

GEORGE COUNTY, MISSISSIPPI

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

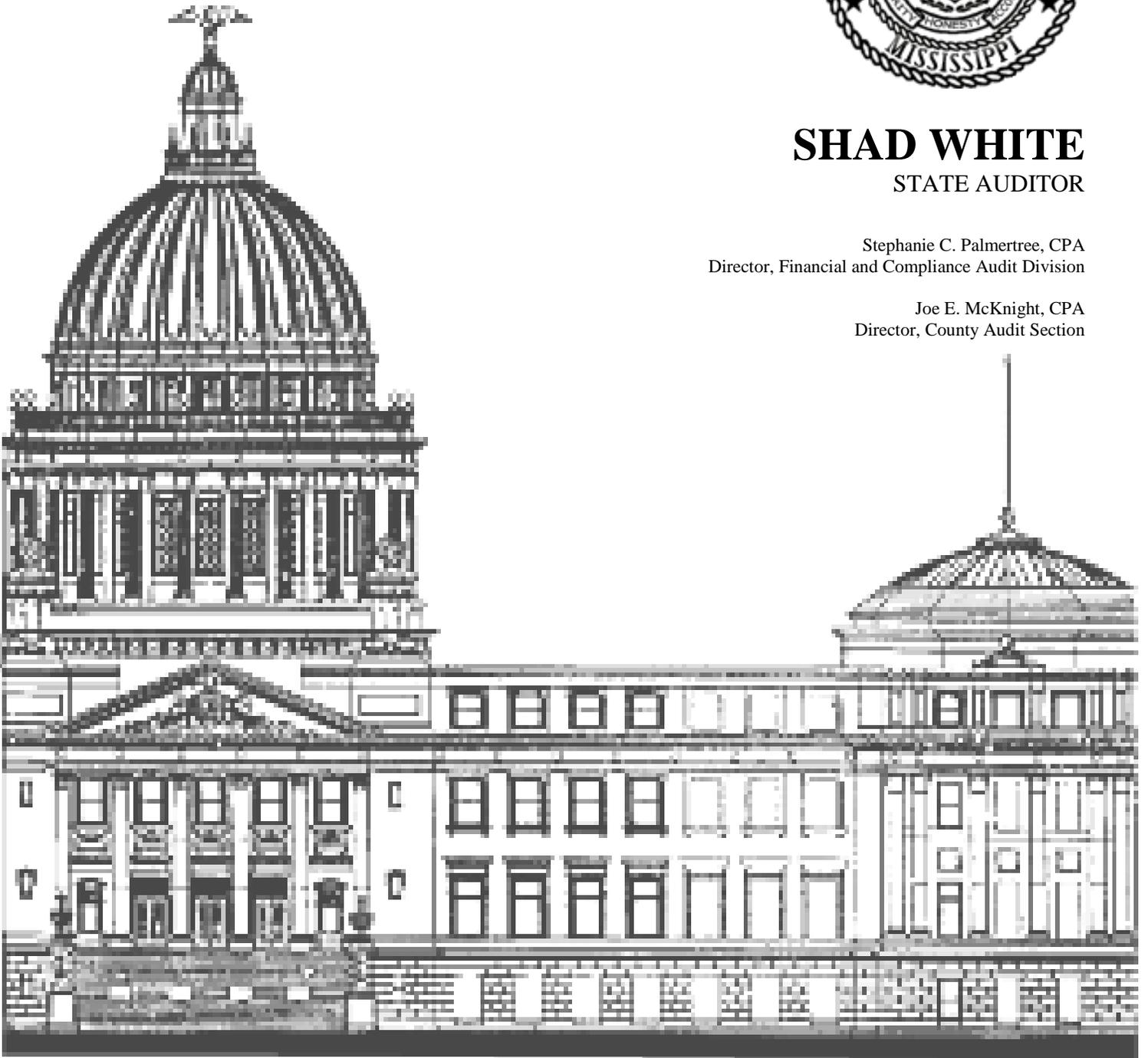


SHAD WHITE

STATE AUDITOR

Stephanie C. Palmertree, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
Shad White
AUDITOR

April 24, 2019

Members of the Board of Supervisors
George County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2017 financial and compliance audit report for George County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Shad White", is written over a faint, circular watermark or background.

Shad White

GEORGE COUNTY
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GEORGE COUNTY

FINANCIAL SECTION

GEORGE COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
Shad White
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
George County, Mississippi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Unmodified Opinion

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

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise George County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2019 on our consideration of George County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion the effectiveness of George County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering George County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 24, 2019

GEORGE COUNTY

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GEORGE COUNTY

FINANCIAL STATEMENTS

GEORGE COUNTY

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GEORGE COUNTY
Statement of Net Position
September 30, 2017

Exhibit 1

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit George Regional Health System
ASSETS				
Cash	\$ 17,366,874		17,366,874	11,420,206
Restricted assets - cash		1,468,671	1,468,671	
Property tax receivable	8,445,185		8,445,185	
Accounts receivable (net of allowance for uncollectibles of \$574,913)	354,179		354,179	5,874,032
Fines receivable (net of allowance for uncollectibles of \$1,604,353)	594,355		594,355	
Loans receivable (net of allowance for uncollectibles of \$50,000)	164,013		164,013	
Capital leases receivable	306,250		306,250	
Intergovernmental receivables	192,588	305,892	498,480	
Other receivables	7,320		7,320	69,616
Inventories and prepaid items				1,437,407
Prepaid expenses				257,919
Due from third party payors				86,394
Certificates of deposits				1,615,618
Cash and cash equivalents held by trustee				5,352,760
Internally designated by board for capital improvements				172,353
Other assets				4,810,442
Capital assets:				
Land and construction in progress	1,951,909	87,674	2,039,583	2,452,584
Other capital assets, net	54,897,246	5,372,456	60,269,702	12,421,123
Total Assets	84,279,919	7,234,693	91,514,612	45,970,454
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	670,987	289,815	960,802	
Deferred amount on refunding		43,241	43,241	
Total Deferred Outflows of Resources	670,987	333,056	1,004,043	0
LIABILITIES				
Claims payable	92,404	8,019	100,423	
Current maturities of long-term obligations				666,539
Accounts payable, trade				1,075,693
Accrued salaries and wages				486,635
Accrued payroll taxes				130,297
Accrued employee benefits				685,726
Other current liabilities				188,858
Long-term obligations, less current maturities				10,989,184
Intergovernmental payables	361,745		361,745	
Accrued interest payable	25,692	18,780	44,472	
Unearned revenue	23,831		23,831	
Other payables	32,314		32,314	
Long-term liabilities				
Net pension liability	8,639,049	3,282,419	11,921,468	
Due within one year:				
Capital debt	2,111,257	535,000	2,646,257	
Non-capital debt	68,125		68,125	
Due in more than one year:				
Capital debt	11,463,032	2,950,956	14,413,988	
Non-capital debt	208,446	89,479	297,925	
Total Liabilities	23,025,895	6,884,653	29,910,548	14,222,932

GEORGE COUNTY
Statement of Net Position
September 30, 2017

Exhibit 1 -Cont'd

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit George Regional Health System
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	204,713	82,935	287,648	
Deferred revenues - property taxes	8,445,185		8,445,185	
Total Deferred Inflows of Resources	<u>8,649,898</u>	<u>82,935</u>	<u>8,732,833</u>	<u>0</u>
NET POSITION				
Net investment in capital assets	43,274,866	2,017,415	45,292,281	3,217,984
Restricted for:				
Expendable:				
General government	201,333		201,333	
Public safety	2,135,400		2,135,400	
Public works	5,279,983		5,279,983	
Health and welfare	5,352,760		5,352,760	
Culture and recreation	169,293		169,293	
Economic development and assistance	788,646		788,646	
Under indenture agreements				5,352,760
Unrestricted	<u>(3,927,168)</u>	<u>(1,417,254)</u>	<u>(5,344,422)</u>	<u>23,176,778</u>
Total Net Position	<u>\$ 53,275,113</u>	<u>600,161</u>	<u>53,875,274</u>	<u>31,747,522</u>

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

GEORGE COUNTY
Statement of Activities
For the Year Ended September 30, 2017

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total	George Regional Health System
Primary government:								
Governmental activities:								
General government	\$ 3,079,974	749,804	46,841		(2,283,329)		(2,283,329)	
Public safety	2,599,850	335,728	159,466	3,345	(2,101,311)		(2,101,311)	
Public works	5,780,524	619,053	252,729	1,386,221	(3,522,521)		(3,522,521)	
Health and welfare	2,191,792		684,782	13,696	(1,493,314)		(1,493,314)	
Culture and recreation	18,346				(18,346)		(18,346)	
Conservation of natural resources	30,348				(30,348)		(30,348)	
Economic development and assistance	83,434				(83,434)		(83,434)	
Interest on long-term debt	309,779				(309,779)		(309,779)	
Pension expense	1,233,099				(1,233,099)		(1,233,099)	
Total Governmental Activities	<u>15,327,146</u>	<u>1,704,585</u>	<u>1,143,818</u>	<u>1,403,262</u>	<u>(11,075,481)</u>		<u>(11,075,481)</u>	
Business-type activities:								
Regional Jail Fund	3,243,248	2,998,444	51,600			(193,204)	(193,204)	
Total Business-type Activities	<u>3,243,248</u>	<u>2,998,444</u>	<u>51,600</u>	<u>0</u>		<u>(193,204)</u>	<u>(193,204)</u>	
Total Primary Government	\$ <u>18,570,394</u>	<u>4,703,029</u>	<u>1,195,418</u>	<u>1,403,262</u>	<u>(11,075,481)</u>	<u>(193,204)</u>	<u>(11,268,685)</u>	
Component unit:								
George Regional Health System	\$ 47,465,901	0	47,800,495	710,420				1,045,014
Total Component Units	\$ <u>47,465,901</u>	<u>0</u>	<u>47,800,495</u>	<u>710,420</u>				<u>1,045,014</u>
General revenues:								
Property taxes					\$ 8,737,654		8,737,654	
Road & bridge privilege taxes					286,915		286,915	
Grants and contributions not restricted to specific programs					820,652		820,652	7,100
Unrestricted interest income					90,200	7,198	97,398	
Unrestricted investment income							0	165,565
Miscellaneous					390,998	29,486	420,484	
Transfers					(145,000)	145,000	0	
Total General Revenues and Transfers					<u>10,181,419</u>	<u>181,684</u>	<u>10,363,103</u>	<u>172,665</u>
Changes in Net Position					<u>(894,062)</u>	<u>(11,520)</u>	<u>(905,582)</u>	<u>1,217,679</u>
Net Position - Beginning					<u>54,169,175</u>	<u>611,681</u>	<u>54,780,856</u>	<u>30,529,843</u>
Net Position - Ending					\$ <u>53,275,113</u>	<u>600,161</u>	<u>53,875,274</u>	<u>31,747,522</u>

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

GEORGE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2017

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Garbage & Solid Waste Fund	2017 Construction Fund		
ASSETS					
Cash	\$ 3,911,658	1,953,521	3,210,000	8,291,695	17,366,874
Property tax receivable	4,116,890	462,500		3,865,795	8,445,185
Accounts receivable (net of allowance for uncollectibles of \$574,913)		354,179			354,179
Fines receivable (net of allowance for uncollectibles of \$1,604,353)	594,355				594,355
Loans receivable (net of allowance for uncollectibles of \$50,000)				164,013	164,013
Capital leases receivable	306,250				306,250
Intergovernmental receivables	161,623			30,965	192,588
Other receivables	7,320				7,320
Due from other funds		8,846		94,993	103,839
Total Assets	<u>\$ 9,098,096</u>	<u>2,779,046</u>	<u>3,210,000</u>	<u>12,447,461</u>	<u>27,534,603</u>
LIABILITIES					
Liabilities:					
Claims payable	\$ 38,194	16,704		37,506	92,404
Intergovernmental payables	255,278				255,278
Due to other funds	120,366			89,940	210,306
Unearned revenue		23,831			23,831
Other payables	32,314				32,314
Total Liabilities	<u>446,152</u>	<u>40,535</u>	<u>0</u>	<u>127,446</u>	<u>614,133</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	4,116,890	462,500		3,865,795	8,445,185
Unavailable revenue - accounts receivable		354,179			354,179
Unavailable revenue - capital leases receivable	306,250				306,250
Unavailable revenue - fines	594,355				594,355
Total Deferred Inflows of Resources	<u>5,017,495</u>	<u>816,679</u>	<u>0</u>	<u>3,865,795</u>	<u>9,699,969</u>
Fund balances:					
Restricted for:					
General government				201,333	201,333
Public safety				2,135,400	2,135,400
Public works		1,921,832		3,003,972	4,925,804
Health and welfare			3,210,000	2,142,760	5,352,760
Culture and recreation				169,293	169,293
Economic development and assistance				788,646	788,646
Debt service				12,816	12,816
Unassigned	3,634,449				3,634,449
Total Fund Balances	<u>3,634,449</u>	<u>1,921,832</u>	<u>3,210,000</u>	<u>8,454,220</u>	<u>17,220,501</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,098,096</u>	<u>2,779,046</u>	<u>3,210,000</u>	<u>12,447,461</u>	<u>27,534,603</u>

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

GEORGE COUNTY

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

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 17,220,501
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 \$82,117,309.	56,849,155
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	948,534
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(13,850,860)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,639,049)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(25,692)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	306,250
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	670,987
Deferred inflows of resources related to pensions	<u>(204,713)</u>
Total Net Position - Governmental Activities	\$ <u><u>53,275,113</u></u>

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

GEORGE COUNTY

Exhibit 4

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Garbage & Solid Waste Fund	2017 Construction Fund		
REVENUES					
Property taxes	\$ 4,391,145	463,615		3,882,894	8,737,654
Road and bridge privilege taxes				286,915	286,915
Licenses, commissions and other revenue	367,710			20,467	388,177
Fines and forfeitures	453,215			16,943	470,158
Intergovernmental revenues	485,437	5,884		2,876,411	3,367,732
Charges for services	256,192	576,012		8,750	840,954
Interest income	21,065	11,379		57,756	90,200
Miscellaneous revenues	228,558	5,992		94,329	328,879
Total Revenues	<u>6,203,322</u>	<u>1,062,882</u>	<u>0</u>	<u>7,244,465</u>	<u>14,510,669</u>
EXPENDITURES					
Current:					
General government	3,005,604			180,713	3,186,317
Public safety	2,439,186			252,283	2,691,469
Public works		1,063,825		6,108,970	7,172,795
Health and welfare	237,260			1,956,677	2,193,937
Culture and recreation	44,446				44,446
Conservation of natural resources	39,304				39,304
Economic development and assistance	82,096				82,096
Debt service:					
Principal	65,913			761,616	827,529
Interest	883			330,746	331,629
Total Expenditures	<u>5,914,692</u>	<u>1,063,825</u>	<u>0</u>	<u>9,591,005</u>	<u>16,569,522</u>
Excess of Revenues over (under) Expenditures	<u>288,630</u>	<u>(943)</u>	<u>0</u>	<u>(2,346,540)</u>	<u>(2,058,853)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	157,365		3,210,000	1,287,425	4,654,790
Proceeds from sale of capital assets	30,229			354,701	384,930
Compensation for loss of capital assets	1,451			65,279	66,730
Transfers in	75,606			583,855	659,461
Transfers out	(623,855)			(180,606)	(804,461)
Lease principal payments	153,125				153,125
Total Other Financing Sources and Uses	<u>(206,079)</u>	<u>0</u>	<u>3,210,000</u>	<u>2,110,654</u>	<u>5,114,575</u>
Net Changes in Fund Balances	82,551	(943)	3,210,000	(235,886)	3,055,722
Fund Balances - Beginning	<u>3,551,898</u>	<u>1,922,775</u>	<u>0</u>	<u>8,690,106</u>	<u>14,164,779</u>
Fund Balances - Ending	<u>\$ 3,634,449</u>	<u>1,921,832</u>	<u>3,210,000</u>	<u>8,454,220</u>	<u>17,220,501</u>

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

GEORGE 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, 2017

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 3,055,722
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 \$2,546,889 exceeded depreciation of \$1,445,766 in the current period.	1,101,123
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$62,119 and the proceeds from the sale of \$384,930 and the compensation for loss of \$66,730 in the current period.	(389,541)
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.	(37,745)
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.	43,041
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 proceeds of \$4,654,790 exceeded debt repayments of \$827,529.	(3,827,261)
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 increase in compensated absences liability	(582)
The amount of decrease in accrued interest payable	845
The amortization of bond premium	21,005

GEORGE COUNTY

Exhibit 4-1- Cont'd

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

Amount

In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from change in fund balances by the principal collections on the capital leases. (153,125)

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

Recording of pension expense for the current period	(1,233,099)
Recording of contributions made during the year	<u>525,555</u>

Change in Net Position of Governmental Activities	\$ <u><u>(894,062)</u></u>
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The notes to the financial statements are an integral part of this statement.

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

Exhibit 5

	Business-type Activities - <u>Enterprise Fund</u>
	<u>Regional Jail Fund</u>
ASSETS	
Current assets:	
Restricted assets - cash	\$ 1,468,671
Intergovernmental receivables	305,892
Total Current Assets	<u>1,774,563</u>
Noncurrent assets:	
Capital assets:	
Land	87,674
Other capital assets, net	5,372,456
Total Noncurrent Assets	<u>5,460,130</u>
Total Assets	<u>7,234,693</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	289,815
Deferred amount on refunding	246,484
Total Deferred Outflows of Resources	<u>536,299</u>
LIABILITIES	
Current liabilities:	
Claims payable	8,019
Accrued interest payable	18,780
Capital debt:	
Other long-term liabilities	535,000
Total Current Liabilities	<u>561,799</u>
Noncurrent liabilities:	
Net pension liability	3,282,419
Capital debt:	
Other long-term liabilities	2,950,956
Non-capital debt:	
Compensated absences payable	89,479
Total Noncurrent Liabilities	<u>6,322,854</u>
Total Liabilities	<u>6,884,653</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	82,935
Total Deferred Inflows of Resources	<u>82,935</u>
NET POSITION	
Net investment in capital assets	2,017,415
Unrestricted	(1,417,254)
Total Net Position	<u>\$ 600,161</u>

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

GEORGE COUNTY

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

Exhibit 6

	Business-type Activities - <u>Enterprise Fund</u>
	<u>Regional Jail Fund</u>
Operating Revenues	
Charges for services	\$ 2,998,444
Miscellaneous	29,486
Total Operating Revenues	<u>3,027,930</u>
Operating Expenses	
Personal services	1,524,536
Contractual services	515,319
Materials and supplies	438,110
Depreciation expense	164,013
Pension expense	425,495
Total Operating Expenses	<u>3,067,473</u>
Operating Income (Loss)	<u>(39,543)</u>
Nonoperating Revenues (Expenses)	
Interest income	7,198
Intergovernmental grants	51,600
Interest expense	(175,055)
Gain (loss) on sale of capital assets	(720)
Net Nonoperating Revenue (Expenses)	<u>(116,977)</u>
Net Income (Loss)	(156,520)
Transfers in	<u>145,000</u>
Changes in Net Position	(11,520)
Net Position - Beginning	<u>611,681</u>
Net Position - Ending	<u>\$ 600,161</u>

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

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

Exhibit 7

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Regional Jail Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 3,020,998
Payments to suppliers	(972,125)
Payments to employees	(1,733,812)
Other operating cash receipts	29,486
Net Cash Provided (Used) by Operating Activities	<u>344,547</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	51,600
Cash received from other funds:	
Operating transfers in	695,907
Cash paid to other funds:	
Operating transfers out	(550,906)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>196,601</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(510,000)
Interest paid on debt	(165,465)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(675,465)</u>
Cash Flows From Investing Activities	
Interest on deposits	7,198
Net Cash Provided (Used) by Investing Activities	<u>7,198</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(127,119)
Cash and Cash Equivalents at Beginning of Year	<u>1,595,790</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,468,671</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (39,543)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	164,013
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	22,554
Increase (decrease) in claims payable	(19,315)
Increase (decrease) in compensated absences liability	(27,307)
Increase (decrease) in pension liability, deferred outflows and deferred inflows, net	244,145
Total Adjustments	<u>384,090</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 344,547</u>

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

GEORGE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2017

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 249,998
Due from other funds	106,467
Total Assets	<u>\$ 356,465</u>
LIABILITIES	
Intergovernmental payables	\$ 313,490
Amounts held in custody for others	42,975
Total Liabilities	<u>\$ 356,465</u>

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

GEORGE COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

B. Individual Component Unit Disclosures.

Blended Component Unit

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

George County Public Improvement Corporation was incorporated as a nonprofit under Section 31-8-3, Miss. Code Ann. (1972), which allows Counties to enter into lease agreements with any corporation. The corporation's three-member board of directors is appointed by the Board of Supervisors. The corporation produces a financial benefit through its ability to finance the construction, acquisition, and renovation of capital facilities for the primary government and imposes a financial burden on the primary government by obligating funds to repay the debt pursuant to a lease agreement.

Discretely Presented Component Unit

The component unit's columns in the financial statements include the financial data of the following component unit of the County. They are reported in a separate column to emphasize that they are legally separate from the County.

The George Regional Health System (the "Hospital") consists of an acute care hospital and related outpatient facilities located in Lucedale, Mississippi. The Hospital operates in the form of a government authority governed by a Board of Trustees pursuant to Section 41-13-15 of the Mississippi Code of 1972, as amended, consisting of members from George County, and is a legally separate entity. Each member of the George County Board of Supervisors appoints one member to the Hospital's Board of Trustees. Complete financial statements for the George Regional Health System can be obtained from the Chief Financial Officer at Post Office Box 607, Lucedale, Mississippi 39452.

GEORGE COUNTY

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

C. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate

GEORGE COUNTY

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

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.

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

2017 Construction Fund - This fund is used to account and report all financial resources related to the hospital renovation construction project.

The County reports the following major Enterprise Fund:

Regional Jail Fund - This fund is used to account for monies from inmate housing agreement income with the Mississippi Department of Corrections for housing state prisoners.

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.

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

GEORGE COUNTY

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

F. Deposits.

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." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Restricted Assets.

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first. Certain proceeds of the County's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue fund" is used to account for all revenues of the correctional facility and to provide payment for operating and maintenance expenses as well as required monthly deposits to other accounts to meet minimum requirements of the trust agreement. The "depreciation and operating reserve" fund is used to pay the cost of major repairs and replacements to the correctional facility the costs of which are such that they should be spread over a number of years rather than charged as a current expense in a single year. The "general" account is used to accumulate funds to pay the principal and interest payments due on the County's enterprise fund revenue bonds. The "debt service reserve" account is used to report resources set aside to subsidize potential deficiencies from the County's operating that could adversely affect debt service payments. The "regional jail construction" fund is used to pay the costs of major repairs and replacements to the correctional facility as well as to pay operating and maintenance expense when other funds are insufficient to pay these expenses within established limitations.

J. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, 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.

GEORGE COUNTY

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

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

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

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

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

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

K. Deferred Outflows/Inflows of Resources:

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

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

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

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

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

GEORGE COUNTY

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

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.

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

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

L. Pensions.

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

M. Long-term Liabilities.

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

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

N. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

GEORGE COUNTY

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

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 restricted or unassigned. The following are descriptions of fund classifications used by the County:

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

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

Fund Balance Flow Assumption:

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

O. Property Tax Revenues:

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

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

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

GEORGE COUNTY

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

P. Intergovernmental Revenues in Governmental Funds.

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

Q. Compensated Absences.

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

R. Changes in Accounting Standards.

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

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$19,085,543, and the bank balance was \$19,817,009. 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. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

GEORGE COUNTY

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

(3) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Garbage and Solid Waste Fund	General Fund	\$ 8,846
Other Governmental Funds	General Fund	94,993
Agency Funds	General Fund	16,527
Agency Funds	Other Governmental Funds	<u>89,940</u>
Total		<u>\$ 210,306</u>

The majority of the receivables represent the tax revenue collected in September 2017, but not settled until October 2017. The amount owed to the Agency Funds from Other Governmental Funds represents forestry funds and privilege taxes owed to the county schools. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 75,606
Other Governmental Funds	General Fund	478,855
Other Governmental Funds	Other Governmental Funds	105,000
Regional Jail Fund	General Fund	<u>145,000</u>
Total		<u>\$ 804,461</u>

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

(4) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 131,394
Mississippi Department of Corrections - housing prisoners reimbursement	6,440
Emergency management performance grant reimbursement	23,401
State Aid reimbursement	30,250
Various reimbursement grants	<u>1,103</u>
Total Governmental Activities	<u>\$ 192,588</u>

GEORGE COUNTY

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

Business-type Activities:

Mississippi Department of Corrections - housing prisoners reimbursement	\$	220,762
George County - housing prisoners reimbursement		56,563
City of Lucedale - housing prisoners reimbursement		16,389
Greene County - housing prisoners reimbursement		<u>12,178</u>
 Total Business-type Activities	 \$	 <u><u>305,892</u></u>

(5) Loans Receivable.

Loans receivable balances at September 30, 2017, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
George Regional Health System *	10/26/1992	0.00%	Unknown	\$ 50,000
Freight rail service loan	10/06/2003	1.00%	03/01/2020	<u>164,013</u>
 Total				 214,013
Less: Allowance for doubtful accounts				<u>(50,000)</u>
 Total, Net of allowance for doubtful accounts				 \$ <u><u>164,013</u></u>

*The George Regional Health System loan receivable was determined to be uncollectible in fiscal year 1996.

(6) Restricted Assets.

The balances of the restricted asset accounts in the enterprise funds are as follows:

Revenue fund	\$	73,382
General account		232,197
Debt service reserve fund		411,485
Debt service reserve fund II		131,982
Depreciating and operating reserve fund		326,100
Regional jail construction fund		<u>293,525</u>
 Total restricted assets	 \$	 <u><u>1,468,671</u></u>

GEORGE COUNTY

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

(7) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2016	Additions	Deletions	Balance Sept. 30, 2017
<u>Non-depreciable capital assets:</u>				
Land	\$ 1,951,909			1,951,909
Total non-depreciable capital assets	1,951,909	0	0	1,951,909
<u>Depreciable capital assets:</u>				
Infrastructure	110,749,252	463,630		111,212,882
Buildings	10,151,077			10,151,077
Improvements other than buildings	134,280			134,280
Mobile equipment	12,885,011	558,973	686,052	12,757,932
Furniture and equipment	787,142	15,995	11,500	791,637
Leased property under capital leases	458,456	1,508,291		1,966,747
Total depreciable capital assets	135,165,218	2,546,889	697,552	137,014,555
<u>Less accumulated depreciation for:</u>				
Infrastructure	68,534,079	669,488		69,203,567
Buildings	1,710,536	69,047		1,779,583
Improvements other than buildings	41,310	5,374		46,684
Mobile equipment	9,888,034	500,082	303,571	10,084,545
Furniture and equipment	638,175	24,752	4,440	658,487
Leased property under capital leases	167,420	177,023		344,443
Total accumulated depreciation	80,979,554	1,445,766	308,011	82,117,309
Total depreciable capital assets, net	54,185,664	1,101,123	389,541	54,897,246
Governmental activities capital assets, net	\$ 56,137,573	1,101,123	389,541	56,849,155

Business-type activities:

	Balance Oct. 1, 2016	Additions	Deletions	Balance Sept. 30, 2017
<u>Non-depreciable capital assets:</u>				
Land	\$ 87,674			87,674
Total non-depreciable capital assets	87,674	0	0	87,674
<u>Depreciable capital assets:</u>				
Buildings	7,415,772			7,415,772
Improvements other than buildings	130,000			130,000
Mobile equipment	78,649			78,649
Furniture and equipment	98,547		7,199	91,348
Total depreciable capital assets	7,722,968	0	7,199	7,715,769

GEORGE COUNTY

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

	Balance Oct. 1, 2016	Additions	Deletions	Balance Sept. 30, 2017
<u>Less accumulated depreciation for:</u>				
Buildings	2,017,006	148,319		2,165,325
Improvements other than buildings	36,400	5,200		41,600
Mobile equipment	61,291	4,750		66,041
Furniture and equipment	71,082	5,744	6,479	70,347
Total accumulated depreciation	<u>2,185,779</u>	<u>164,013</u>	<u>6,479</u>	<u>2,343,313</u>
Total depreciable capital assets, net	<u>5,537,189</u>	<u>(164,013)</u>	<u>720</u>	<u>5,372,456</u>
Business-type activities capital assets, net	<u>\$ 5,624,863</u>	<u>(164,013)</u>	<u>720</u>	<u>5,460,130</u>

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 85,441
Public safety	252,364
Public works	1,102,561
Culture and recreation	5,400
Total governmental activities depreciation expense	<u>\$ 1,445,766</u>

	Amount
Business-type activities:	
Regional jail	<u>\$ 164,013</u>

Component unit:

The George Regional Health System capital asset balances at September 30, 2017, are as follows:

	Balance Oct. 1, 2016	Additions	Deletions	Balance Sept. 30, 2017
<u>Non-depreciable capital assets:</u>				
Land	\$ 488,858			488,858
Construction in progress	1,073,732	1,138,459	248,465	1,963,726
Total non-depreciable capital assets	<u>1,562,590</u>	<u>1,138,459</u>	<u>248,465</u>	<u>2,452,584</u>
<u>Depreciable capital assets:</u>				
Land improvements	157,270			157,270
Buildings	15,687,784	253,895		15,941,679
Fixed equipment	2,512,184	58,718		2,570,902
Major moveable equipment	16,956,285	284,926	20,028	17,221,183
Automotive equipment	94,660			94,660
Total depreciable capital assets	<u>35,408,183</u>	<u>597,539</u>	<u>20,028</u>	<u>35,985,694</u>

GEORGE COUNTY

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

Component unit:

	Balance Oct. 1, 2016	Additions	Deletions	Balance Sept. 30, 2017
<u>Less accumulated depreciation for:</u>				
Land improvements	169,531	7,933		177,464
Buildings	6,713,041	427,999		7,141,040
Fixed equipment	1,729,285	165,695		1,894,980
Major moveable equipment	13,152,897	1,154,132	20,028	14,287,001
Automotive equipment	53,062	11,024		64,086
Total accumulated depreciation	<u>21,817,816</u>	<u>1,766,783</u>	<u>20,028</u>	<u>23,564,571</u>
Total depreciable capital assets, net	<u>13,590,367</u>	<u>(1,169,244)</u>	<u>0</u>	<u>12,421,123</u>
Component unit capital assets, net	<u>\$ 15,152,957</u>	<u>(30,785)</u>	<u>248,465</u>	<u>14,873,707</u>

(8) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2017, to January 1, 2018. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessor:

On June 27, 2013, George County entered into a capital lease agreement with Enviva Pellets Cottondale, LLC for the lease of land used for the production of wood pellets. The capital lease stipulated that the lessee would pay approximately \$612,500 in advance and then \$12,760.42 per month in lease payments commencing August 31, 2016 for a term of four years. At the end of the lease term, the property will be transferred to Enviva Pellets Cottondale, LLC upon completion of the underlying debt.

The County leases the following property with varying terms and options as of September 30, 2017:

<u>Classes of Property</u>	<u>Amount</u>
Land	\$ <u>1,125,000</u>

GEORGE COUNTY

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

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

<u>Year Ending September 30</u>	<u>Principal</u>
2018	\$ 153,125
2019	153,125
Total	\$ <u>306,250</u>

As Lessee:

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

<u>Classes of Property</u>	<u>Government Activities</u>
Mobile equipment	\$ 1,966,747
Less: Accumulated depreciation	<u>(344,443)</u>
Leased Property Under Capital Leases	\$ <u>1,622,304</u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,260,876	25,716
2019	127,844	5,323
2020	38,841	3,030
2021	<u>121,372</u>	<u>233</u>
Total	\$ <u>1,548,933</u>	<u>34,302</u>

(10) Defined Benefit Pension Plan.

General Information about the Pension Plan

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

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance

GEORGE COUNTY

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

payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2017, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2017, 2016 and 2015 were \$706,905, \$692,493, and \$690,714, respectively, equal to the required contributions for each year.

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

At September 30, 2017, the County reported a liability of \$11,921,468 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2017 net pension liability was 0.071715% percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.002671% percent from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2017, the County recognized pension expense of \$1,658,594. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 165,567	
Net difference between projected and actual earnings on pension plan investments	126,877	
Changes of assumptions	259,321	19,558
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	244,152	268,090
County contributions subsequent to the measurement date	164,885	
Total	\$ 960,802	287,648

GEORGE COUNTY

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

\$164,885 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30	Amount
2018	\$ 452,797
2019	232,374
2020	53,377
2021	(230,279)
Total	\$ 508,269

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

Inflation	3.00 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

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

GEORGE COUNTY

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 15,635,800	11,921,468	8,837,764

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

GEORGE COUNTY

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

(11) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
General Obligation Hospital Construction Bonds, Series 2017	\$ 3,210,000	1.75-2.50%	09/2032
Special Obligation Bonds, MDB, Series 2014A	7,575,000	3.00-5.00%	09/2034
Special Obligation Bonds, MDB, Series 2014B	<u>455,000</u>	1.75-2.65%	09/2020
Total General Obligation Bonds	<u>\$ 11,240,000</u>		
B. Capital Leases:			
Sheriff - (5) 2017 Ford Explorers	\$ 103,879	1.96%	03/2019
District 1 - CAT 12H motor grader	55,908	2.14%	01/2018
District 1 - Caterpillar wheel loader	15,587	1.94%	08/2018
District 1 - Tractors	218,400	1.44%	10/2017
District 1 - (3) John Deere tractors	224,250	1.81%	09/2018
District 2 - Tractors	153,800	1.44%	10/2017
District 2 - (2) John Deere tractors	157,000	1.81%	09/2018
District 3 - Ford F-450	15,016	2.08%	09/2019
District 3 - 2017 International 7500 truck	76,711	2.05%	01/2021
District 4 - Caterpillar 140 motor grader	88,107	1.94%	01/2020
District 4 - Tractors	153,800	1.44%	10/2017
District 4 - Caterpillar 938M wheel loader	129,475	2.21%	10/2020
District 4 - (2) John Deere tractors	<u>157,000</u>	1.81%	09/2018
Total Capital Leases	<u>\$ 1,548,933</u>		
C. Other Loans:			
Multi-Purpose Building loan	\$ 21,664	3.00%	07/2019
Feight Rail Service Revolving MDA loan	168,611	1.00%	03/2020
Singing River Loan #1 (Land)	200,000	0.00%	06/2018
Singing River Loan #2 (Land)	56,600	1.00%	08/2018
Singing River Loan #3	<u>150,000</u>	2.00%	10/2019
Total Other Loans	<u>\$ 596,875</u>		
Business-type Activities:			
A. General Obligation Bonds:			
General Obligation Bonds, Series 2008	<u>\$ 1,680,000</u>	4.00-5.50%	12/2028
B. Limited Obligation Bonds:			
Urban Renewal Revenue Refunding Bond, Series 2011	<u>\$ 1,800,000</u>	2.00%	04/2021

GEORGE COUNTY

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

Pledge of Future Revenues - The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$4,065,000 in limited obligation urban renewal revenue bonds issued on March 24, 2011. Proceeds from the bonds provided financing for the construction of the George County Regional Correctional Facility. The bonds are not a general obligation of the County and, therefore, are not secured by the full faith and credit of the County. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through First National Bank of Clarksdale.

Annual principal and interest payments on the bonds are expected to require less than 16.25% percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,988,545. Principal and interest paid for the current year and total inmate housing net revenues were \$490,906 and \$2,998,444, respectively.

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2018	\$ 510,000	373,267	387,501	7,799
2019	525,000	364,296	127,697	5,975
2020	550,000	349,061	81,677	5,276
2021	565,000	332,978		
2022	590,000	310,463		
2023 - 2027	3,290,000	1,250,454		
2028 - 2032	3,970,000	647,441		
2033 - 2037	1,240,000	65,450		
Total	\$ 11,240,000	3,693,410	596,875	19,050

Business-type Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 105,000	72,494	430,000	73,731
2019	110,000	67,119	445,000	56,533
2020	115,000	62,069	465,000	38,731
2021	125,000	57,113	460,000	19,550
2022	130,000	51,694	-	-
2023 - 2027	745,000	165,591	-	-
2028 - 2032	350,000	15,972	-	-
Total	\$ 1,680,000	492,052	1,800,000	188,545

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2017, the amount of outstanding debt was equal to 6.41% of the latest property assessments.

GEORGE COUNTY

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

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

	Balance Oct. 1, 2016	Additions	Reductions	Balance Sept. 30, 2017	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 107,378	582		107,960	
General obligation bonds	8,365,000	3,210,000	335,000	11,240,000	510,000
Add:					
Premiums	378,097		21,005	357,092	
Capital leases	260,198	1,444,790	156,055	1,548,933	1,260,876
Other loans	933,349		336,474	596,875	387,501
Total	<u>\$ 10,044,022</u>	<u>4,655,372</u>	<u>848,534</u>	<u>13,850,860</u>	<u>2,158,377</u>

	Balance Oct. 1, 2016	Additions	Reductions	Balance Sept. 30, 2017	Amount due within one year
Business-type Activities:					
Compensated absences	\$ 116,786		27,307	89,479	
General obligation bonds	1,780,000		100,000	1,680,000	105,000
Limited obligation bonds	2,210,000		410,000	1,800,000	430,000
Add:					
Premiums	7,876		1,920	5,956	
Total	<u>\$ 4,114,662</u>	<u>0</u>	<u>539,227</u>	<u>3,575,435</u>	<u>535,000</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Road Construction & Maintenance Fund, Solid Waste Fund, and for business-type activities, the Regional Jail Fund.

(12) Deficit Fund Balances of Individual Funds.

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

Fund	Deficit Amount
District 4 Bridge & Culvert Fund	\$ 358
Chancery Clerk Payroll Clearing Fund	37,933

(13) 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.

GEORGE COUNTY

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

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.

The County has been named as a defendant in a wrongful death lawsuit seeking unspecified damages for an incident involving the Regional Correctional Facility. During the time of the incident, the County had changed insurance carriers, and thus had a lapse of insurance coverage. As such, the County could potentially be required to pay any settlement or judgment. No provision has been made in the accompanying financial statements for this contingent liability since the amount of the potential loss, if any, cannot be reasonably estimated.

(14) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of (\$3,927,168) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$122,586 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The \$548,401 balance of the deferred outflows of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 3 years. The \$204,713 balance of the deferred inflows of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 4 years.

The business-type activities' unrestricted net position amount of (\$1,417,254) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$42,299 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The \$247,516 balance of the deferred outflows of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 3 years. The \$82,935 balance of the deferred inflows of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 4 years.

The business-type activities' net investment in capital assets net position of \$2,017,415 includes the effect of deferring the recognition of expenditures resulting for an advance refunding of county debt. The \$43,241 balance of deferred outflows of resources at September 30, 2017, will be recognized as an expense and will decrease the net investment in capital assets over the next 3 years.

(15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Region 14 Singing River Mental Health/Mental Retardation Center operates in a district composed of the Counties of George and Jackson. The George County Board of Supervisors appoints one of the two members of the board of commissioners. The County appropriated \$53,000 for support of the center in the fiscal year 2017.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The George County Board of Supervisors appoints one of the 27 members of the board of directors. The County appropriated \$19,000 for support of the district in fiscal year 2017.

Mississippi Gulf Coast Community College operates in a district composed of the Counties of George, Harrison, Jackson and Stone. The college's board of trustees is composed of 23 members; three each appointed by George and Stone Counties, eight each appointed by Harrison and Jackson Counties, and one appointed at large. The County appropriated \$649,956 for maintenance and support of the college in fiscal year 2017.

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15 member board of commissioners; one appointed by the Board of Supervisors of each of the member Counties and one appointed at large. The Counties generally provide no financial support to the organization.

GEORGE COUNTY

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

Regional Railroad Authority of East Mississippi was created in September 2009, jointly, with George County, Clarke County, Greene County, Jackson County, Lauderdale County, and Wayne County to compliment and support the existing railroads presently operating in East Mississippi. Each County appoints five commissioners to the Board of Commissioners of the Authority. Additionally, each municipality in any of these Counties through which a railroad runs shall appoint one commissioner. The Counties generally provided no support to the Authority in 2017.

(16) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of George County evaluated the activity of the County through April 24, 2019, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

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

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
2/28/2018	3.19%	\$ 50,000	Capital Lease	Ad Valorem taxes
11/29/2018	3.89%	154,000	Capital Lease	Ad Valorem taxes
11/29/2018	3.89%	154,000	Capital Lease	Ad Valorem taxes
12/07/2018	3.84%	500,000	Negotiable note	Ad Valorem taxes
12/07/2018	3.39%	239,400	Capital Lease	Ad Valorem taxes
12/07/2018	3.39%	167,200	Capital Lease	Ad Valorem taxes
12/07/2018	3.39%	159,600	Capital Lease	Ad Valorem taxes
12/07/2018	3.39%	167,200	Capital Lease	Ad Valorem taxes

GEORGE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

GEORGE COUNTY

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,253,400	4,394,510	4,394,510	
Licenses, commissions and other revenue	344,250	371,556	371,556	
Fines and forfeitures	522,100	464,594	464,594	
Intergovernmental revenues	398,650	448,532	448,532	
Charges for services	254,050	281,015	281,015	
Interest income	17,900	19,503	19,503	
Miscellaneous revenues	53,650	88,530	88,530	
Total Revenues	<u>5,844,000</u>	<u>6,068,240</u>	<u>6,068,240</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	5,292,500	3,028,503	3,028,503	
Public safety	2,404,900	2,335,545	2,335,545	
Health and welfare	248,500	237,643	237,643	
Culture and recreation	36,000	15,888	15,888	
Conservation of natural resources	56,700	39,769	39,769	
Economic development and assistance	96,400	80,025	80,025	
Debt service:				
Principal		65,913	65,913	
Interest		883	883	
Total Expenditures	<u>8,135,000</u>	<u>5,804,169</u>	<u>5,804,169</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(2,291,000)</u>	<u>264,071</u>	<u>264,071</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		1,729	1,729	
Compensation for loss of capital assets		32,937	32,937	
Transfers in		95,611	95,611	
Transfers out		(628,164)	(628,164)	
Other financing sources	20,000	153,125	153,125	
Other financing uses	(500,000)			
Total Other Financing Sources and Uses	<u>(480,000)</u>	<u>(344,762)</u>	<u>(344,762)</u>	<u>0</u>
Net Change in Fund Balance	(2,771,000)	(80,691)	(80,691)	0
Fund Balances - Beginning	<u>2,771,000</u>	<u>3,270,848</u>	<u>3,270,848</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>3,190,157</u>	<u>3,190,157</u>	<u>0</u>

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

GEORGE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Garbage & Solid Waste Fund
 For the Year Ended September 30, 2017
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 451,300	464,943	464,943	
Intergovernmental revenues	3,100	5,884	5,884	
Charges for services	615,000	590,000	590,000	
Interest income	10,000	11,379	11,379	
Miscellaneous revenues	600	5,992	5,992	
Total Revenues	<u>1,080,000</u>	<u>1,078,198</u>	<u>1,078,198</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>2,480,000</u>	<u>1,061,090</u>	<u>1,061,090</u>	
Total Expenditures	<u>2,480,000</u>	<u>1,061,090</u>	<u>1,061,090</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,400,000)</u>	<u>17,108</u>	<u>17,108</u>	<u>0</u>
Net Change in Fund Balance	(1,400,000)	17,108	17,108	0
Fund Balances - Beginning	<u>1,400,000</u>	<u>1,900,889</u>	<u>1,900,889</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>1,917,997</u>	<u>1,917,997</u>	<u>0</u>

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

GEORGE COUNTY

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

Last 10 Fiscal Years*

For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.071715%	0.069044%	0.070113%
County's proportionate share of the net pension liability (asset)	\$ 11,921,468	12,332,983	10,838,087
County's covered payroll	\$ 4,600,590	4,416,895	4,385,485
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	259.13%	279.22%	247.14%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%

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

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

GEORGE COUNTY
 Schedule of County Contributions
 Last 10 Fiscal Years*
 For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 706,905	692,493	690,714
Contributions in relation to the contractually required contribution	<u>706,905</u>	<u>692,493</u>	<u>690,714</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 4,488,288	4,396,782	4,385,485
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

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

GEORGE COUNTY

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

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Garbage & Solid Waste Fund
Budget (Cash Basis)	\$ (80,691)	17,108
Increase (Decrease)		
Net adjustments for revenue accruals	269,456	(15,316)
Net adjustments for expenditure accruals	(106,214)	(2,735)
GAAP Basis	\$ 82,551	(943)

GEORGE COUNTY

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

Pension Schedules

A. Changes of assumptions.

2015

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

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

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

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

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

2016

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

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022 rather than projected with Scale BB to 2016, which was used prior to 2017. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumptions was reduced from 3.75% to 3.25%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

B. Changes in benefit provisions.

2016

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

Method and assumptions used in calculations of actuarially determined contributions.

GEORGE COUNTY

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end).

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

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

GEORGE COUNTY

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GEORGE COUNTY

SUPPLEMENTARY INFORMATION

GEORGE COUNTY
 Reconciliation of Operating Costs of Solid Waste
 For the Year Ended September 30, 2017

Operating Expenditures, Cash Basis:

Salaries	\$	355,616
Expendable Commodities:		
Gasoline and petroleum products		62,184
Repair parts		50,405
Office, field and shop supplies		44,946
Tires		27,560
Food for prisoners		11,763
Professional fees, legal advertising and other fees		191,145
Telephone and utilities		4,046
Postage and boxrent		7,425
Purchase of equipment		<u>306,000</u>
Solid Waste Cash Basis Operating Expenditures		1,061,090
Full Cost Expenses:		
Indirect administrative costs		12,726
Depreciation on equipment		<u>111,933</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>1,185,749</u></u>

GEORGE COUNTY

OTHER INFORMATION

GEORGE COUNTY

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

Name	Position	Company	Bond
William H. Cochran	Supervisor District 1	Western Surety Company	\$100,000
Larry A. Havard	Supervisor District 2	Western Surety Company	\$100,000
Larry D. McDonald	Supervisor District 3	Western Surety Company	\$100,000
Kelly Wayne Wright	Supervisor District 4	Western Surety Company	\$100,000
Fred Allen Croom	Supervisor District 5	Western Surety Company	\$100,000
Cammie Byrd	Chancery Clerk	Western Surety Company	\$100,000
Connie Shockley	Purchase Clerk	Western Surety Company	\$75,000
Linda B. Fallon	Assistant Purchase Clerk	Western Surety Company	\$50,000
Angela Ludgood	Receiving Clerk	Western Surety Company	\$75,000
Rhonda Byrd	Assistant Receiving Clerk	Western Surety Company	\$50,000
Amye W. Havens	Inventory Control Clerk	Western Surety Company	\$75,000
Stacey David Dungan	Constable	Western Surety Company	\$50,000
Glen Ecroyd	Constable	Western Surety Company	\$50,000
Chad Welford	Circuit Clerk	Western Surety Company	\$100,000
Keith Havard	Sheriff	Western Surety Company	\$100,000
Jessie Underwood	Justice Court Judge	Western Surety Company	\$50,000
Edward Bullock	Justice Court Judge	Western Surety Company	\$50,000
Sandra W. Tanner	Justice Court Clerk	Western Surety Company	\$50,000
Loretta Norton	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Vincent Edward Carlisle	Tax Assessor-Collector	Western Surety Company	\$100,000
Bambi Lynn Clark	Deputy Tax Collector	Western Surety Company	\$50,000
Corleen Nix	Deputy Tax Collector	Western Surety Company	\$50,000
Penny L. Anderson	Deputy Tax Collector	Western Surety Company	\$50,000
Allison Senn	Deputy Tax Collector	Western Surety Company	\$50,000
Annette L. Webb	Deputy Tax Collector	Western Surety Company	\$50,000
Lena Jordan	Deputy Tax Collector	Western Surety Company	\$50,000
Kimberly D. Davis	Deputy Circuit Clerk	Western Surety Company	\$50,000
Rhonda Michelle Chapman	Deputy Circuit Clerk	Western Surety Company	\$50,000
Regina Hodges	Deputy Circuit Clerk	Western Surety Company	\$50,000
Selina E. Holifield	Deputy Circuit Clerk	Western Surety Company	\$50,000

GEORGE COUNTY

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GEORGE COUNTY

SPECIAL REPORTS

GEORGE COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

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

Members of the Board of Supervisors
George County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate-discretely presented component units, each major fund, and the aggregate remaining fund information of George County, Mississippi (the County), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 24, 2019. Our report includes a reference to other auditors. Other auditors audited the financial statements of the George Regional Health System, as described in our report on George County, Mississippi's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditors.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2017-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether George 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*.

We noted certain matters that we reported to the management of George County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated April 24, 2019, included within this document.

George County's Responses to Findings

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

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 24, 2019



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

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

Members of the Board of Supervisors
George County, Mississippi

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

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

In our opinion, George County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2017.

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

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

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 24, 2019

GEORGE COUNTY
Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2017

Schedule 1

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

GEORGE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2017

Schedule 2

Our tests did not identify any emergency purchases.

GEORGE COUNTY

Schedule 3

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

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

GEORGE COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
George County, Mississippi

In planning and performing our audit of the financial statements of George County, Mississippi for the year ended September 30, 2017, we considered George 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 George 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 April 24, 2019, on the financial statements of George County, Mississippi.

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

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

Board of Supervisors.

1. Final amended budget should be spread in the board minutes.

Repeat Finding No

Criteria Section 19-11-11, Miss. Code Ann. (1972), requires the Board of Supervisors to, by resolution, approve and adopt the budget as finally determined and enter the same at length and in detail in its official minutes.

Condition The final amended budget for fiscal year 2017 was not approved and documented in the board minutes.

Cause The County did not have the necessary controls in place to ensure they complied with state laws.

Effect Failure to do so causes noncompliance with state law.

Recommendation The Board of Supervisors should approve and spread the final amended budget on the minutes each year.

Views of Responsible Official(s)	We concur with finding. We will have proper documentation filed in the minutes.
2.	<u>Inter-fund transfers were not approved by the Board of Supervisors.</u>
Repeat Finding	No
Criteria	Section 19-3-27, Miss. Code Ann. (1972), requires a complete and correct record be maintained for all proceedings of the Board of Supervisors.
Condition	Inter-fund transfers were made without board orders being spread on the minutes.
Cause	The Board of Supervisors did not comply with state law.
Effect	The failure to obtain board approval for inter-fund transfers could result in erroneous amounts reported and increases the possibility of the loss or misuse of public funds.
Recommendation	The Board of Supervisors should spread complete orders on the minutes relative to inter-fund transfers.
Views of Responsible Official(s)	We concur and will comply with Code 19-3-27 in reference to more specific documentation of inter-fund transactions. This specific finding was from October 2016, Merrill Bridge Project.
3.	<u>The Board of Supervisors should not authorize an interest free loan to the Chancery Clerk.</u>
Repeat Finding	No
Criteria	The Mississippi Code is silent regarding the authority of the County to make an interest free loan to the Chancery Clerk.
Condition	The County made an interest free loan to the Chancery Clerk. This loan was made when the County allowed the Chancery Clerk to maintain a negative cash balance in the Chancery Clerk's payroll clearing fund.
Cause	The Board of Supervisors did not have adequate controls over cash.
Effect	Failure of the Board of Supervisors to ensure repayment of this loan is an illegal diversion of legally restricted funds.
Recommendation	The Board of Supervisors should ensure the Chancery Clerk's payroll reimbursement will be kept current.
Views of Responsible Official(s)	We will concur.
4.	<u>The County should settle additional privilege taxes on carriers of property and on buses to the County's School District.</u>
Repeat Finding	No
Criteria	Section 27-19-11, Miss. Code Ann. (1972), states that Counties shall distribute proceeds from tax on carriers of property and on buses as they would if these collections were ad valorem taxes.

Condition During the testing of the County’s settlement of additional privilege taxes from the Mississippi State Tax Commission, it was noted that the County did not settle \$77,910 in taxes to the county’s School District. Instead, these funds were only settled in the County’s Road Funds.

Cause The County did not follow procedures to comply with state law.

Effect Failure to settle the additional privilege taxes to the County’s School District is a violation of Section 27-19-11 and could result in the misappropriation of public funds.

Recommendation The Board of Supervisors should comply with state law to ensure all additional privilege taxes received from the Mississippi Department of Revenue are settled to the County’s School District as if they were ad valorem taxes.

Views of Responsible Official(s) We concur and will comply with Miss. Code Section 27-19-11, to ensure all additional privilege taxes received from the Mississippi Department of Revenue are settled to the County’s School District as if they were ad valorem taxes. The County will settle \$77,910 to the schools for the fiscal year 2017, plus the nine months in the fiscal year 2018.

Chancery Clerk.

5. Chancery Clerk did not have sufficient funds in its payroll clearing account.

Repeat Finding No

Criteria Section 19-13-43, Miss. Code Ann. (1972), prohibits warrants from being signed and delivered by the clerk until there are sufficient funds in the account upon which it is drawn to pay the same.

Condition During the testing of the Chancery Clerk’s annual financial report and expenses, it was noted that the Chancery Clerk’s payroll clearing account has a negative cash balance of \$37,932.57 as of September 30, 2017, which is used monthly for the Chancery Clerk’s payroll.

Cause The Chancery Clerk is not in compliance with state laws.

Effect The failure of the Chancery Clerk to reimburse the payroll clearing account is a misappropriation of taxpayer money.

Recommendation The Chancery Clerk should reimburse the payroll clearing account every month and also reimburse the \$37,932.57 owed to the County as of September 30, 2017 for prior months of accumulated payroll.

Views of Responsible Official(s) As evidenced by receipt warrant #32804, payroll funds were reimbursed to the County. These funds were reimbursed months prior to auditors performing the audit for 2017. I will ensure to reimburse the County for payroll in full by fiscal year ending September 30 of each year. As evident by state auditors there were no misappropriations of funds in fiscal year.

Auditor’s Note The County should be reimbursed for payroll expenses after each payroll period. Also, by not reimbursing the County on a monthly basis, taxpayer’s money could be misappropriated.

6. Chancery Clerk should reconcile bank statements monthly to fee journals.

Repeat Finding No

Criteria An effective system of internal control over cash should include maintaining a fee journal and reconciling the bank statements to the fee journal.

Condition The Chancery Clerk’s bank statements were not reconciled to the fee journal.

Cause	The Chancery Clerk did not have the necessary controls in place over cash.
Effect	The failure to reconcile the bank statements to the fee journal could result in the loss or misappropriation of public funds.
Recommendation	The Chancery Clerk should ensure that the bank statements are reconciled to the fee journal.
Views of Responsible Official(s)	Horne CPA firm has been doing the Chancery Clerk's reconciliations every year since 2004. I will ensure that the reconciled bank balance agrees with the cash balance of the fee journal. As evidenced by state auditors, there were no misappropriations of funds in fiscal year 2017.
Auditor's Note	The Chancery Clerk should reconcile the bank statements to the fee journal on a monthly basis. Failure to do so could result in the misappropriation of public funds.
Payroll Clerk.	
7.	<u>PERS Retirees should not be paid more than one-half salary of their position.</u>
Repeat Finding	No
Criteria	Section 25-11-127(4)(a), Miss. Code Ann. (1972), requires retirees to receive no more than one-half of the salary in effect for the position at the time of employment in a fiscal year.
Condition	We noted that one PERS retiree was paid more than one-half of the salary for their positions during the fiscal year 2017.
Cause	The Payroll Clerk did not comply with state laws.
Effect	By overpaying PERS retirees, the County is not in compliance with state legal requirements.
Recommendation	The Payroll Clerk should ensure that PERS retirees are not being paid more than the allowable amount.
Views of Responsible Official(s)	I will review his compensation with the Sheriff's Office to correct in the future.
Tax Assessor/Collector.	
8.	<u>The Tax Assessor-Collector should deposit money in an approved depository.</u>
Repeat Finding	No
Criteria	Section 27-105-303, Miss. Code Ann. (1972), requires that county funds be on deposit in an approved county depository.
Condition	The Tax Assessor-Collector's funds were not all deposited in an approved depository for fiscal year 2017.
Cause	The Tax Assessor-Collector did not comply with state laws.
Effect	Failure to have funds in an approved county depository could result in a loss of funds to the County.
Recommendation	The Tax Assessor-Collector should ensure that all funds are deposited in an approved county depository, as required by law.
Views of Responsible	

Official(s)

This account was closed and deposited to Board approved account.

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

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

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 24, 2019

GEORGE COUNTY

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GEORGE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

GEORGE COUNTY

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GEORGE COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|---|------------|
| 1. Type of auditor's report issued on the financial statements: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiency identified? | Yes |
| 3. Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2017-001. The County should establish controls to ensure fifty percent of National Forest Distribution Title I funds are settled to the schools.

Repeat Finding No

Criteria During fiscal year 2017, George County received \$24,060 in National Forest Distribution Title I funds, a portion of the Secure Rural Schools Act State payments, which are to be used to benefit public schools and public roads in counties where national forests were located. Upon receipt of these funds, fifty percent of the total received should be settled to the County's public school.

Condition The County received a total of eleven (11) National Forest Distribution Title I payments during fiscal year 2017. However, during our audit test procedures, we noted that no payments were settled to the George County School District.

Cause The County lacked the necessary controls to ensure fifty percent of the total received from the Secure Rural Schools Act State payments was settled to the County's public school.

Effect The County's lack of adequate internal controls resulted in an overstatement of the County's revenues in the amount of \$12,030.

Recommendation The George County Board of Supervisors should take the necessary steps to ensure that fifty percent of the total National Forest Distribution Title I funds are properly settled to the County's public schools

Views of Responsible Official(s) We concur and the Board of Supervisors will take the necessary steps to ensure that fifty percent of the total National Forest Distribution Title I funds received are properly settled to the County's public schools. The County will settle \$12,030 to the schools for the fiscal year 2017, plus for the nine months in the fiscal year 2018.

GEORGE COUNTY

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

Sheriff.

Significant Deficiency

2017-002. Internal controls over the inmate canteen fund should be strengthened.

Repeat Finding No

Criteria An effective system of internal control over cash in the inmate canteen fund should include the billing, recording and settlement of revenue collections in a timely manner.

Condition Controls were inadequate over cash. During the testing of inmate canteen funds, it was noted that all commissions received were not billed and settled to the County in a timely manner.

Cause The Sheriff lacks the appropriate controls necessary over the inmate canteen fund.

Effect The failure to implement adequate internal controls over cash could result in inaccurate reporting, incomplete settlements and the increased possibility of the loss or misappropriation of public funds.

Recommendation The Sheriff should ensure that the billing, recording and settlement functions are performed in a timely manner.

Views of Responsible Official(s) Verification for all canteen profits will be posted by the 20th of the month. If payment has not been received, contact to the appropriate company will be done.