are included in the fines receivable records.

Circuit Clerk's Response

I will comply as recommended.

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.