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

**Fortenberry & Ballard, PC**  
Certified Public Accountants

## Stone County Location in Mississippi



Stone County was formed from the northern portion of Harrison County on June 5, 1916, The County was named for John M. Stone, who served as Governor of Mississippi from 1876 to 1882 and again from 1890 to 1896. The County has a total area of 448 square miles (1,160 km<sup>2</sup>), of which 445 square miles (1,150 km<sup>2</sup>) is land and 2.6 square miles (6.7 km<sup>2</sup>) (0.6%) is water.

**Stone County, Mississippi**  
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## FINANCIAL REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Stone County, Mississippi

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

## **Basis for Qualified Opinion on Governmental Activities**

As discussed in Note 12 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities has not been determined.

The County did not properly maintain and preserve adequate subsidiary records documenting the County's financing of a portion of its exposure to risk of loss relating to employee health and dental coverage. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of this activity. Additionally, a fiduciary fund type is used to report the risk-financing activity in the financial statements. Accounting principles generally accepted in the United States of America stipulate that fiduciary funds are to be used solely to report resources held by the County as a trustee or agent on behalf of an outside entity that cannot be used to support the County's own programs. The amount by which this departure would affect the assets and liabilities of the governmental activities is not reasonably determinable. The County also has not recorded a liability for unpaid claims and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that claims be accrued as liabilities and expenses as they are incurred, which would increase the liabilities, reduce net position and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities is not reasonably determinable.

Additionally, the County did not properly maintain and preserve an adequate inventory control system. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of the County's investment in capital assets.

The County did not properly account for risk-financing activities. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of the County's risk-financing activities.

## **Qualified Opinion**

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



### **Basis for Qualified Opinion on Business-Type Activities and Correctional Facility Fund**

As discussed in Note 12 to the financial statements, the County has not recorded a liability for other postemployment benefits in the business-type activities and Correctional Facility Fund and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the business-type activities and Correctional Facility Fund. The amount by which this departure would affect the liabilities, net position and expenses of the business-type activities and the Correctional Facility Fund is not reasonably determinable.

Additionally, the County did not properly maintain and preserve an adequate inventory control system. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of the County's investment in capital assets.

### **Qualified Opinion**

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion on Business-Type Activities and Correctional Facility Fund" paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and Correctional Facility Fund of Stone 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.

### **Basis for Qualified Opinion on the General Fund**

The County was unable to provide reconciled bank statements for Circuit Clerk operational accounts for the fiscal year ended September 30, 2017. Numerous requests were made to the Circuit Clerk for the following accounts: 1) Criminal account, 2) Civil account and Cash bond account for September 2017. The months of June, July, August and September 2017 have yet to be settled. This issue affects the cash presented on the financial statements.

### **Qualified Opinion**

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

## **Basis for Qualified Opinion on the Aggregate Remaining Fund Information**

The County did not properly maintain and preserve adequate subsidiary records documenting the County's financing of a portion of its exposure to risk of loss relating to employee health and dental coverage. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of this activity. Additionally, a fiduciary fund type is used to report the risk-financing activity in the financial statements. Accounting principles generally accepted in the United States of America stipulate that fiduciary funds are to be used solely to report resources held by the County as a trustee or agent on behalf of an outside entity that cannot be used to support the County's own programs.

The amount by which this departure would affect the assets and liabilities of the aggregate remaining fund information is not reasonably determinable. The County also has not recorded a liability for claims unpaid as of the date of the financial statements. Accounting principles generally accepted in the United States of America require that claims be accrued as liabilities and expenses as they are incurred, which would increase the liabilities of the aggregate remaining fund information. The amount by which this departure would affect the liabilities of the aggregate remaining fund information is not reasonably determinable.

## **Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of Stone County, Mississippi, as of September 30, 2016, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Road and Bridge Fund, Countywide Bridge and Culvert Fund of the Stone County, Mississippi, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Omission of Required Supplementary Information**

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

### *Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2019, on our consideration of the Stone County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stone County, Mississippi's internal control over financial reporting and compliance.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
April 3, 2019

Certified Public Accountants

## FINANCIAL STATEMENTS

Stone County, Mississippi  
Statement of Net Position  
September 30, 2017

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 769,224		\$ 769,224
Restricted assets - investments		1,928,039	1,928,039
Property tax receivable	5,219,805		5,219,805
Fines receivable, net	398,399		398,399
Loans receivable, net	20,800		20,800
Capital lease receivable	26,106		26,106
Intergovernmental receivables	161,100	646,543	807,643
Other receivables	11,959		11,959
Internal Balances	317,519	(317,519)	-
Capital assets:			
Land and construction in progress	2,801,547	12,957	2,814,504
Other capital assets, net of depreciation	10,767,993	4,170,289	14,938,282
Total Assets	<u>20,494,452</u>	<u>6,440,309</u>	<u>26,934,761</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	1,214,958	522,167	1,737,125
Deferred amount on refunding		15,560	15,560
Total Deferred Outflows of Resources	<u>1,214,958</u>	<u>537,727</u>	<u>1,752,685</u>
<b>LIABILITIES</b>			
Claims payable	73,041	54,721	127,762
Intergovernmental payables	391,418		391,418
Accrued interest payable	555	20,750	21,305
Long-term liabilities			
Due within one year:			
Capital debt	796,268	479,283	1,275,551
Due in more than one year:			
Capital debt	1,362,664	784,952	2,147,616
Non-capital debt	84,903	45,383	130,286
Net pension liability	8,223,440	3,534,287	11,757,727
Total Liabilities	<u>10,932,289</u>	<u>4,919,376</u>	<u>15,851,665</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	936,160	402,345	1,338,505
Unavailable revenue - capital lease interest	451		451
Unavailable revenue - property taxes	5,219,805		5,219,805
Total Deferred Inflows of Resources	<u>6,156,416</u>	<u>402,345</u>	<u>6,558,761</u>
<b>NET POSITION</b>			
Net investment in capital assets	11,410,608	2,934,571	14,345,179
Restricted for:			
Debt service	53,935	412,783	466,718
Public safety	458,656		458,656
Public works	1,145,556		1,145,556
Economic development	210,580		210,580
Unemployment compensation	37,694		37,694
Unrestricted	(8,696,324)	(1,691,039)	(10,387,363)
Total Net Position	<u>\$ 4,620,705</u>	<u>\$ 1,656,315</u>	<u>\$ 6,277,020</u>

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

**Stone County, Mississippi**

## Statement of Activities

For the Year Ended September 30, 2017

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 3,255,604	\$ 583,794			\$ (2,671,810)	\$ -	\$ (2,671,810)
Public safety	2,694,861	202,187	176,739	71,060	(2,244,875)		(2,244,875)
Public works	1,042,383		48,548	184,857	(808,978)		(808,978)
Health and welfare	98,073		52,996		(45,077)		(45,077)
Culture and recreation	244,047				(244,047)		(244,047)
Education					-		-
Conservation of natural resources	45,004				(45,004)		(45,004)
Economic development and assistance	11,994			3,097	(8,897)		(8,897)
Interest on long-term debt	41,668				(41,668)		(41,668)
Pension expense	1,093,759				(1,093,759)		(1,093,759)
Total Governmental Activities	<u>8,527,393</u>	<u>785,981</u>	<u>278,283</u>	<u>259,014</u>	<u>(7,204,115)</u>		<u>(7,204,115)</u>
Business-type activities							
Correctional facility	3,198,909	3,876,996				678,087	-
Pension expense	470,078					(470,078)	-
Total Business-type Activities	<u>3,668,987</u>	<u>3,876,996</u>	<u>-</u>	<u>-</u>		<u>208,009</u>	<u>-</u>
Total Primary Government	<u>\$ 12,196,380</u>	<u>\$ 4,662,977</u>	<u>\$ 278,283</u>	<u>\$ 259,014</u>	<u>\$ (7,204,115)</u>	<u>\$ 208,009</u>	<u>\$ (6,996,106)</u>
General revenues:							
Property taxes					6,778,118		6,778,118
Road & bridge privilege taxes					233,935		233,935
Grants not restricted to specific programs					808,345		808,345
Unrestricted gifts and donations							-
Unrestricted interest income					24,870	8,928	33,798
Miscellaneous					302,803	12,646	315,449
Transfers					1,180	(1,180)	-
Total General Revenues and Transfers					<u>8,149,251</u>	<u>20,394</u>	<u>8,169,645</u>
Change in Net Position					<u>945,136</u>	<u>228,403</u>	<u>1,173,539</u>
Net Position - Beginning, as previously reported					4,045,321	1,495,445	5,540,766
Prior period adjustments					(369,752)	(67,533)	(437,285)
Net Position - Beginning, as restated					<u>3,675,569</u>	<u>1,427,912</u>	<u>5,103,481</u>
Net Position - Ending					<u>\$ 4,620,705</u>	<u>\$ 1,656,315</u>	<u>\$ 6,277,020</u>

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

	Major Funds				
	General Fund	Road and Bridge Fund	Countywide Bridge & Culvert Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 294,405	\$ 280,345	\$ 364	\$ 194,110	769,224
Property tax receivable	3,365,512	223,789	762,675	867,829	5,219,805
Fines receivable (net of allowance for uncollectible of \$869,830)	398,399				398,399
Loans receivable				20,800	20,800
Capital lease receivable				25,655	25,655
Intergovernmental receivables	133,174	1,141		26,785	161,100
Other receivables	4,965			6,994	11,959
Due from other funds		155,794	440,656	1,011,255	1,607,705
Advances to other funds	22,212	98,823	89,699	5,925	216,659
Total Assets	<u>\$ 4,218,667</u>	<u>\$ 759,892</u>	<u>\$ 1,293,394</u>	<u>\$ 2,159,353</u>	<u>\$ 8,431,306</u>
<b>LIABILITIES</b>					
Claims payable	\$ 36,283	\$ 15,658		\$ 21,100	73,041
Intergovernmental payables	163,549				163,549
Due to other funds	1,263,797				1,263,797
Advances from other funds	255,668	20,027		195,222	470,917
Total Liabilities	<u>1,719,297</u>	<u>35,685</u>	<u>-</u>	<u>216,322</u>	<u>1,971,304</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue - property taxes	3,365,512	223,789	762,675	867,829	5,219,805
Deferred revenue - capital lease receivable				25,655	25,655
Deferred revenue - fines	398,399				398,399
Total Deferred Inflows of Resources	<u>3,763,911</u>	<u>223,789</u>	<u>762,675</u>	<u>893,484</u>	<u>5,643,859</u>
<b>FUND BALANCES</b>					
Nonspendable					
Advances	22,212	98,823	89,699		210,734
Restricted					
Debt service				54,490	54,490
Public safety				463,171	463,171
Public works		401,595	441,020	302,941	1,145,556
Economic development and assistance				184,925	184,925
Unemployment compensation				37,694	37,694
Unassigned	(1,286,753)			6,326	(1,280,427)
Total Fund Balances	<u>(1,264,541)</u>	<u>500,418</u>	<u>530,719</u>	<u>1,049,547</u>	<u>816,143</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 4,218,667</u>	<u>\$ 759,892</u>	<u>\$ 1,293,394</u>	<u>\$ 2,159,353</u>	<u>\$ 8,431,306</u>

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

**Stone County, Mississippi**Exhibit 3-1Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
September 30, 2017

Total fund balances for governmental funds	\$ 816,143
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	13,569,540
Other long-term assets are not available to pay current period expenditures and therefore are not reported in the funds	398,399
Deferred outflows of resources related to pension reported in governmental activities is not a financial resource and therefore is not reported in the funds.	1,214,958
Long-term liabilities, pension obligation and related accrued interest are not due and payable in the current period and therefore are not reported in the funds	
Long-term liabilities	(2,243,835)
Net pension obligations	(8,223,440)
Accrued interest payable	(555)
Deferred inflows of resources related to pension are not due and payable in the current period and therefore are not reported in the funds.	(936,160)
Capital leases not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>25,655</u>
Net position of governmental activities	<u><u>\$ 4,620,705</u></u>

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



**Stone County, Mississippi**
**Exhibit 4**
**Governmental Funds**
**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended September 30, 2017**

	Major Funds			Other	Total
	General	Road and	Countywide	Governmental	Governmental
	Fund	Bridge	Bridge & Culvert	Funds	Funds
		Fund	Fund		
<b>REVENUES</b>					
Property taxes	\$ 4,669,341	\$ 279,558	\$ 903,069	\$ 943,744	\$ 6,795,712
Road and bridge privilege taxes		216,341			216,341
Licenses, commissions, and other revenues	240,932	3,868	2,149	17,161	264,110
Fines and forfeitures	299,434			11,221	310,655
Intergovernmental revenues	457,513	611,322	170,989	130,567	1,370,391
Charges for services	171,467				171,467
Interest income	11,245	3,691	3,770	6,164	24,870
Miscellaneous revenues	86,187	127,866		134,770	348,823
Total Revenues	<u>5,936,119</u>	<u>1,242,646</u>	<u>1,079,977</u>	<u>1,243,627</u>	<u>9,502,369</u>
<b>EXPENDITURES</b>					
Current:					
General government	3,371,810			22,708	3,394,518
Public safety	2,393,161			589,288	2,982,449
Public works	4,783	1,085,310	1,202,604	839,695	3,132,392
Health and welfare	169,128				169,128
Culture and recreation	213,877			13,933	227,810
Conservation of natural resources	57,940				57,940
Economic development and assistance	6,518			3,100	9,618
Debt service:					
Principal	70,682	501,207		414,490	986,379
Interest and other fiscal charges	1,283	28,808		21,119	51,210
Total Expenditures	<u>6,289,182</u>	<u>1,615,325</u>	<u>1,202,604</u>	<u>1,904,333</u>	<u>11,011,444</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(353,063)</u>	<u>(372,679)</u>	<u>(122,627)</u>	<u>(660,706)</u>	<u>(1,509,075)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from issuance of long term debt	54,495	152,348		704,305	911,148
Proceeds from sale of capital assets	225	21,600		5,715	27,540
Compensation for loss of capital assets	9,715	18,028			27,743
Transfers in	301,177	11,739	1,731	185,428	500,075
Transfers out	(185,470)	(520)		(312,905)	(498,895)
Net Other Financing Sources (Uses)	<u>180,142</u>	<u>203,195</u>	<u>1,731</u>	<u>582,543</u>	<u>967,611</u>
Net Change in Fund Balances	<u>(172,921)</u>	<u>(169,484)</u>	<u>(120,896)</u>	<u>(78,163)</u>	<u>(541,464)</u>
Fund Balances - Beginning,	<u>(1,091,620)</u>	<u>669,902</u>	<u>651,615</u>	<u>1,127,710</u>	<u>1,357,607</u>
Fund Balances - Ending	<u>\$ (1,264,541)</u>	<u>\$ 500,418</u>	<u>\$ 530,719</u>	<u>\$ 1,049,547</u>	<u>\$ 816,143</u>

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

**Stone County, Mississippi**Exhibit 4-1

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

**Net change in fund balances - total governmental funds** \$ (541,464)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$2,891,226 exceeded depreciation expense of \$805,481. 2,085,745

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$128,843 less the proceeds from the sale of \$27,540 in the current period. (101,303)

Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting. 39,749

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities.

Payments of debt principal 986,379  
Proceeds from issuance of long-term debt (911,148)

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 (1,093,759)  
Recording retirement contributions made during the fiscal year:  
Before the measurement date 368,609  
Subsequent to the measurement date 138,759

Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences (357)  
Change in accrued interest payable 991

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 changes in fund by the principal collections on the capital lease. (27,065)

Change in net position of governmental activities 945,136

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

**Stone County, Mississippi**  
Statement of Net Position  
September 30, 2017

Exhibit 5

	Business-type Activities Enterprise Funds Correctional Facility Fund
<b>ASSETS</b>	
Current assets:	
Restricted assets - investments	\$ 1,928,039
Intergovernmental receivables	646,543
Advances to other funds	55,668
Total Current Assets	<u>2,630,250</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	12,957
Other capital assets, net	4,170,289
Total Noncurrent Assets	<u>4,183,246</u>
Total Assets	<u>6,813,496</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pension	522,167
Deferred amount on refunding	15,560
Total Deferred Outflows of Resources	<u>537,727</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	54,721
Due to other funds	371,777
Advances from other funds	1,410
Accrued interest payable	20,750
Capital debt:	
Capital leases payable	19,283
Other long-term liabilities	460,000
Total Current Liabilities	<u>927,941</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	5,405
Other long-term liabilities	779,547
Non-capital debt:	
Compensated absences payable	45,383
Net Pension Liability	3,534,287
Total Noncurrent Liabilities	<u>4,364,622</u>
Total Liabilities	<u>5,292,563</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension	402,345
Total Deferred Inflows of Resources	<u>402,345</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,934,571
Restricted for:	
Debt Service	412,783
Public Safety	(1,691,039)
Total Net Position	<u>\$ 1,656,315</u>

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

**Stone County, Mississippi**Exhibit 6Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds Correctional Facility Fund
Operating Revenues	
Charges for services	\$ 3,876,996
Miscellaneous	12,646
Total Operating Revenues	<u>3,889,642</u>
Operating Expenses	
Personal services	1,711,895
Contractual services	618,198
Materials and supplies	751,338
Depreciation expense	44,304
Pension expense	470,078
Total Operating Expenses	<u>3,595,813</u>
Operating Income (Loss)	<u>293,829</u>
Nonoperating Revenues (Expenses):	
Interest income	8,928
Transfer out	(1,180)
Interest expense	(73,174)
Net Nonoperating Revenues (Expenses):	<u>(65,426)</u>
Change in Net Position	<u>228,403</u>
Net Position - Beginning, as previously reported	1,495,445
Prior period adjustments	(67,533)
Net Position - Beginning, as restated	<u>1,427,912</u>
Net Position - Ending	<u>\$ 1,656,315</u>

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

Stone County, Mississippi  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended September 30, 2017

Exhibit 7

	Business-type Activities - Enterprise Funds Correctional Facility Fund
<b>Cash Flows From Operating Activities</b>	
Cash receipts from customers	\$ 3,978,473
Cash payments to suppliers for goods and services	(2,158,547)
Cash payments to employees for services	(1,290,955)
Other operating cash receipts	14,812
Net Cash Provided by (Used for) Operating Activities	543,783
<b>Cash Flows From Noncapital Financing Activities</b>	
Transfers out	(1,180)
Interfund loan receipts	371,777
Interfund loan repayments	(357,181)
Net Cash Provided by (Used for) Noncapital Financing Activities	13,416
<b>Cash Flows From Capital and Related Financing Activities</b>	
Proceeds from long term debt	
Acquisition and construction of capital assets	(15,657)
Principal paid on long-term-debt	(485,021)
Interest paid on debt	(65,449)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(566,127)
<b>Cash Flows From Investing Activities</b>	
Investment income	8,928
Net Cash Provided by (Used for) Investment Activities	8,928
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents - Beginning	-
Cash and Cash Equivalents - Ending	\$ -
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>	
Operating income (loss)	\$ 293,829
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	44,304
Change in assets and liabilities:	
(Increase) decrease in assets:	
Intergovernmental receivable	(153,623)
Deferred outflow related to pension	253,387
Increase (decrease) in liabilities:	
Claims payable	25,766
Net Pension Liability	(234,019)
Compensated absences payable	4,118
Deferred inflow - Pensions	310,021
Total adjustments	249,954
Net Cash Provided by (Used for) Operating Activities	\$ 543,783

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

**Stone County, Mississippi**  
Statement of Fiduciary Assets and Liabilities  
September 30, 2017

Exhibit 8

	Agency Funds
<b>ASSETS</b>	
Cash	\$ 612,552
Due from other funds	27,869
Advances to other funds	200,000
Total Assets	<u>\$ 840,421</u>
<b>LIABILITIES</b>	
Intergovernmental payables	840,421
Total Liabilities	<u>\$ 840,421</u>

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

**Stone County, Mississippi**

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

## Stone County, Mississippi

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

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

##### A. Financial Reporting Entity

Stone 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 Stone County, Mississippi to present these financial statements on the primary government and its component units which have a significant operational or financial relationship with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

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

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

##### B. Basis of Presentation

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

##### Government-wide Financial Statements:

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



## Stone County, Mississippi

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

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, 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, liabilities, deferred inflows, fund balances, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

#### C. Measurement Focus and Basis of Accounting

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

The revenues and expenses of Proprietary Funds are classified as operating or non-operating. 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 non-operating.

## Stone County, Mississippi

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

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

The County reports the following major Governmental Funds:

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

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

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

The County reports the following major Enterprise Fund:

Correctional Facility Fund - This fund is used to account for monies from inmate housing agreement income with the MS 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.

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

Capital Project Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital

## Stone County, Mississippi

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

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.

#### D. Account Classifications

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

#### E. Deposits and Investments

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

#### F. Receivables

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

#### G. Interfund Transactions and Balances

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

## Stone County, Mississippi

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

borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as “due to/from other funds.” Noncurrent portions of interfund receivables and payables are reported as “advances to/from funds.” Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources.

However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

#### H. Restricted Assets

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond 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 resources set aside for the repayment of the County’s enterprise fund revenue bonds are classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The “revenue” account 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” account is used to pay the costs 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 “excess revenue” account is used to pay the maintenance expense when other funds are insufficient to pay these expenses within established limitations. The “debt service reserve” account is used to segregate resources set aside to subsidize potential deficiencies from the County’s operation of the correctional facility that could adversely affect debt service payments. The “general” account is used to accumulate funds to pay the principal and interest payments due on the County’s enterprise fund revenue bonds. When both restricted and nonrestricted assets are available for use, the policy is to use the restricted assets first.

#### I. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets

## Stone County, Mississippi

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

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. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Stone 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. Donated capital assets are recorded at their fair value at the time of donation.

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

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

## Stone County, Mississippi

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

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

#### J. Deferred Outflows/Inflows of Resources

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

Deferred amount on refunding - For current refunding and advance refunding 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 19 for additional details.

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

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

Unavailable revenue - capital leases - 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.

Unavailable revenue - fines - When an asset is recorded in the governmental fund financial statements but the revenues is not available, the government should

## Stone County, Mississippi

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

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 19 for additional details.

#### K. Pensions

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

#### L. 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, business-type activities or Proprietary Funds Statement of Net Position.

#### M. Equity Classifications

Government-wide Financial Statements:

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

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

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

## Stone County, Mississippi

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

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

#### Net Position Flow Assumption:

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

#### Fund Financial Statements:

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

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

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

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

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



## Stone County, Mississippi

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

#### 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 District'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.

#### N. 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.

#### O. Intergovernmental Revenues in Governmental Funds

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

## Stone County, Mississippi

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

#### P. Compensated absences

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and proprietary fund financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires. The County's policy caps the amount of accumulated unpaid employee personal leave at 30 days.

#### Q. 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) Prior Period Adjustments

A summary of significant net position adjustments are as follows:

##### Exhibit 2 - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
<u>Governmental Activities</u>	
1. Net effect of prior year errors in recording revenues and expenses.	\$ 77,367
2. To correct prior year errors in recording long term debt.	86,003
3. To correct prior year errors in recording capital assets.	(533,122)
Total	\$ <u>(369,752)</u>
<u>Business-Type Activities</u>	
1. To correct prior years errors in recording capital assets.	\$ <u>(67,533)</u>

## Stone County, Mississippi

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

### Exhibit 6 - Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds

<u>Business-Type Activities</u>	<u>Amount</u>
1. To correct prior years errors in recording capital assets.	\$ <u>(67,533)</u>

#### (3) Deposits and Investments

##### Deposits:

##### Primary Government

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$769,224 in the governmental funds and \$612,552 in the fiduciary funds and the bank balance was \$2,266,316. 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 the FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

##### Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the County are handled through a trust indenture between the County and the trustee related to the operations of the Stone County Regional Correctional Facility.

Investment balances at September 30, 2017 are as follows:

## Stone County, Mississippi

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

Investment Type	Matures	Fair Value	Rating
SEI Daily Income Trust Mutual Fund	Less than one year	\$ 1,928,039	AAA

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy that addresses custodial credit risk. Of the County's investments, all of the underlying securities were uninsured, unregistered, and held in trust accounts by the investment's counterparty on behalf of the County, not in the name of the County.

#### (4) Interfund Transactions and Balances

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

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

Receivable Fund	Payable Fund	Amount
Road and Bridge Fund	General Fund	\$ 63,456
Road and Bridge Fund	Enterprise Fund	92,338
Countywide Bridge and Culvert Fund	General Fund	440,656
Other Governmental Funds	General Fund	731,816
Other Governmental Funds	Enterprise Fund	279,439
Agency Funds	General Fund	27,869
Total		<u>\$ 1,635,574</u>

The majority of the receivables represent amounts received from various funds to cover deficit cash balances, errors in posting revenues and debt service expenditures. All other receivables represent either tax revenue collected in September 2017 but not settled until October 2017. All interfund balances are expected to be repaid within one year from the date of the financial statements.

## Stone County, Mississippi

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

#### B. Advances To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Road and Bridge Fund	\$ 15,512
General Fund	Other Governmental Funds	6,700
Road and Bridge Fund	Other Governmental Funds	98,823
Countywide Bridge and Culvert Fund	Other Governmental Funds	89,699
Other Governmental Funds	Road and Bridge Fund	4,515
Other Governmental Funds	Enterprise Fund	1,410
Enterprise Funds	General Fund	55,668
Agency Funds	General Fund	200,000
Total		<u>\$ 472,327</u>

The advances represent errors in posting revenues, debt proceeds, and debt service expenditures in prior years.

#### C. Transfers In/Out:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 301,177
Road and Bridge Fund	General Fund	171
Road and Bridge Fund	Other Governmental Funds	11,568
Countywide Bridge and Culvert Fund	General Fund	1,731
Other Governmental Funds	General Fund	183,568
Other Governmental Funds	Road and Bridge Fund	520
Other Governmental Funds	Other Governmental Funds	160
Other Governmental Funds	Correctional Facility Fund	1,180
Total		<u>\$ 500,075</u>

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

## Stone County, Mississippi

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

#### (5) Intergovernmental Receivables

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

##### Governmental Activities:

Description	Amount
Grant Reimbursements	\$ 11,108
DHS Reimbursement	3,611
Phone Commissions and Fees	3,152
Legislative tag credit	92,875
Sales Commissions	7,201
Miscellaneous	19,584
E-911 Commissions	23,569
Total	<u>\$ 161,100</u>

##### Business-Type Activities:

Description	Amount
Reimbursements for housing prisoners	\$ 388,631
Other	257,912
Total	<u>\$ 646,543</u>

#### (6) Loans Receivable

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

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Emergency Medical Services District	06-1987	0.00%	Unknown	\$ 22,439
Crown Castle Towers 09, LLC	03-2013	2.00%	03-2018	<u>20,800</u>
Total loans receivables (gross)				43,239
Less: allowance for doubtful accounts				<u>(22,439)</u>
Total				<u>\$ 20,800</u>

The Emergency Medical Services District's loan has been dormant for decades. The Crown Castle Towers 09, LLC's loan is a 5 year loan (Tower Lease) which the County maintained.

## Stone County, Mississippi

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

### (7) Restricted Assets

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

	<u>Amount</u>
General Account	\$ 443,990
Revenue fund	61,264
Depreciation and operating reserve fund	502,915
Debt service reserve fund	412,783
Excess revenue fund	506,958
Mandatory redemption fund	<u>129</u>
Total restricted assets	\$ <u><u>1,928,039</u></u>

# Stone County, Mississippi

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

### (8) 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	Adjustments/ Completed Construction	Balance Sept. 30, 2017
Non-depreciable capital assets:					
Land	\$ 434,756			(2,000)	432,756
Construction in progress	878,518	1,501,684		(11,411)	2,368,791
Total non-depreciable capital assets	1,313,274	1,501,684	0	(13,411)	2,801,547
Depreciable capital assets:					
Infrastructure	1,572,179			(657,556)	914,623
Buildings	9,078,043				9,078,043
Improvements other than buildings	918,306			(918,306)	0
Mobile equipment	4,749,727	595,481	131,419		5,213,789
Furniture and equipment	683,891	100,269	44,634	918,306	1,657,832
Leased property under capital leases	1,062,916	693,792	193,624		1,563,084
Total depreciable capital assets	18,065,062	1,389,542	369,677	(657,556)	18,427,371
Less accumulated depreciation for:					
Infrastructure	52,346	9,305		(13,151)	48,500
Buildings	2,326,421	286,741		(117,156)	2,496,006
Improvements other than buildings	0				0
Mobile equipment	3,851,504	203,249	118,277	(3,555)	3,932,921
Furniture and equipment	475,433	64,180	44,188	(3,983)	491,442
Leased property under capital leases	554,412	242,006	105,909		690,509
Total accumulated depreciation	7,260,116	805,481	268,374	(137,845)	7,659,378
Total depreciable capital assets, net	10,804,946	584,061	101,303	(519,711)	10,767,993
Governmental activities capital assets, net	\$ 12,118,220	2,085,745	101,303	(533,122)	13,569,540

Adjustment were made to correctly present capital assets.



## Stone County, Mississippi

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

#### Business-Type Activities:

The following is a summary of business-type activities' capital assets activity for the year ended September 30, 2017:

	Balance Oct. 1, 2016	Additions	Deletions	Adjustments	Balance Sept. 30, 2017
Non-depreciable capital assets:					
Land	\$ 12,957				12,957
Total non-depreciable capital assets	12,957	0	0	0	12,957
Depreciable capital assets:					
Buildings	5,857,503				5,857,503
Mobile equipment	111,307		21,664		89,643
Furniture and equipment	213,656				213,656
Leased property under capital leases	125,508				125,508
Total depreciable capital assets	6,307,974	0	21,664	0	6,286,310
Less accumulated depreciation for:					
Buildings	1,733,915			117,156	1,851,071
Mobile equipment	96,622	22,596	19,498	(37,491)	62,229
Furniture and equipment	136,979	21,708		(12,132)	146,555
Leased property under capital leases	56,166				56,166
Total accumulated depreciation	2,023,682	44,304	19,498	67,533	2,116,021
Total depreciable capital assets, net	4,284,292	(44,304)	2,166	(67,533)	4,170,289
Total business-type activities capital assets, net	\$ 4,297,249	(44,304)	2,166	(67,533)	4,183,246

Adjustments were made to correctly present capital assets.

## Stone County, Mississippi

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 171,742
Public safety	243,421
Public works	339,468
Health and welfare	28,500
Culture and recreation	19,974
Economic development and assistance	2,376
Total governmental activities	<u>805,481</u>
Business-Type Activities	
Correctional Facility	<u>44,304</u>
 Total depreciation expense	 \$ <u><u>849,785</u></u>

#### (9) Claims and Judgments

##### Risk Financing

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

#### (10) Operating Leases

##### As Lessee:

The County entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$41,508 for the year ended September 30, 2017. The future minimum lease receivables for these leases are as follows:

## Stone County, Mississippi

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

Year Ending September 30,	Amount
2018	\$ 41,508
2019	41,508
2020	41,508
2021	41,508
2022	41,508
2023	34,590
Total Minimum Payments Required	\$ <u>242,130</u>

#### (11) Capital Leases

As Lessor:

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

Classes of Property	Amount
Buildings	\$ <u>269,842</u>

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

Year Ending September 30,	Principal	Interest
2018	\$ 25,655	451
Total Minimum Payments Required	\$ <u>25,655</u>	<u>451</u>

## Stone County, Mississippi

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

As Lessee:

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

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 1,563,084	125,508
Less: Accumulated depreciation	(690,509)	(56,166)
Leased Property Under Capital Leases	<u>\$ 872,575</u>	<u>69,342</u>

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

Year Ending September 30,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2018	\$ 352,005	16,395	19,283	263
2019	265,517	9,944	5,405	
2020	150,015	5,490		
2021	139,399	2,870		
2022	41,647	324		
Total	<u>\$ 948,583</u>	<u>35,023</u>	<u>24,688</u>	<u>263</u>

## **Stone County, Mississippi**

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

### **(12) Other Postemployment Benefits**

#### **Plan Description**

The Stone County Board of Supervisors administers the County's health, dental and vision insurance plans which are authorized by Sections 25-15-101 et. Seq., Mississippi Code Ann. (1972). The County's health, dental and vision insurance plans may be amended by the Stone County Board of Supervisors. The County purchases health, dental and vision insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). The County is also self-insured in respect to supplemental health insurance. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

## Stone County, Mississippi

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

#### (13) Long-Term Debt

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
GOB, Series 2003	\$ <u>180,000</u>	3.37-3.7%	03/2018
B. Capital Leases			
Kubota M108SHDC tractor	\$ 1,282	1.71%	11/2017
Kubota M9960 HDC & Rhino Flex	9,500	1.89%	03/2018
JCB JS190 Excavator	95,065	1.66%	07/2019
2016 Kubota M6101 Tractor	68,047	1.87%	10/2019
(2) Mack rear load garbage trucks	83,216	2.24%	11/2019
(2) Ford Police Interceptor	25,142	1.94%	02/2018
Ford F-150 pickup truck	7,847	1.99%	09/2018
Caterpillar backhoe/loader	39,359	1.94%	04/2018
2017 Ford Explorer, Sheriff Dept.	10,701	2.39%	12/2019
IBM Series I Power 8 Server	40,352	2.69%	04/2022
2016 Ford F-150, Road Dept.	26,354	2.24%	01/2020
(2) 2017 Mack Garbage trucks	333,531	2.04%	12/2021
Freightliner M2106 Tanker truck	208,187	2.14%	12/2021
Total Capital Leases	\$ <u>948,583</u>		
C. Other Loans:			
2016 road repair note	\$ 899,032	1.35%	05/2021
2017 road equipment note	117,500	2.45%	08/2022
MDA revolving loan - CMI Bldg.	<u>13,817</u>	3.00%	06/2018
Total Other Loans	\$ <u>1,030,349</u>		

## Stone County, Mississippi

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

#### Business-Type Activities:

##### A. Limited Obligation Bonds:

Regional Correctional Facility	\$	<u>1,245,000</u>	3.1-4.0%	11/2019
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##### B. Capital Leases:

Ford F350 XL truck	\$	16,095	1.92%	03/2019
2015 Ford police interceptor SCR		4,089	1.94%	02/2018
2015 Ford F-150 truck, SCRCF		<u>4,504</u>	1.94%	02/2018
Total Capital Leases	\$	<u>24,688</u>		

Pledge of Future Revenues - The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$4,105,000 in limited obligation urban renewal revenue bonds issued in September 2009, which were used for the construction of the Stone 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 MS Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through November 2019. Annual principal and interest payments on the bonds are expected to require less than 14 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,313,700. Principal and interest paid for the current year and total inmate housing net revenues were \$498,600 and \$3,876,996, respectively.

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

Year Ending September 30,	Governmental Activities				Business-type Activities	
	General Obligation Bonds		Other Loans		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 180,000	3,330	264,263	15,158	460,000	40,600
2019			254,074	11,389	475,000	21,900
2020			257,756	7,706	310,000	6,200
2021			229,606	3,968		
2022			24,650	604		
Total	\$ <u>180,000</u>	<u>3,330</u>	<u>1,030,349</u>	<u>38,825</u>	<u>1,245,000</u>	<u>68,700</u>

#### Legal Debt Margin

The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the

## Stone County, Mississippi

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

then last completed assessment for taxation. However, the limitation is increased by 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2017, the amount of outstanding debt was equal to 0.16% of the latest property assessments.

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

	Balance Oct. 1, 2016	Additions	Reductions	Adjustment	Balance Sept. 30, 2017	Amount due one year
<u>Governmental Activities:</u>						
General obligation bonds	\$ 350,000		170,000		180,000	180,000
Capital leases	680,969	793,648	440,031	(86,003)	948,583	352,005
Other loans	1,289,197	117,500	376,348		1,030,349	264,263
Compensated absences	84,546	357			84,903	
Total	\$ <u>2,404,712</u>	<u>911,505</u>	<u>986,379</u>	<u>(86,003)</u>	<u>2,243,835</u>	<u>796,268</u>

	Balance Oct. 1, 2016	Additions	Reductions	Balance Sept. 30, 2017	Amount due one year
<u>Business-type Activities:</u>					
Limited obligation bonds	\$ 1,685,000		440,000	1,245,000	460,000
Discount	(8,180)		(2,727)	(5,453)	
Capital leases	65,158		40,470	24,688	19,283
Compensated absences	41,265	4,118		45,383	
Total	\$ <u>1,783,243</u>	<u>4,118</u>	<u>477,743</u>	<u>1,309,618</u>	<u>479,283</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road and Bridge Fund, Garbage and Solid Waste Fund and Correctional Facility Fund.



## Stone County, Mississippi

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

### (14) Deficit Fund Balances of Individual Funds

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

Fund	Deficit Amount
General Fund	\$ 1,264,541
Perkinston Elementary Shelter Fund	57,495
Stone Elementary Shelter Fund	57,496
Stone High School Shelter Fund	57,495
Storms Shelters Debt Fund	12,580

### (15) Contingencies

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

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

### (16) Joint Ventures

The County participates in the following joint ventures:

Stone County is a participant with the counties of Greene and Perry in a joint venture authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library System. This joint venture was created to provide free library service for the citizens of the respective counties and is governed by a five-member board of trustees. Each County appoints at least one board member and may appoint two at the discretion of the County. By contractual agreement, the County's appropriation to the joint venture was \$70,417 in fiscal year 2017. Complete financial statements for the Pine Forest Regional Library can be obtained at P.O. Box 1208, Richton, Mississippi 39476.

## Stone County, Mississippi

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

Stone County is a participant with the City of Wiggins in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Stone-Wiggins Airport Board. The joint venture was created to provide an airport for the citizens of Stone County and is governed by a board of commissioners consisting of five members, with Stone County and the City of Wiggins appointing two members each and one member appointed jointly by the City and County. By contractual agreement, the County's appropriation to the joint venture was \$2,000 in fiscal year 2017. Complete financial statements for the Stone Wiggins Airport Board can be obtained from 2017 Big Four Road, Wiggins, Mississippi 39577.

#### (17) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

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 Stone County Board of Supervisors appoints one of the 27 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County appropriated \$18,447 for support of the district in fiscal year 2017.

Region XIII Commission for Mental Health and Mental Retardation operates in a district composed of the counties of Hancock, Harrison, Pearl River and Stone. The governing body is a four-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties. The County appropriated \$1,000 for support of the agency 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 member counties and one appointed at large. The counties generally provide no financial support to the organization.

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 \$742,626 for maintenance and support of the college in fiscal year 2017.

Stone County Economic Development Partnership is governed by a 15 member board consisting of the President of the Board of Supervisors; five members appointed by the Board of Supervisors; three members appointed by the City of Wiggins; one member

## Stone County, Mississippi

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

appointed by the Mississippi Gulf Coast Community College; and five members appointed at large by the Partnership. The organization is supported primarily by a sales tax collected by the County and remitted to the Partnership. The amount remitted in the 2017 fiscal year was \$444,514.

Southeast Mississippi Air Ambulance District operates in a district composed of the counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Stone County Board of Supervisors appoints one of the nine members of the board of directors. The County contributed \$24,748 for support of the district in fiscal year 2017.

#### (18) Defined Benefit Pension Plan

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

Plan Description. Stone 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. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

## Stone County, Mississippi

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

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 \$725,426, \$741,866 and \$731,971, 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 \$11,757,727 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 0.070730 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.001212 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's governmental activities and business-type activities recognized pension expense of \$1,093,759 and \$470,078, respectively. At September 30, 2017, the County's governmental activities and business-type activities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## Stone County, Mississippi

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Governmental Activities:</b>		
Differences between expected and actual experience	\$ 225,704	50,637
Net difference between projected and actual earnings on pension plan investments		770,069
Change of assumptions	441,858	
Changes in proportion and differences between County contributions and proportionate share of contributions	408,637	115,454
County contributions subsequent to the measurement date	138,759	
Total	<u>\$ 1,214,958</u>	<u>936,160</u>
<b>Business-Type Activities:</b>		
Differences between expected and actual experience	\$ 97,004	21,762
Net difference between projected and actual earnings on pension plan investments		330,962
Change of assumptions	189,902	
Changes in proportion and differences between County contributions and proportionate share of contributions	175,625	
County contributions subsequent to the measurement date	59,636	49,621
Total	<u>\$ 522,167</u>	<u>402,345</u>

Deferred outflows of resources reported in the governmental activities, in the amount of \$138,759, and the business-type activities, in the amount of \$59,636, are related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

## Stone County, Mississippi

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

Year ending September 30:

2018	\$	469,940
2019		125,436
2020		(8,652)
2021		(386,499)
Total	\$	<u>200,225</u>

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

Inflation	3.0 percent
Salary increases	3.25 - 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

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

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

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

## Stone County, Mississippi

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 16,199,805	\$ 11,757,727	\$ 9,675,801

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

## Stone County, Mississippi

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

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

The governmental activities' unrestricted net position amount of (\$8,696,324) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$138,759 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 \$1,076,199 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 3 years.

The governmental activities' unrestricted net position amount of (\$8,696,324) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$936,160 balance of deferred inflows of resources at September 30, 2017, will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The governmental activities' unrestricted net position amount of (\$8,696,324) includes the effect of recognition of deferring the recognition of revenue resulting from capital lease interest. The \$451 balance of deferred inflows of resources at September 30, 2017, will be recognized as revenue and will increase the unrestricted net position over the next few years.

The governmental activities' unrestricted net position amount of (\$8,696,324) includes the effect of recognition of deferring the recognition of revenue resulting from property tax. The \$5,219,805 balance of deferred inflows of resources at September 30, 2017, will be recognized as revenue and will increase the unrestricted net position over the next few years.

The business-type activities' unrestricted net position amount of (\$1,691,039) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$59,636 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 \$462,531 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 3 years.

The business-type activities' net investment in capital assets amount of \$2,934,571 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from refunding of County debt. The \$15,560 balance of the deferred outflow of sources at September 30, 2017, will be recognized as an expense and decrease the net investment in capital assets net position over the next year.

The business-type activities' unrestricted net position amount of (\$1,691,039) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from



## Stone County, Mississippi

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

pensions. The \$402,345 balance of deferred inflows of resources at September 30, 2017, will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

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

The County issued the following debt obligation:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
12-19-17	1.25%	\$ 300,000	Tax anticipation note	Advalorem taxes
02-15-18	3.17%	10,900	Capital lease	Advalorem taxes
02-15-18	3.17%	52,208	Capital lease	Advalorem taxes
05-03-18	3.44%	79,758	Capital lease	Advalorem taxes
05-15-18	3.29%	34,858	Capital lease	Advalorem taxes
08-14-18	3.25%	200,000	Other loan	Advalorem taxes
01-15-19	5.24%	104,640	Capital lease	Advalorem taxes
01-23-19	4.10%	395,906	Capital lease	Advalorem taxes

## REQUIRED SUPPLEMENTARY INFORMATION

**STONE COUNTY, MISSISSIPPI**

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

General Fund

For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
<b>REVENUES</b>				
Property taxes	\$ 4,443,762	\$ 4,663,114	\$ 4,663,114	\$ -
Licenses, commissions and other revenue	261,300	311,984	311,984	-
Fines and forfeitures	375,000	313,455	313,455	-
Intergovernmental revenues	468,494	484,301	484,301	-
Charges for services	170,000	164,163	164,163	-
Interest income	1,250	11,238	11,238	-
Miscellaneous revenues	-	45,315	45,315	-
Total Revenues	<u>5,719,806</u>	<u>5,993,570</u>	<u>5,993,570</u>	<u>-</u>
<b>EXPENDITURES</b>				
General government	3,398,963	3,337,387	3,337,387	-
Public safety	2,334,585	2,418,637	2,418,637	-
Public works	3,000	4,783	4,783	-
Health and welfare	174,137	176,748	176,748	-
Culture and recreation	213,974	215,145	215,145	-
Conservation of natural resources	55,800	58,088	58,088	-
Economic development and assistance	3,500	6,629	6,629	-
Debt service:				
Principal	-	64,073	64,073	-
Interest	-	1,677	1,677	-
Total Expenditures	<u>6,183,959</u>	<u>6,283,167</u>	<u>6,283,167</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(909,350)</u>	<u>(289,597)</u>	<u>(289,597)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	1,271,899	773,957	773,957	-
Other financing uses	<u>(326,975)</u>	<u>(632,308)</u>	<u>(632,308)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>944,924</u>	<u>141,649</u>	<u>141,649</u>	<u>-</u>
Net Change in Fund Balance	<u>35,574</u>	<u>(147,948)</u>	<u>(147,948)</u>	<u>-</u>
Fund Balances - Beginning	<u>(705,000)</u>	<u>1,047,551</u>	<u>1,047,551</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (669,426)</u>	<u>\$ 899,603</u>	<u>\$ 899,603</u>	<u>\$ -</u>

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

**STONE COUNTY, MISSISSIPPI**

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

Road and Bridge Fund

For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
<b>REVENUES</b>				
Property taxes	\$ 268,058	\$ 279,240	\$ 279,240	\$ -
Road and bridge privilege taxes	205,000	216,341	216,341	-
Licenses, commissions and other revenue	1,000	3,868	3,868	-
Intergovernmental revenues	667,500	610,181	610,181	-
Interest income	1,750	3,691	3,691	-
Miscellaneous revenues	5,200	127,866	127,866	-
Total Revenues	<u>1,148,508</u>	<u>1,241,187</u>	<u>1,241,187</u>	<u>-</u>
<b>EXPENDITURES</b>				
Public works	675,407	1,095,460	1,095,460	-
Debt service:				
Principal	527,157	506,954	506,954	-
Interest	-	23,061	23,061	-
Total Expenditures	<u>1,202,564</u>	<u>1,625,475</u>	<u>1,625,475</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(54,056)</u>	<u>(384,288)</u>	<u>(384,288)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	-	203,715	203,715	-
Other financing uses	-	(520)	(520)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>203,195</u>	<u>203,195</u>	<u>-</u>
Net Change in Fund Balance	<u>(54,056)</u>	<u>(181,093)</u>	<u>(181,093)</u>	<u>-</u>
Fund Balances - Beginning	<u>550,000</u>	<u>611,776</u>	<u>611,776</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 495,944</u>	<u>\$ 430,683</u>	<u>\$ 430,683</u>	<u>\$ -</u>

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

**STONE COUNTY, MISSISSIPPI**  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Bridge and Culvert Fund  
 For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
<b>REVENUES</b>				
Property taxes	\$ 860,226	\$ 902,195	\$ 902,195	\$ -
Licenses, commissions, and other revenue	750	2,149	2,149	-
Intergovernmental revenues	100,000	170,989	170,989	-
Interest income	1,000	3,770	3,770	-
Miscellaneous revenues	-	1,731	1,731	-
Total Revenues	<u>961,976</u>	<u>1,080,834</u>	<u>1,080,834</u>	<u>-</u>
<b>EXPENDITURES</b>				
Public works	<u>948,080</u>	<u>1,203,992</u>	<u>1,203,992</u>	<u>-</u>
Total Expenditures	<u>948,080</u>	<u>1,203,992</u>	<u>1,203,992</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,896</u>	<u>(123,158)</u>	<u>(123,158)</u>	<u>-</u>
Net Change in Fund Balance	<u>13,896</u>	<u>(123,158)</u>	<u>(123,158)</u>	<u>-</u>
Fund Balances - Beginning	<u>550,000</u>	<u>548,521</u>	<u>548,521</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 563,896</u>	<u>\$ 425,363</u>	<u>\$ 425,363</u>	<u>\$ -</u>

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

**STONE COUNTY, MISSISSIPPI**

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

## PERS

Last 10 Fiscal Years\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.070730%	0.071942%	0.073598%
County's proportionate share of the net pension liability (asset)	\$ 11,757,727	\$ 12,850,638	\$ 11,376,799
County's covered-employee payroll	\$ 4,605,868	\$ 4,710,260	\$ 4,647,435
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	255.28%	272.82%	244.80%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%

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

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

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

**STONE COUNTY, MISSISSIPPI**  
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	\$ 725,426	\$ 741,866	\$ 731,971
Contributions in relation to the contractually required contribution	<u>725,426</u>	<u>741,866</u>	<u>731,971</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 4,605,868	\$ 4,710,260	\$ 4,647,435
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%

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

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until, a full 10-year 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.

## Stone County, Mississippi

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

### Budgetary Comparison Schedules

#### A. Budgetary Information.

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

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

#### B. Basis of Presentation.

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

#### C. Budget/GAAP Reconciliation.

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

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



## Stone County, Mississippi

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

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

	<u>Governmental Fund Types</u>		
	General Fund	Road and Bridge Fund	Countywide Bridge and Culvert Fund
Budget (Cash Basis)	\$ (147,948)	(181,093)	(123,158)
Increase (Decrease)			
Net adjustments for revenue accruals	(498,272)	1,459	874
Net adjustments for expenditure accruals	473,299	10,150	1,388
GAAP Basis	<u>\$ (172,921)</u>	<u>(169,484)</u>	<u>(120,896)</u>

#### Pension Schedules

##### A. Changes of assumptions.

###### 2015

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

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

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

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

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

###### 2016

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

## Stone County, Mississippi

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

#### 2017

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

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

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

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

#### B. Change in Benefit Provisions.

##### 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.

## OTHER INFORMATION

**STONE COUNTY, MISSISSIPPI**

## Schedule of Surety Bonds for County Officials

For the Year Ended September 30, 2017

UNAUDITED

Name	Position	Company	Bond
Clark Byrd	Supervisor District 1	RLI Surety	\$100,000
Daniel Harris	Supervisor District 2	RLI Surety	\$100,000
Lance Pearson	Supervisor District 3	RLI Surety	\$100,000
Scott Strickland	Supervisor District 4	RLI Surety	\$100,000
Dale Bond	Supervisor District 5	RLI Surety	\$100,000
Gerald Bond	Chancery Clerk	RLI Surety	\$100,000
Shella Lott	Purchase Clerk	RLI Surety	\$75,000
Cynthia Rogers	Assistant Purchase Clerk	RLI Surety	\$50,000
Lori Redmond	Receiving Clerk	RLI Surety	\$75,000
Linda Sumrall	Assistant Receiving Clerk	RLI Surety	\$50,000
Twyla Garner	Assistant Receiving Clerk	RLI Surety	\$50,000
Chris Walters	Assistant Receiving Clerk	RLI Surety	\$50,000
Micholyn Harris Ramsey	Inventory Control Clerk	RLI Surety	\$75,000
Florian L. Hickman	Road Manager	RLI Surety	\$50,000
Everett Compston	Constable	RLI Surety	\$50,000
Louis Simmons	Constable	RLI Surety	\$50,000
Jeffrey L. O'Neal	Circuit Clerk	RLI Surety	\$100,000
Wanda Fairley	Deputy Circuit Clerk	RLI Surety	\$50,000
Susan D. Kellogg	Deputy Circuit Clerk	RLI Surety	\$50,000
June O'Neal	Deputy Circuit Clerk	RLI Surety	\$50,000
Mike Farmer	Sheriff	RLI Surety	\$100,000
Aletha Parker	Justice Court Clerk	RLI Surety	\$50,000
Glinda J. Barnes	Deputy Justice Court Clerk	RLI Surety	\$50,000
Gerry Lee Faulkner	Deputy Justice Court Clerk	RLI Surety	\$50,000
Allie N. Lepoma	Deputy Justice Court Clerk	RLI Surety	\$50,000
Charles Williams, Jr.	Tax Collector-Assessor	RLI Surety	\$100,000
Lola Marie Bond	Deputy Tax Collector	RLI Surety	\$50,000
Angela Parker	Deputy Tax Collector	RLI Surety	\$50,000
Taryn Racine Breland	Deputy Tax Collector	RLI Surety	\$50,000
Charlotte Taylor	Deputy Tax Collector	RLI Surety	\$50,000
Tom Smith	Deputy Tax Assessor	RLI Surety	\$10,000
Kenneth Shelton	Deputy Tax Assessor	RLI Surety	\$10,000

## SPECIAL REPORTS

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors  
Stone County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Stone County, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 3, 2019. Our report includes a qualified opinion on the Governmental Activities, the Business-Type Activities and Correctional Facility Fund because the County did not record a liability for other postemployment benefits and accordingly, has not recorded an expense for the current period change in that liability and also because the County failed to maintain an inventory control system. Our report also includes a qualified opinion on the Governmental Activities and the Aggregate Remaining Fund Information because the County did not properly account for risk-financing activities. Also our report includes a qualified opinion on the General Fund due to the lack of reconciled bank statements for Circuit Clerk operational accounts.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Finding 2017-001, 2017-002, 2017-003, 2017-004, 2017-005 and 2017-006 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Stone 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-001 and 2017-006.

We also noted certain matters which we have reported to the management of Stone County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control system and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated April 3, 2019, included within this document.

### **Stone County's Responses to the Findings**

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

### **Purpose of this Report**

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard PC  
April 3, 2019

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors  
Stone County, Mississippi

We have examined Stone County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2017. The Board of Supervisors of Stone 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 Stone 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.

The County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets.

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

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

1929 SPILLWAY ROAD, SUITE B  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033



Inventory Control Clerk.

Capital asset records were not maintained during the fiscal year.

### Criteria

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

### Condition

As reported in the prior audit report, construction in progress is not recorded in the capital asset records.

### Cause

This occurs due to not obtaining information on state aid engineering projects in a timely manner and subsequently recording the activity until completion and transfer to the appropriate asset class.

### Effect/Possible Effect

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

### Recommendation

The Inventory Control Clerk should implement appropriate control procedures to ensure that all items are recorded, valued properly and classified properly in the county's capital asset records. Communication needs to be made on a regular basis with the County engineer regarding road and bridge projects. Information obtained from the county engineer regarding construction in progress and completed infrastructure projects not of a maintenance nature need to be communicated to the Inventory Control Clerk for proper recording in the capital assets inventory in accordance with GASB 34 requirements regarding asset recognition in the financial records.

### Inventory Clerk's Response

The Inventory Clerk and the County Engineer will comply by meeting and reviewing projects on a regular basis to ensure they are posted to the capital asset records.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Stone 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) Purchase 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.

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

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
April 3, 2019

Certified Public Accountants

**Stone County, Mississippi**

**Schedule 1**

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

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

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

**Schedule 2**

Date	Item Purchased	Amount Paid	Vendor	Reason for Emergency Purchase
2/10/17	AS4000 data recovery, installation on loaner box	\$12,000	Midrange Tech, LLC	AS400 crashed

**Stone County, Mississippi**

**Schedule 3**

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

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

LIMITED INTERNAL CONTROL  
AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Stone County, Mississippi

In planning and performing our audit of the financial statements of Stone County, Mississippi for the year ended September 30, 2017, we considered Stone 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 Stone 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 3, 2019, on the financial statements of Stone 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 instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Circuit Clerk

1. Circuit Clerk not settling accounts in a timely manner.

Finding:

The Circuit Clerk is required to settle collections for the Criminal and Civil account monthly to the County. During the fiscal year, only three settlements were made by the current Circuit Clerk to the County. Irregular settlement activity can potentially result in the loss or misappropriation of funds.

1929 SPILLWAY ROAD, SUITE B  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

Recommendation:

The Circuit Clerk should accurately make monthly settlements with County by the 20<sup>th</sup> of the following month.

Circuit Clerk's Response:

No responses were provided by the Circuit Clerk for this finding.

Board of Supervisors

2. County signed warrants without sufficient funds.

Finding:

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. As reported in the prior nine years' audit reports, warrants were issued on funds which did not have sufficient money to pay the warrants. As of September 30, 2017, the following funds had negative cash balances:

- a. General Fund - \$907,093
- b. Stone County Regional Correctional Facility Revenue Fund - \$371,777

Failure to have sufficient cash balances in county funds prior to the signing and delivery of warrants on these funds resulted in the use of the cash balances of other funds for purposes other than the intended purpose. These types of transactions could result in the Board of Supervisors being held personally liable for such amounts.

Recommendation:

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Board of Supervisor's Response:

Insufficient cash balance in the Stone County Regional Correctional Fund is a timing issue. Reimbursement request was filed with the bank prior to the end of the fiscal year, but funds were not received until November 3, 2017. Issues with negative cash balances in the County General Fund are ongoing. A county reappraisal in 2017 increased the value of a mill. One mill was added to the County General Fund in 2018. Approximately \$180,000 in savings per year will be realized starting in 2019 with the retirement of bonded debt. As of this writing (May 3, 2019) the County General Fund is up approximately \$366,000 from the same time last year (April 30, 2019).

Stone 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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
April 3, 2019

Certified Public Accountants



## SCHEDULE OF FINDINGS AND RESPONSES

## Stone County, Mississippi

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

#### Section I: Summary of Auditor's Results

##### Financial Statements:

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

a. Governmental activities	Qualified
b. Business-type activities	Qualified
c. General Fund	Qualified
d. Road and Bridge Fund	Unmodified
e. Countywide Bridge and Culvert Fund	Unmodified
f. Correctional Facility Fund	Qualified
g. Aggregate Remaining Fund Information	Qualified
2. Internal control over financial reporting:
  - a. Material weaknesses identified? Yes.
  - b. Significant deficiencies identified? None reported.
3. Noncompliance material to financial statements noted? Yes.

#### Section II: Financial Statement Findings

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

##### **Finding 2017-001**

##### County signed warrants without sufficient funds.

Board of Supervisors

##### **Material Weaknesses and Material Noncompliance**

##### Criteria:

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same.

Condition:

As reported in the prior ten years' audit reports, warrants were issued on funds which did not have sufficient money to pay the warrants. As of September 30, 2017, the following funds had negative cash balances:

- a. General Fund \$901,093
- b. Stone County Regional Correctional Facility Revenue Fund \$371,777

Cause:

Insufficient cash balances.

Effect:

Failure to have sufficient cash balances in County funds prior to the signing and delivery of warrants on these funds resulted in the use of the cash balances of other funds for purposes other than the intended purpose. These types of transactions could result in the Board of Supervisors being held personally liable for such amounts.

Recommendation:

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Board of Supervisor's Response:

Insufficient cash balance in the Stone County Regional Correctional Fund is a timing issue. Reimbursement request was filed with the bank prior to the end of the fiscal year, but funds were not received until November 3, 2017. Issues with negative cash balances in the County General Fund are ongoing. A county reappraisal in 2017 increased the value of a mill. One mill was added to the County General Fund in 2018. Approximately \$180,000 in savings per year will be realized starting in 2019 with the retirement of bonded debt. As of this writing (May 3, 2019) the County General Fund is up approximately \$366,000 from the same time last year (April 30, 2019).

**Finding 2017-002**

Cash collections and general ledger maintenance functions are not adequately segregated.

Board of Supervisors

**Material Weaknesses**

Criteria:

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

Condition:

As reported in the prior nine year's audit reports, cash collections and general ledger maintenance functions are not adequately segregated for effective internal control. The comptroller receipts funds, prepares all deposits, reconciles the County's bank statements and posts the receipts to the general ledger.

Cause:

Lack of good internal controls.

Effect:

Failure to have an adequate segregation of duties could result in the loss of public funds.

Recommendation:

The Board of Supervisors should implement effective internal control policies that allow for the proper segregation of duties for the cash collection and general ledger maintenance functions.

Board of Supervisor's Response:

The County is limited by the availability of funds to hire additional personnel for segregation of all duties. At this time, the Comptroller continues to receipt funds, prepare deposits, and reconcile bank statements. The Board and Chancery Clerk will review this finding and make changes as deemed appropriate.

**Finding 2017-003**

Liability for postemployment benefits not recorded/note disclosures for postemployment benefits not reported.

Board of Supervisors

**Material Weaknesses**

Criteria:

Stone County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage to active employees and retirees through the county's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as a single employer defined health benefit care plan. GASB Statement No. 45 requires the County to report on an accrual basis the liability associated with other postemployment benefits.

Condition:

The County does not issue a publicly available financial report for its health insurance plan. Also, as reported in the prior three years' audit reports, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

Cause:

Noncompliance with GASB Statement No. 45.

Effect:

The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities, business type activities and Correctional Facility Fund.

Recommendation:

The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.

Board of Supervisor's Response:

Due to the exorbitant costs associated with hiring an actuary, the Board has chosen to accept this finding with no corrective action at this time.

**Finding 2017-004**

Processing of payroll and other payroll duties not adequately segregated.

Board of Supervisors

**Material Weaknesses**

Criteria:

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

Condition:

As reported in the prior nine years' audit reports, the maintenance of the general ledger, processing of payroll and other payroll duties are not adequately segregated for effective internal control. Based upon our test work, we noted the following internal control weaknesses in the payroll function:

- a. The Comptroller, who maintains the general ledger, also prepares the payroll.
- b. Time cards/attendance records are not checked for computations of payroll period hours.

c. Unclaimed W-2s are returned directly to the Comptroller.

Cause:

Lack of good internal control.

Effect:

Failure to have an adequate segregation of duties could result in the loss of public funds.

Recommendation:

The Board of Supervisors should implement a system of internal control that will ensure that proper segregation of duties exists with respect to control of the general ledger, the processing of payroll and other payroll duties.

Board of Supervisor's Response:

The County is limited by the availability of funds to hire additional personnel for segregation of all duties. At this time, the Comptroller continues to receipt funds, prepare deposits, and reconcile bank statements. The Board and Chancery Clerk will continue to review this finding and make changes as deemed appropriate for the County as funding becomes available.

**Finding 2017-005**

Capital asset records were not maintained during the fiscal year.

Inventory Control Clerk

**Material Weaknesses**

Criteria:

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

Condition:

As reported in the prior audit report, construction in progress is not recorded in the capital asset records.

Cause:

This occurs due to not obtaining information on state aid engineering projects in a timely manner and subsequently recording the activity until completion and transfer to the appropriate asset class.

Effect/Possible Effect:

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

Recommendation:

The Inventory Control Clerk should implement appropriate control procedures to ensure that all items are recorded, valued properly and classified properly in the county's capital asset records. Communication needs to be made on a regular basis with the county engineer regarding road and bridge projects. Information obtained from the county engineer regarding construction in progress and completed infrastructure projects not of a maintenance nature need to be communicated to the Inventory Control Clerk for proper recording in the capital assets inventory in accordance with GASB 34 requirements regarding asset recognition in the financial records.

Inventory Control Clerk's Response:

The Inventory Control Clerk and the County Engineer will comply by meeting and reviewing projects on a regular basis to ensure they are posted to the capital asset records.

**Finding 2017-006**

Reconciled cash amounts were not provided for inclusion in the financial statements by the Circuit Clerk.

Board of Supervisors

**Material Weakness and Material Noncompliance**

Criteria:

During the course of fieldwork performed, reconciled bank statements were not provided as of September 30, 2017. These reconciled amounts for the Criminal, Civil and Bond accounts are to be included as cash and payable amounts on the financial statements.

Condition:

Public deposit annual reports determined that the following bank statements are known:

a) Criminal - \$50,956, b) Civil - \$37,182 and c) Criminal Bond - \$9,503. In total, \$97,641 in unreconciled cash is known for the Circuit Clerk's office. Also, the auditor was not afforded an opportunity to verify actual cash.

Cause:

Reconciled bank statements were not provided for the relevant bank accounts for September 30, 2017.

Effect/Possible Effect:

Unreconciled cash translates into actual cash position being undetermined. Without adequate records and supporting documentation provided, the cash position of the Circuit's Clerk's office cannot be determined with reliability for inclusion in the financial statements. Cash withheld from financial statement inclusion can cause material misstatements to the financial statements. This material exclusion will result in a modified opinion on the General Fund opinion unit.

Recommendation:

The Circuit Clerk should provide reconciled cash information for relevant bank accounts as of September 30, 2017 for inclusion in the financial statements.

Management's Response:

No responses were provided by the Circuit Clerk for this finding.