

WALTHALL COUNTY, MISSISSIPPI

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

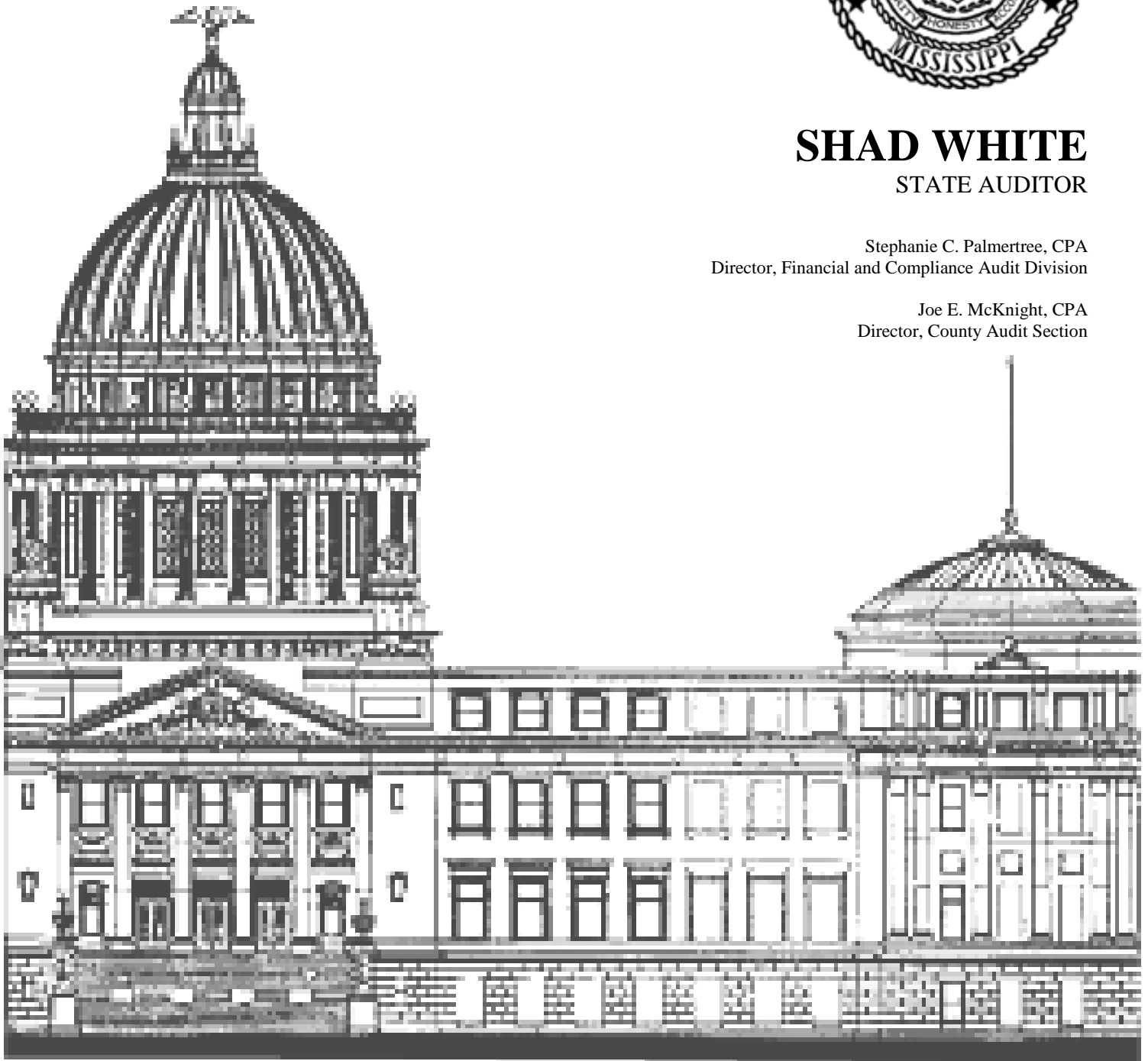


SHAD WHITE

STATE AUDITOR

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

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White
AUDITOR

January 23, 2020

Members of the Board of Supervisors
Walthall County, Mississippi

Dear Board Members:

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Shad White", is written over a horizontal line.

Shad White

WALTHALL COUNTY

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WALTHALL COUNTY

FINANCIAL SECTION

WALTHAM COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Walthall 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 Walthall County, Mississippi, (the County) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on the General Fund

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Justice Court and Circuit Court or the aging of these fines receivable. Adequate subsidiary records were not maintained and preserved for the Justice Court and the Circuit Court fines receivable aging schedules at September 30, 2017. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported in the General Fund at \$708,183, as of September 30, 2017. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of Walthall 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.

Unmodified Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County 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

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2020 on our consideration of Walthall County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Walthall County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Walthall County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" and last name "McKnight" clearly distinguishable.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

January 23, 2020

WALTHAM COUNTY

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WALTHALL COUNTY

FINANCIAL STATEMENTS

WALTHAM COUNTY

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WALTHAM COUNTY
Statement of Net Position
September 30, 2017

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 10,924,596	234,589	11,159,185
Cash with fiscal agent	186,550		186,550
Property tax receivable	5,478,197		5,478,197
Accounts receivable (net of allowance for uncollectibles of \$953,265)		235,862	235,862
Fines receivable (net of allowance for uncollectibles of \$3,816,717)	708,183		708,183
Loans receivable	1,517,652		1,517,652
Intergovernmental receivables	92,392		92,392
Other receivables	23,738	417	24,155
Internal balances	30,310	(30,310)	
Capital assets:			
Land and construction in progress	451,670	77,412	529,082
Other capital assets, net	11,895,872	428,092	12,323,964
Total Assets	<u>31,309,160</u>	<u>946,062</u>	<u>32,255,222</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	732,238	75,864	808,102
Total Deferred Outflows of Resources	<u>732,238</u>	<u>75,864</u>	<u>808,102</u>
LIABILITIES			
Claims payable	374,728	25,887	400,615
Retainage payable	5,169		5,169
Intergovernmental payables	281,500		281,500
Accrued interest payable	34,081	402	34,483
Unearned revenue		38,218	38,218
Amounts held in custody for others	80,364		80,364
Long-term liabilities			
Net pension liability	5,800,769	601,565	6,402,334
Due within one year:			
Capital debt	248,130	24,200	272,330
Non-capital debt	125,000		125,000
Due in more than one year:			
Capital debt	3,120,249	24,200	3,144,449
Non-capital debt	199,414	5,332	204,746
Total Liabilities	<u>10,269,404</u>	<u>719,804</u>	<u>10,989,208</u>

WALTHALL COUNTY
Statement of Net Position
September 30, 2017

Exhibit 1 - Cont'd

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	129,205	14,116	143,321
Deferred revenues - property taxes	<u>5,478,197</u>		<u>5,478,197</u>
Total Deferred Inflows of Resources	<u>5,607,402</u>	<u>14,116</u>	<u>5,621,518</u>
NET POSITION			
Net investment in capital assets	8,979,163	457,104	9,436,267
Restricted for:			
Expendable:			
General government	37,701		37,701
Public safety	397,212		397,212
Public works	1,846,590		1,846,590
Health and welfare	106,227		106,227
Culture and recreation	83,156		83,156
Economic development and assistance	6,016		6,016
Debt service	510,423		510,423
Unemployment compensation	14,341		14,341
Unrestricted	<u>4,183,763</u>	<u>(169,098)</u>	<u>4,014,665</u>
Total Net Position	<u>\$ 16,164,592</u>	<u>288,006</u>	<u>16,452,598</u>

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,278,135	313,652	152,452		(1,812,031)		(1,812,031)
Public safety	1,732,079	257,856	91,933	6,739	(1,375,551)		(1,375,551)
Public works	2,089,082		597,031	293,901	(1,198,150)		(1,198,150)
Health and welfare	209,338		20,147		(189,191)		(189,191)
Culture and recreation	27,593	3,230	4,028	23,937	3,602		3,602
Conservation of natural resources	55,398				(55,398)		(55,398)
Economic development and assistance	152,424				(152,424)		(152,424)
Interest on long-term debt	2,952				(2,952)		(2,952)
Bond issuance costs	304,867				(304,867)		(304,867)
Pension expense	918,817				(918,817)		(918,817)
Total Governmental Activities	<u>7,770,685</u>	<u>574,738</u>	<u>865,591</u>	<u>324,577</u>	<u>(6,005,779)</u>		<u>(6,005,779)</u>
Business-type activities:							
Solid Waste	788,741	691,926	11,351			(85,464)	(85,464)
Total Business-type Activities	<u>788,741</u>	<u>691,926</u>	<u>11,351</u>	<u>0</u>		<u>(85,464)</u>	<u>(85,464)</u>
Total Primary Government	<u>\$ 8,559,426</u>	<u>1,266,664</u>	<u>876,942</u>	<u>324,577</u>	<u>(6,005,779)</u>	<u>(85,464)</u>	<u>(6,091,243)</u>
General revenues:							
Property taxes					\$ 5,391,594		5,391,594
Road & bridge privilege taxes					188,618		188,618
Grants and contributions not restricted to specific programs					247,221		247,221
Unrestricted interest income					136,308	2,316	138,624
Miscellaneous					140,612	57	140,669
Total General Revenues					<u>6,104,353</u>	<u>2,373</u>	<u>6,106,726</u>
Changes in Net Position					98,574	(83,091)	15,483
Net Position - Beginning					<u>16,066,018</u>	<u>371,097</u>	<u>16,437,115</u>
Net Position - Ending					<u>\$ 16,164,592</u>	<u>288,006</u>	<u>16,452,598</u>

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

WALTHALL COUNTY
Balance Sheet - Governmental Funds
September 30, 2017

Exhibit 3

	Major Fund		
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
ASSETS			
Cash	\$ 7,692,040	3,232,556	10,924,596
Cash with fiscal agent	186,550		186,550
Property tax receivable	4,020,739	1,457,458	5,478,197
Fines receivable (net of allowance for uncollectibles of \$3,816,717)	708,183		708,183
Loans receivable	1,517,652		1,517,652
Intergovernmental receivables	87,399	4,993	92,392
Other receivables	17,132	6,606	23,738
Due from other funds	11,945	38,997	50,942
Advances to other funds	18,365	407	18,772
Total Assets	\$ 14,260,005	4,741,017	19,001,022
LIABILITIES			
Liabilities:			
Claims payable	\$ 132,492	242,236	374,728
Retainage payable		5,169	5,169
Intergovernmental payables	272,357		272,357
Due to other funds	48,140		48,140
Advances from other funds		407	407
Amounts held in custody for others	80,364		80,364
Total Liabilities	533,353	247,812	781,165
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	4,020,739	1,457,458	5,478,197
Unavailable revenue - fines	708,183		708,183
Total Deferred Inflows of Resources	4,728,922	1,457,458	6,186,380
Fund balances:			
Nonspendable:			
Advances	18,365		18,365
Restricted for:			
General government		37,701	37,701
Public safety		397,212	397,212
Public works		1,846,590	1,846,590
Health and welfare		106,227	106,227
Culture and recreation		83,156	83,156
Economic development and assistance		6,016	6,016
Debt service		544,504	544,504
Unemployment compensation		14,341	14,341
Unassigned	8,979,365		8,979,365
Total Fund Balances	8,997,730	3,035,747	12,033,477
Total Liabilities, Deferred Inflows and Fund Balances	\$ 14,260,005	4,741,017	19,001,022

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

WALTHALL COUNTY

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 12,033,477
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$15,163,743.	12,347,542
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	708,183
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,692,793)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(5,800,769)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(34,081)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	732,238
Deferred inflows of resources related to pensions	<u>(129,205)</u>
Total Net Position - Governmental Activities	\$ <u><u>16,164,592</u></u>

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

WALTHAM COUNTY

Exhibit 4

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

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 3,998,947	1,392,647	5,391,594
Road and bridge privilege taxes		188,618	188,618
Licenses, commissions and other revenue	179,072	3,230	182,302
Fines and forfeitures	106,995		106,995
Intergovernmental revenues	380,436	1,056,953	1,437,389
Charges for services	74,399	134,670	209,069
Interest income	111,430	24,878	136,308
Miscellaneous revenues	121,619	18,993	140,612
Total Revenues	4,972,898	2,819,989	7,792,887
EXPENDITURES			
Current:			
General government	2,430,921	1,862	2,432,783
Public safety	1,387,286	417,865	1,805,151
Public works	22,522	2,245,983	2,268,505
Health and welfare	148,639		148,639
Culture and recreation	4,627	30,116	34,743
Conservation of natural resources	62,373		62,373
Economic development and assistance	75,372		75,372
Debt service:			
Principal	125,000	198,299	323,299
Interest	84,247	16,658	100,905
Bond issuance costs	304,867		304,867
Total Expenditures	4,645,854	2,910,783	7,556,637
Excess of Revenues over (under) Expenditures	327,044	(90,794)	236,250
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		107,800	107,800
Refunding bonds issued	2,925,000		2,925,000
Premiums on bonds issued	14,867		14,867
Transfers in	174,116	363,975	538,091
Transfers out	(342,975)	(195,116)	(538,091)
Payment to bond refunding escrow agent	(2,635,000)		(2,635,000)
Total Other Financing Sources and Uses	136,008	276,659	412,667
Net Changes in Fund Balances	463,052	185,865	648,917
Fund Balances - Beginning	8,534,678	2,849,882	11,384,560
Fund Balances - Ending	\$ 8,997,730	3,035,747	12,033,477

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

WALTHALL COUNTY

Exhibit 4-1

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 648,917
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$515,785 exceeded capital outlays of \$461,481 in the current period.	(54,304)
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 \$1,260 in the current period.	(1,260)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	76,372
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$323,299 exceeded debt proceeds of \$107,800.	215,499
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences liability	(5,280)
The amount of decrease in accrued interest payable	23,717
The amortization of bond premiums	74,236
The issuance of refunding bond	(2,925,000)
The issuance of refunding bond premium	(14,867)
The issuance of deferred refunding charges	2,635,000
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	(918,817)
Recording of contributions made during the year	344,361
Change in Net Position of Governmental Activities	\$ <u>98,574</u>

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

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

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 234,589
Accounts receivable (net of allowance for uncollectibles of \$953,265)	235,862
Other receivables	417
Total Current Assets	<u>470,868</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	77,412
Other capital assets, net	428,092
Total Noncurrent Assets	<u>505,504</u>
Total Assets	<u>976,372</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	75,864
Total Deferred Outflows of Resources	<u>75,864</u>
LIABILITIES	
Current liabilities:	
Claims payable	25,887
Due to other funds	11,945
Advances from other funds	18,365
Accrued interest payable	402
Unearned revenue	38,218
Capital debt:	
Other long-term liabilities	24,200
Total Current Liabilities	<u>119,017</u>
Noncurrent liabilities:	
Net pension liability	601,565
Capital debt:	
Other long-term liabilities	24,200
Non-capital debt:	
Compensated absences payable	5,332
Total Noncurrent Liabilities	<u>631,097</u>
Total Liabilities	<u>750,114</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	14,116
Total Deferred Inflows of Resources	<u>14,116</u>
NET POSITION	
Net investment in capital assets	457,104
Unrestricted	(169,098)
Total Net Position	<u>\$ 288,006</u>

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

WALTHALL COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 691,926
Miscellaneous	57
Total Operating Revenues	<u>691,983</u>
Operating Expenses	
Personal services	392,289
Contractual services	171,370
Materials and supplies	59,759
Depreciation expense	52,915
Indirect administrative cost	13,751
Pension expense	96,899
Total Operating Expenses	<u>786,983</u>
Operating Income (Loss)	<u>(95,000)</u>
Nonoperating Revenues (Expenses)	
Property tax	
Interest income	2,316
Intergovernmental grants	11,351
Interest expense	(1,758)
Net Nonoperating Revenue (Expenses)	<u>11,909</u>
Net Income (Loss)	(83,091)
Net Position - Beginning	<u>371,097</u>
Net Position - Ending	<u>\$ 288,006</u>

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

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

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 692,895
Payments to suppliers	(227,836)
Payments to employees	(429,143)
Other operating cash receipts	57
Net Cash Provided (Used) by Operating Activities	<u>35,973</u>
Cash Flows From Noncapital Financing Activities	
Non-capital grants received	11,351
Net Cash Provided (Used) by Noncapital Financing Activities	<u>11,351</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(118,261)
Principal paid on long-term debt	(24,200)
Interest paid on debt	(1,959)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(144,420)</u>
Cash Flows From Investing Activities	
Interest on deposits	1,899
Net Cash Provided (Used) by Investing Activities	<u>1,899</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(95,197)
Cash and Cash Equivalents at Beginning of Year	329,786
Cash and Cash Equivalents at End of Year	<u>\$ 234,589</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (95,000)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	52,915
Provision for uncollectible accounts	55,632
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(75,225)
Increase (decrease) in claims payable	3,302
Increase (decrease) in compensated absences liability	(559)
Increase (decrease) in unearned revenue	20,562
Increase (decrease) in interfund payables	13,751
Increase (decrease) in pension liability and deferred outflows/inflows, net	60,595
Total Adjustments	<u>130,973</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 35,973</u>

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

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

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 149,802
Due from other funds	9,143
Other receivables	38
Total Assets	\$ <u>158,983</u>
LIABILITIES	
Amounts held in custody for others	\$ 111,488
Intergovernmental payables	47,495
Total Liabilities	\$ <u>158,983</u>

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

WALTHAM COUNTY

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WALTHALL COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Walthall 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 Walthall County to present these financial statements on the primary government and its component units which have significant operational or financial relationships 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 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.

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

Fund Financial Statements:

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

WALTHALL COUNTY

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

Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

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

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

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

The County reports the following major Governmental Fund:

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

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

WALTHALL COUNTY

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

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. However, the County did not invest in any governmental securities during the fiscal year.

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

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

WALTHALL COUNTY

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

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. Walthall 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	*	*

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

I. Deferred Outflows/Inflows of Resources:

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

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 9 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 periods and so will not be recognized as an inflow of resources (revenue) until that time.

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

WALTHALL COUNTY

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

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

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 9 for additional details.

J. 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.

K. Long-term Liabilities.

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

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

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

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

WALTHALL COUNTY

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

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

Fund Financial Statements:

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

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

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

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

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

Fund Balance Flow Assumption:

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

M. Property Tax Revenues:

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

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

WALTHALL COUNTY

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

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.

N. Intergovernmental Revenues in Governmental Funds.

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

O. Compensated Absences.

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

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$11,308,987, and the bank balance was \$11,463,350. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(3) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 11,945
Other Governmental Funds	General Fund	38,997
Agency Funds	General Fund	<u>9,143</u>
Total		\$ <u><u>60,085</u></u>

WALTHALL COUNTY

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

The receivables represent the tax revenue and court revenue collected in September, 2017, but not settled until October, 2017, indirect administrative services provided by the County to the solid waste operations; and errors in posting revenue during the year. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 18,365
Other Governmental Funds	Other Governmental Funds	407
Total		<u>\$ 18,772</u>

The advances represent interfund loans relating to indirect costs associated with solid waste operations. The advances are not expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 174,116
Other Governmental Funds	General Fund	342,975
Other Governmental Funds	Other Governmental Funds	21,000
Total		<u>\$ 538,091</u>

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

(4) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 80,621
Other grants	11,771
Total Governmental Activities	<u>\$ 92,392</u>

(5) Loans Receivable.

On December 15, 2008, Walthall County entered into a loan agreement in accordance with Section 19-7-3, Mississippi Code of 1972, Annotated, and the other applicable statutory and case law of Mississippi, with 108 Tylertown Bldg., LLC, for the purchase of an industrial site owned by the County.

On August 8, 2014, Walthall County entered into a loan agreement in accordance with Section 19-7-3, Mississippi Code of 1972, Annotated, and the other applicable statutory and case law of Mississippi, with 85 Tylertown Bldg., LLC, for the purchase of an industrial site owned by the County.

WALTHAM COUNTY

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

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

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
108 Tylertown Bldg., LLC (Kalencor)	12/15/2008	3.00%	11/30/2028	\$ 825,222
85 Tylertown Bldg., LLC (Kalencor)	08/01/2014	3.00%	08/01/2034	692,430
Total				<u>\$ 1,517,652</u>

(6) 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 *	Balance Sept. 30, 2017
<u>Non-depreciable capital assets:</u>					
Land	\$ 197,964				197,964
Construction in progress	342,262	68,844		(157,400)	253,706
Total non-depreciable capital assets	540,226	68,844	0	(157,400)	451,670
<u>Depreciable capital assets:</u>					
Infrastructure	5,607,311	230,767		157,400	5,995,478
Buildings	10,133,097				10,133,097
Improvements other than buildings	377,804	27,089			404,893
Mobile equipment	5,623,484	26,980			5,650,464
Furniture and equipment	4,498,280		12,600		4,485,680
Leased property under capital leases	282,202	107,801			390,003
Total depreciable capital assets	26,522,178	392,637	12,600	157,400	27,059,615
<u>Less accumulated depreciation for:</u>					
Infrastructure	885,352	129,800			1,015,152
Buildings	4,876,766	153,414			5,030,180
Improvements other than buildings	170,263	16,202			186,465
Mobile equipment	4,369,483	144,227			4,513,710
Furniture and equipment	4,328,884	30,390	11,340		4,347,934
Leased property under capital leases	28,550	41,752			70,302
Total accumulated depreciation	14,659,298	515,785	11,340	0	15,163,743
Total depreciable capital assets, net	11,862,880	(123,148)	1,260	157,400	11,895,872
Governmental activities capital assets, net	<u>\$ 12,403,106</u>	<u>(54,304)</u>	<u>1,260</u>	<u>0</u>	<u>12,347,542</u>

WALTHALL COUNTY

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

Business-type activities:

	Balance Oct. 1, 2016	Additions	Deletions	Adjustments	Balance Sept. 30, 2017
<u>Non-depreciable capital assets:</u>					
Land	\$ 77,412				77,412
Total non-depreciable capital assets	77,412	0	0	0	77,412
<u>Depreciable capital assets:</u>					
Buildings	60,255				60,255
Mobile equipment	543,163	118,261			661,424
Total depreciable capital assets	603,418	118,261	0	0	721,679
<u>Less accumulated depreciation for:</u>					
Buildings	3,618	1,206			4,824
Mobile equipment	237,054	51,709			288,763
Total accumulated depreciation	240,672	52,915	0	0	293,587
Total depreciable capital assets, net	362,746	65,346	0	0	428,092
Business-type activities capital assets, net	\$ 440,158	65,346	0	0	505,504

*Adjustments are to reflect certain routine reclassifications of completed construction in progress.

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 5,083
Public safety	59,038
Public works	288,769
Health and welfare	60,699
Culture and recreation	19,939
Economic development and assistance	82,257
Total governmental activities depreciation expense	\$ 515,785
	Amount
Business-type activities:	
Solid waste	\$ 52,915

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

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Mount Moriah Road bridge replacement	\$ 231,183	06/25/2018
STP/BR-0074(26)B	13,300	Unknown
Airport Road bridge replacement	9,223	10/01/2019

WALTHALL COUNTY

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

(7) 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.

(8) Capital Leases.

As Lessee:

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

<u>Classes of Property</u>		<u>Governmental Activities</u>
Mobile equipment	\$	390,003
Less: Accumulated depreciation		(70,302)
Leased Property Under Capital Leases	\$	<u>319,701</u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 69,313	8,593
2019	70,743	6,361
2020	41,390	4,243
2021	150,829	2,733
2022	<u>13,800</u>	<u>370</u>
Total	\$ <u>346,075</u>	<u>22,300</u>

(9) Defined Benefit Pension Plan.

General Information about the Pension Plan

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

WALTHALL COUNTY

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

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

Contributions. At September 30, 2017, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2017, 2016 and 2015 were \$380,664, \$357,136 and \$359,780, 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 \$6,402,334 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 0.038514 percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.004036 percent from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2017, the County recognized pension expense of \$1,015,716. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WALTHALL COUNTY

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 83,601	
Net difference between projected and actual earnings on pension plan investments	35,289	
Changes of assumptions	135,126	9,767
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	464,034	133,554
County contributions subsequent to the measurement date	90,052	
Total	\$ 808,102	143,321

\$ 90,052 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30	Amount
2018	\$ 366,035
2019	243,532
2020	88,831
2021	(123,669)
Total	\$ 574,729

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

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

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

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

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

WALTHAM COUNTY

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

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:

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

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent, the same as that used for the prior measurement date. 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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
County's proportionate share of the net pension liability	\$ 8,397,088	6,402,334	4,746,254

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

WALTHALL COUNTY

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

(10) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
G.O. Refunding Bonds, Series 2016	\$ <u>2,925,000</u>	2.00-2.50%	10/2032
B. Capital Leases:			
Motorola radios	\$ 58,278	3.78%	04/2019
Caterpillar 120M motor grader	179,997	1.90%	06/2021
Freightliner truck	69,000	2.68%	06/2022
Emulsion storage tank	<u>38,800</u>	2.75%	06/2021
Total Capital Leases	\$ <u>346,075</u>		
C. Other Loans:			
Fire truck	\$ 55,766	2.00%	02/2023
2015 Freightliner truck	27,600	2.32%	06/2019
Road construction	<u>250,000</u>	1.99%	06/2019
Total Other Loans	\$ <u>333,366</u>		
Business-type Activities:			
A. Other Loans:			
2015 Freightliner truck	\$ <u>48,400</u>	2.485%	06/2019

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

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2018	\$ 155,000	61,550	148,817	6,652
2019	160,000	58,400	149,019	3,642
2020	165,000	55,150	10,425	616
2021	165,000	51,850	10,636	406
2022	170,000	48,500	10,850	191
2023 - 2027	900,000	189,600	3,619	15
2028 - 2032	1,000,000	88,287		
2033 - 2037	<u>210,000</u>	<u>2,625</u>		
Total	\$ <u>2,925,000</u>	<u>555,962</u>	<u>333,366</u>	<u>11,522</u>

WALTHALL COUNTY

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

Business-type Activities:

Year Ending September 30	Other Loans	
	Principal	Interest
2018	\$ 24,200	1,203
2019	24,200	601
Total	\$ 48,400	1,804

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2017, the amount of outstanding debt was equal to 2.72% of the latest property assessments.

Advance Refunding On October 13, 2016, the County issued \$2,925,000 in general obligation refunding bonds with an average interest rate of 2.14% to advance refund \$2,635,000 of the following outstanding bond issue(s).

Issue	Average Interest Rate	Outstanding Amount Refunded
Walthall County Certifies of Participation, Jail Project	3.82%	\$ 2,635,000

The net proceeds of \$2,939,867 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, \$2,635,000 of outstanding bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The County advance refunded the above bonds to reduce its total debt service payments over the next 16 years by almost \$185,191 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$156,710.

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

	Balance Oct. 1, 2016	Additions	Reductions	Balance Sept. 30, 2017	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 69,134	5,280		74,414	
General obligation bonds		2,925,000		2,925,000	155,000
Add:					
Premiums		14,867	929	13,938	
Limited obligation bonds	2,760,000		2,760,000		
Add:					
Premiums	73,307		73,307		
Capital leases	282,705	107,800	44,430	346,075	69,313
Other loans	487,235		153,869	333,366	148,817
Total	\$ 3,672,381	3,052,947	3,032,535	3,692,793	373,130

WALTHAM COUNTY

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

	Balance Oct. 1, 2016	Additions	Reductions	Balance Sept. 30, 2017	Amount due within one year
Business-type Activities:					
Compensated absences	\$ 5,891		559	5,332	
Other loans	72,600		24,200	48,400	24,200
Total	\$ 78,491	0	24,759	53,732	24,200

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

(11) Contingencies.

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

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

(12) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of \$4,183,763 includes the effect of deferred inflows and deferred outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$81,464 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 \$650,774 balance of the deferred outflows of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next three years. The \$129,205 balance of the deferred inflows of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next four years.

The business-type activities' unrestricted net position amount of \$(169,098) includes the effect of deferred inflows and deferred outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$8,588 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 \$67,276 balance of the deferred outflows of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next three years. The \$14,116 balance of the deferred inflows of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next four years.

WALTHALL COUNTY

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

(13) Joint Venture.

The County participates in the following joint venture:

Walthall County is a participant with the Counties of Amite and Pike in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Pike-Amite-Walthall Regional Library System. The joint venture was created to provide library service for the three counties and is governed by a five-member board. The Counties of Amite and Pike appoint two board members each and Walthall County appoints one board member. By contractual agreement, the County's appropriation to the joint venture was \$113,136 in fiscal year 2017. Complete financial statements for the Pike-Amite-Walthall Regional Library System can be obtained from 1022 Virginia Avenue, McComb, MS 39648.

(14) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Southwest Mississippi Community College operates in a district composed of the Counties of Amite, Pike, Walthall and Wilkinson. The Walthall County Board of Supervisors appoints two of the 14 members of the Board of Trustees. The County appropriated \$393,710 for operations and maintenance of the college in fiscal year 2017.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Walthall County Board of Supervisors appoints four of the 40 members of the Board of Directors. The County appropriated \$9,094 for support of the district in fiscal year 2017.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Walthall County Board of Supervisors appoints one of the ten members of the Board of Commissioners. The County appropriated \$17,313 for its support in fiscal year 2017.

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

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 Walthall County Board of Supervisors appoints one of the nine members of the board of directors. The County appropriated \$40,000 for support of the district in fiscal year 2017.

(15) Tax Abatements.

As of September 30, 2017, Walthall County provides tax exempt status to two manufacturing companies subject to the requirements of GASB Statement No. 77. These manufacturing companies are exempt from real property taxes and personal property taxes except for levies involving the school; the mandatory mill and the community college tax levies. These exemptions are authorized under Sections 27-31-101 and 27-31-105 of the Miss. Code Ann. (1972). These exemptions encourage businesses to locate or expand operations in the County and to create jobs. The amount of taxes abated during fiscal year 2017 totaled \$17,602.

WALTHALL COUNTY

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

(16) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Walthall County evaluated the activity of the County through January 23, 2020, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

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

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
04/01/2018	3.00%	\$	156,000	Capital loan	Ad valorem taxes
06/01/2018	3.15%		20,000	Capital lease	Ad valorem taxes
11/09/2018	3.65%		45,000	Capital lease	Ad valorem taxes
06/04/2019	3.65%		80,000	Loan	Ad Valorem Taxes
06/04/2019	3.09%		83,000	Loan	Ad Valorem Taxes
04/01/2019	2.98%		600,000	Loan	Ad Valorem Taxes
03/28/2019	3.03%		251,000	Loan	Ad Valorem Taxes

WALTHAM COUNTY

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WALTHAM COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

WALTHAM COUNTY

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,836,000	3,997,515	3,997,515	
Licenses, commissions and other revenue	135,000	175,910	175,910	
Fines and forfeitures	125,000	111,098	111,098	
Intergovernmental revenues	580,000	678,692	678,692	
Charges for services	21,000	36,946	36,946	
Interest income	29,355	55,840	55,840	
Miscellaneous revenues	176,020	269,852	269,852	
Total Revenues	<u>4,902,375</u>	<u>5,325,853</u>	<u>5,325,853</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,852,465	2,407,911	2,407,911	
Public safety	1,558,078	1,366,560	1,366,560	
Public works	63,766	30,114	30,114	
Health and welfare	164,786	147,100	147,100	
Culture and recreation	4,500	4,582	4,582	
Education	275,000	241,160	241,160	
Conservation of natural resources	72,828	61,097	61,097	
Economic development and assistance	70,564	71,231	71,231	
Jail Construction Project		11,921	11,921	
Debt service:				
Principal		155,000	155,000	
Interest		62,497	62,497	
Total Expenditures	<u>5,061,987</u>	<u>4,559,173</u>	<u>4,559,173</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(159,612)</u>	<u>766,680</u>	<u>766,680</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	300,000	474,116	474,116	
Other financing uses	(409,882)	(688,060)	(688,060)	
Total Other Financing Sources and Uses	<u>(109,882)</u>	<u>(213,944)</u>	<u>(213,944)</u>	<u>0</u>
Net Change in Fund Balance	(269,494)	552,736	552,736	
Fund Balances - Beginning	<u>6,248,481</u>	<u>6,830,161</u>	<u>6,830,161</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 5,978,987</u>	<u>7,382,897</u>	<u>7,382,897</u>	<u>0</u>

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

WALTHALL COUNTY

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

Last 10 Fiscal Years*

For the Year Ended September 30, 2017

UNAUDITED

		2017	2016	2015
County's proportion of the net pension liability (asset)		0.038514%	0.034478%	0.036479%
County's proportionate share of the net pension liability (asset)	\$	6,402,334	6,158,632	5,638,934
County's covered payroll	\$	2,470,679	2,205,663	2,278,990
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		259.13%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability		61.49%	57.47%	61.70%

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

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

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

		<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$	380,664	357,136	359,780
Contributions in relation to the contractually required contribution		<u>380,664</u>	<u>357,136</u>	<u>359,780</u>
Contribution deficiency (excess)	\$	<u>0</u>	<u>0</u>	<u>0</u>
County's covered payroll	\$	2,416,912	2,267,530	2,284,321
Contributions as a percentage of covered payroll		15.75%	15.75%	15.75%

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

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

WALTHALL COUNTY

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WALTHALL COUNTY

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

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).

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

	<u>Governmental Fund Type</u>	
	<u>General Fund</u>	
Budget (Cash Basis)	\$	552,736
Increase (Decrease)		
Net adjustments for revenue accruals		2,286,912
Net adjustments for expenditure accruals		(2,376,596)
GAAP Basis	\$	<u>463,052</u>

WALTHALL COUNTY

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

Pension Schedules

A. Changes of assumptions.

2015

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

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

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

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

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

2016

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

2017

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

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

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

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

B. Changes in benefit provisions.

2016

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

Method and assumptions used in calculations of actuarially determined contributions.

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

WALTHALL COUNTY

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

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

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

WALTHALL COUNTY

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WALTHALL COUNTY

OTHER INFORMATION

WALTHAM COUNTY

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

Name	Position	Company	Bond
Larry Montgomery	Supervisor District 1	Western Surety Company	\$100,000
Frederick Magee, Jr.	Supervisor District 2	Western Surety Company	\$100,000
Shelton Stogner	Supervisor District 3	Western Surety Company	\$100,000
Bruce Boyd	Supervisor District 4	Western Surety Company	\$100,000
Clennel Brown	Supervisor District 5	Western Surety Company	\$100,000
Bob Bracey	Chancery Clerk	Western Surety Company	\$100,000
Donna June Smith	Purchase Clerk	Western Surety Company	\$75,000
Brandy Boyd	Purchase Clerk	Western Surety Company	\$75,000
Larheta Magee Dunaway	Purchase Clerk	Western Surety Company	\$75,000
Cindy Ginn	Assistant Purchase Clerk	American States Insurance Company	\$50,000
David Johnson	Assistant Receiving Clerk	Western Surety Company	\$50,000
Daniel Thornton, Jr.	Assistant Receiving Clerk	Western Surety Company	\$50,000
Milton Dunaway	Inventory Control Clerk	Western Surety Company	\$75,000
Raymond Gutter	Constable	Western Surety Company	\$50,000
Roy J. Huhn	Constable	Western Surety Company	\$50,000
Vernon E. Alford	Circuit Clerk	Western Surety Company	\$100,000
Vanessa Walker	Deputy Circuit Clerk	Western Surety Company	\$50,000
Kamie Bacot	Deputy Circuit Clerk	Western Surety Company	\$50,000
Kyle Breland	Sheriff	Western Surety Company	\$100,000
David Ryan Bruhl	Justice Court Judge	Western Surety Company	\$50,000
Carl Montgomery, Jr.	Justice Court Judge	Western Surety Company	\$50,000
Janet Laird	Justice Court Clerk	Western Surety Company	\$50,000
Ashley L. Purvis	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Emmie Sue Pulliam	Deputy Justice Court Clerk	Western Surety Company	\$50,000
LaShanda Magee	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Peggy Hillburn	Tax Assessor-Collector	Western Surety Company	\$100,000
Amy Hill	Deputy Tax Assessor	Western Surety Company	\$10,000
Kelli Boyd	Deputy Tax Assessor	Western Surety Company	\$10,000
Angela Craft	Deputy Tax Collector	Western Surety Company	\$50,000
Carla M. Johnson	Deputy Tax Collector	Western Surety Company	\$50,000
Abby Kennedy	Deputy Tax Collector	Western Surety Company	\$50,000

WALTHAM COUNTY

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WALTHAM COUNTY

SPECIAL REPORTS

WALTHALL COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

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

Members of the Board of Supervisors
Walthall 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 Walthall County, Mississippi (the County), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 23, 2020. Our report includes a qualified opinion on the General Fund because the County did not maintain and preserve adequate subsidiary records documenting the existence and valuation of the Justice Court fines receivable, net and the aging of these receivables at September 30, 2017.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, 2017-008, 2017-009, 2017-010, 2017-012, 2017-014, 2017-015, 2017-017 and 2017-018 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2017-011, 2017-013, 2017-016, 2017-019 and 2017-020 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Walthall 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 2017-005, 2017-006, 2017-007, 2017-008, 2017-009 and 2017-010.

We also noted certain matters which we have reported to the management of Walthall 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 January 23, 2020, included within this document.

Walthall County's Responses to Findings

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

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

January 23, 2020



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

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

Members of the Board of Supervisors
Walthall County, Mississippi

We have examined Walthall County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2017. The Board of Supervisors of Walthall 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 Walthall County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

Board of Supervisors.

1. A Receiving Clerk and any necessary Assistant Receiving Clerks should be appointed in accordance with state law.

Repeat Finding Yes

Criteria Section 31-7-101, Miss. Code Ann. (1972), requires the Board of Supervisors to appoint a Receiving Clerk, who shall not be a member of the Board of Supervisors. It also states that Assistant Receiving Clerks, when necessary, may be appointed by the Receiving Clerk, subject to the approval of the Board of Supervisors.

Condition	As reported in the prior year audit report, our audit procedures disclosed that, although numerous employees sign receiving reports, the Board of Supervisors has not appointed a Receiving Clerk nor have any Assistant Receiving Clerks been appointed and approved by the Board.
Cause	The County did not comply with state laws.
Effect	Failure to appoint a Receiving Clerk and any necessary Assistant Receiving Clerks in accordance with state law could result in the misappropriation or loss of public funds.
Recommendation	The Board of Supervisors should appoint a Receiving Clerk and instruct that individual to submit a list of prospective Assistant Receiving Clerks for Board approval.
Views of Responsible Official(s)	This has been corrected.

Board of Supervisors / Chancery Clerk.

2.	<u>The Receiving Clerk, Assistant Receiving Clerks, and Assistant Inventory Control Clerk should be bonded in accordance with state law.</u>
Repeat Finding	Yes
Criteria	Section 31-7-124, Miss. Code Ann. (1972), requires the Receiving Clerk to execute a bond for \$75,000 and the Assistant Receiving Clerks and Assistant Inventory Control Clerk to execute a bond for \$50,000.
Condition	As reported in the prior year audit report, the County had no employees bonded for these positions during the fiscal year 2017.
Cause	The Board of Supervisors and Chancery Clerk did not comply with state laws.
Effect	In the event of a loss of public funds involving the Receiving Clerk, Assistant Receiving Clerks or Assistant Inventory Control Clerk, the funds available to the County for recovery would be limited.
Recommendation	The Board of Supervisors should execute bonds for the Receiving Clerk, Assistant Receiving Clerks and Assistant Inventory Control Clerk, as required by law.
Views of Responsible Official(s)	This has been corrected.

Inventory Control Clerk.

3.	<u>The Inventory Control Clerk should maintain an inventory control system.</u>
Repeat Finding	Yes
Criteria	Section 31-7-107, Miss. Code Ann (1972), requires the Inventory Control Clerk to maintain an inventory control system. Effective internal controls over capital assets include developing and maintaining a complete and accurate inventory control system. Also, certain data elements should be captured in capital asset records for all capital assets. Required data elements include description of assets, cost, locations, acquisition dates, disposition dates, method of disposition, and other relevant information. The presence of these data elements in capital asset records helps identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation.

Condition	Our test results indicated the following deficiencies in the capital asset records: <ul style="list-style-type: none"> a. Documents presented to the Board of Supervisors for approval for deletion do not include serial numbers so that specific assets can be positively identified. b. Depreciation was not recorded for asset# 1697 purchased in 2004. c. No procedures are in place to identify and track assets purchased with federal funds. d. One asset did not have an inventory tag and three assets were not properly marked.
Cause	The Inventory Control Clerk did not comply with state laws.
Effect	The failure to maintain an effective inventory controls 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 establish adequate control procedures to maintain accurate inventory records documenting the existence, valuation and completeness of capital assets.
Views of Responsible Official(s)	<ul style="list-style-type: none"> a. Deleted items have serial numbers added to them starting in October 2018. b. Depreciation on asset # 1697 has been corrected. c. We will comply with this finding. d. We will comply with this finding.
Purchase Clerk.	
4.	<u>Purchasing documents not completed.</u>
Repeat Finding	Yes
Criteria	Section 31-7-103, Miss. Code Ann. (1972), requires a purchase requisition, purchase order and receiving report for all purchases.
Condition	As reported in the prior year audit report, during our audit test work, there was one purchase made with no purchase documents at all.
Cause	The Purchase Clerk did not comply with state laws.
Effect	Failure to complete purchasing documents correctly may result in the loss or misappropriation of public funds.
Recommendation	The Purchase Clerk should ensure that all required purchase documents are correctly issued.
Views of Responsible Official(s)	I will comply with the purchasing laws from the State of MS.
5.	<u>Purchase Clerk Schedules should be prepared in accordance with state law.</u>
Repeat Finding	Yes
Criteria	Section 31-7-115, Miss. Code Ann. (1972), requires the County to provide a schedule of purchases not made from the lowest bidder under the authority of Section 31-7-13(d), with the reasons given therefore; a schedule of emergency purchases made under the authority of Section 31-7-13(k); and a schedule of purchases made noncompetitively from a sole source under the authority of Section 31-7-13(m).
Condition	As reported in the prior year audit report, the Purchase Clerk Schedules were not prepared for the fiscal year 2017.
Cause	The Purchase Clerk did not comply with state laws.

Effect	The County is in violation of state law.
Recommendation	The Purchase Clerk should ensure the required schedules are prepared in the future.
Views of Responsible Official(s)	We will comply.

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

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

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

This report is intended for use in evaluating Walthall 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

January 23, 2020

WALTHALL COUNTY

Schedule 1Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2017

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
11/7/2016	Garbage truck	\$ 122,582	Empire Truck Sales	\$ 119,936	County has parts on inventory for this type of truck.

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

Schedule 2

Our tests did not identify any emergency purchases.

WALTHALL COUNTY

Schedule 3

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

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

WALTHAM COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Walthall County, Mississippi

In planning and performing our audit of the financial statements of Walthall County, Mississippi for the year ended September 30, 2017, we considered Walthall 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 Walthall 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 January 23, 2020, on the financial statements of Walthall County, Mississippi.

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

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

Board of Supervisors.

1. The County entered into a contract in violation of a state ethics law.

Repeat Finding Yes.

Criteria Section 25-4-105(3)(a), Miss. Code Ann. (1972), states that no public servant shall be a contractor, subcontractor or vendor with the governmental entity of which he is a member, officer, employee or agent, other than in his contract of employment, or have a material financial interest in any business which is a contractor, subcontractor or vendor with the governmental entity of which he is a member, officer, employee or agent.

Condition As reported in the prior year audit report, on September 6, 2016, the Board of Supervisors approved a contract, retroactive to July 1, 2016, with JCT of Tylertown, LLC to index county land records. JCT of Tylertown, LLC is a limited liability company organized by the Board Attorney and for which the Payroll Clerk is the Registered Agent and Manager; and of which the Accounts Payable Clerk and Deputy Chancery Clerk are members.

Cause	The County did not comply with state laws and directly violated state ethics law.
Effect	The County and the aforementioned employees are in violation of state law. As a result, the County made unauthorized payments in the amount of \$16,487.50 in fiscal year 2017.
Recommendation	The Board of Supervisors should void this contract and ensure that contracts in violation of state law are not executed in the future.
Views of Responsible Official(s)	This contract was voided on 10/7/17 when we were made aware of the violation.
2.	<u>Industrial ad valorem tax exemptions should only be granted to the owner of the property.</u>
Repeat Finding	Yes
Criteria	Section 27-31-107, Miss Code Ann. (1972), states that any person, firm or corporation claiming exemptions from county ad valorem taxation as provided in Sections 27-31-101 through 27-31-117 shall first file an application with the County Board of Supervisors.
Condition	As reported in the prior year audit report, on June 24, 2009 and again on June 24, 2015, the County granted exemption from ad valorem taxation on real property owned by 108 Tylertown Building, LLC and 85 Tylertown Building, LLC, respectively, based on applications filed by Kalencom Corporation, the lessee of both properties.
Cause	The County did not comply with state laws.
Effect	The County granted an unauthorized exemption which resulted in an under-collection of ad valorem taxes in the amount of \$20,244 in fiscal year 2017.
Recommendation	The owners of the properties in question should file new applications for exemption as soon as possible.
Views of Responsible Official(s)	The property owner will be notified and this will be corrected as soon as possible.
3.	<u>Supervisors' travel expenses should be reimbursed in accordance with state law.</u>
Repeat Finding	Yes
Criteria	Section 19-3-67(1), Miss. Code Ann. (1972), states that when any member of the Board of Supervisors shall be required to travel outside of his county but within the State of Mississippi in the performance of his official duties, such member shall receive as expenses of such travel the same mileage and actual and necessary expenses for food, lodging and travel as is allowed state officers and employees pursuant to the provisions of Section 25-3-41, Miss. Code Ann. (1972). Members of the Board of Supervisors shall submit forms required for reimbursement for traveling expenses as outlined by the Mississippi Department of Finance and Administration. No expenses allowed shall be reimbursed unless the expenses have been authorized or approved by the Board of Supervisors and spread upon the minutes.
Condition	As reported in the prior year audit report, members of the Board of Supervisors were reimbursed for meals at the daily maximum rate of \$41.00 rather than actual expenses and were reimbursed for meals while attending conferences for which the registration fee paid by the County included meals. The forms required for reimbursement were not submitted by the supervisors and the expenses were not authorized or approved by an official action of the Board.
Cause	The County did not comply with state laws.

Effect	Failure to follow state laws for reimbursement of traveling expenses resulted in the misappropriation of public funds.
Recommendation	Members of the Board of Supervisors should only be reimbursed for actual expenses and they should also complete and sign the required forms to ensure that all travel expenses are approved by formal action of the Board of Supervisors prior to reimbursement.
Views of Responsible Official(s)	This was corrected in October 2017 when we were made aware of the issue.
4.	<u>The Board minutes should either be read and signed by the Board President or Vice-President; or approved by the Board.</u>
Repeat Finding	Yes
Criteria	Section 19-3-27, Miss. Code Ann. (1972), states that the minutes of each day's proceedings of the Board of Supervisors shall either (a) be read and signed by the President or Vice-President, if the President is absent or disabled so as to prevent his signing of the minutes, on or before the first Monday of the month following the day of adjournment of any term of the Board of Supervisors; or (b) be adopted and approved by the Board of Supervisors as the first order of business on the first day of the next monthly meeting of the Board.
Condition	As reported in the prior year audit report, the minutes of three meetings in fiscal year 2017 were not signed by the Board President or Vice-President nor were they adopted and approved by the Board at the first meeting of the subsequent month.
Cause	The County did not comply with state laws.
Effect	The failure to sign, adopt and approve the prior meeting's minutes at the first meeting of the subsequent month could result in the actions of the Board of Supervisors being recorded incorrectly.
Recommendation	The Board of Supervisors should implement procedures to ensure the minutes of all Board meetings are either signed by the Board President or Vice-President; or adopted and approved by the Board as the first order of business at the first meeting of the subsequent month.
Views of Responsible Official(s)	We will comply.
5.	<u>Elected officials should be paid in accordance with state law.</u>
Repeat Finding	Yes
Criteria	Section 25-3-29, Miss. Code Ann. (1972), requires the salaries of the Tax Assessor-Collector, the Board of Supervisors, the County Auditor, and the Sheriff to be paid monthly. Furthermore, Section 25-3-36(5), Miss. Code Ann. (1972), requires the salaries of the Justice Court Judges to be paid monthly. However, both statutes include a provision whereby the Board of Supervisors, by resolution duly adopted and entered on its minutes, may provide that such salaries shall be paid semi-monthly on the first and fifteenth day of each month.
Condition	As reported in the prior year audit report, the County began paying all employees and elected officials on a biweekly basis in February 2016.
Cause	The County did not comply with state laws.
Effect	Failure to pay the salaries of elected officials in accordance with state law could result in the payment of salaries in amounts other than those allowed by law.

Recommendation	The County should immediately implement either a monthly or, if approved by the Board of Supervisors, a semi-monthly schedule for the payment of elected officials' salaries. Procedures to ensure salaries are paid in accordance with state law should also be implemented.
Views of Responsible Official(s)	The Board of Supervisors spread upon the 5/17/2017 minutes to approve the elected officials that wish to be paid semi-monthly. These payments began on 6/15/17.
6.	<u>Interface allotment fees should be accounted for separately.</u>
Repeat Finding	Yes
Criteria	Section 27-19-99(4), Miss. Code Ann. (1972), states that counties that use their existing computer system to communicate all data regarding vehicle title and registration transactions to the state's central computer system shall be allotted fifty cents for each registration fee collected by the county and remitted to the Department of Revenue. This amount paid to the county shall be deposited into the county general fund to be expended only for costs incurred for the purchase of equipment, software, maintenance, or other costs directly related to the title/registration network system, and for education and training.
Condition	As reported in the prior year audit report, the interface allotment fees settled to the County are not accounted for separately.
Cause	The County did not comply with state laws.
Effect	The failure to account for interface allotment fees separately could result in these fees being expended for authorized purposes.
Recommendation	The County should begin separately accounting for the receipt and disbursement of the interface allotment fees.
Views of Responsible Official(s)	A fund 011 will be created after board approval on 7/17/19. All interface fees will be posted to this fund as well as allowed costs directly related to the title/registration system and education/training.
7.	<u>Unemployment Compensation Fund's cash balance below required amount.</u>
Repeat Finding	Yes
Criteria	Section 71-5-359(f), Miss. Code Ann. (1972), requires that a balance be maintained in the Unemployment Compensation Fund at an amount not less than two percent (2%) of the first six thousand dollars (\$6,000.00) of covered wages paid during the next preceding year.
Condition	As reported in the prior year audit report, our testing procedures indicated that the County's Unemployment Compensation Fund was underfunded in the amount of \$1,993 as of September 30, 2017. It also came to our attention that unemployment benefits in the amount of \$1,925 were paid from the General Fund in fiscal year 2017 rather than the Unemployment Compensation Fund.
Cause	The County did not comply with state laws and maintain the required fund balance for the unemployment compensation fund.
Effect	The failure to maintain the required amount in the Unemployment Compensation Fund resulted in the County being in direct violation of state law.
Recommendation	The Board of Supervisors should ensure that an amount is maintained in the Unemployment Compensation Fund at an amount not less than two percent (2%) of the first six thousand dollars (\$6,000.00) of covered wages paid during the next preceding year, as required by law.

**Views of Responsible
Official(s)**

We will comply.

8. Inmate canteen commissions should be accounted for separately.

Repeat Finding Yes

Criteria Section 19-3-81(1)(b) states that any funds which may be derived from the operation of an inmate canteen facility shall be deposited into a special fund in the county treasury to be designated as the "Inmate Canteen Fund". Any monies in the special fund may be expended solely by the Sheriff for any educational-related expenses, to purchase equipment and supplies and to provide for maintenance of the equipment purchased for the benefit and welfare of the inmates incarcerated in the county jail.

Condition As reported in the prior year audit report, our audit procedures revealed that the inmate canteen commissions are posted to the Sheriff's fees account in the General Fund and there is no separate accounting for the expenditure of these commissions.

Cause The County did not comply with state laws.

Effect The failure to separately account for the expenditures of the inmate canteen commissions could result in the loss of misappropriation of public funds.

Recommendation The County should establish an Inmate Canteen Fund and deposit all canteen commissions to this fund. Procedures should also be implemented to ensure these commissions are expended only for authorized purposes.

**Views of Responsible
Official(s)**

Fund 026 was created 10/12/2017. Canteen commission are now being posted into this fund.

9. The County should execute a contract for the housing of municipal prisoners and should bill the municipality for these services.

Repeat Finding Yes

Criteria Section 47-1-39(1), Miss. Code Ann. (1972), authorizes the governing authorities of municipalities to contract with the Board of Supervisors for the use of the county jail by the municipality.

Condition As reported in the prior year audit report, although the County houses prisoners for the Town of Tylertown on an ongoing basis, the County does not have a contract with the Town for these services and did not bill the Town for housing prisoners in fiscal year 2017.

Cause The County did not comply with state laws.

Effect Failure to execute a contract for the housing of municipal prisoners resulted in the County incurring costs for housing the Town's prisoners for which no reimbursement was received.

Recommendation The County should execute a contract with the Town for the housing of prisoners and implement procedures to ensure the Town is billed for these services on a monthly basis.

**Views of Responsible
Official(s)**

We will comply with executing a contract with the Town of Tylertown. We are currently billing the Town for these services.

10. The County is not authorized to pay the Deputy Chancery Clerk for processing homestead exemption applications.

Repeat Finding	Yes
Criteria	Section 27-33-37(m), Miss. Code Ann. (1972), authorizes the Board of Supervisors to employ the Clerk of the Board to collect and assemble data and information and to perform the services required of the Board by paragraph (e) of said section and to make investigations required in connection with the duties of the Board in determining the eligibility of homestead exemptions and to perform all other ministerial duties required of the Board in connection with administering the Homestead Exemption Law and as directed by the Board. If the Board employs the Clerk, he shall be paid out of the General Fund as follows: for the first two thousand (2,000) applications he may, in the discretion of the Board, be paid not exceeding one dollar (\$1.00) for each application.
Condition	As reported in prior year audit report, our audit procedures disclosed that the Board of Supervisors approved a payment in the amount of \$372 to the Deputy Chancery Clerk for processing homestead exemption applications in fiscal year 2017.
Cause	The County did not comply with state laws.
Effect	The County is in violation of state law and made an unauthorized payment.
Recommendation	The Board of Supervisors should implement procedures to ensure that only authorized payments are approved in the future.
Views of Responsible Official(s)	The proper procedures for these payments have been implemented effective 4/22/2017.
11.	<u>Surety bonds should be approved in accordance with state law.</u>
Repeat Finding	Yes
Criteria	Section 25-1-19(1), Miss. Code Ann. (1972), requires the Board of Supervisors to approve the bonds of the Chancery Clerk, the Circuit Clerk, and all other County officers and employees, or officers and employees for any district, subdivision, board or commission of the County, including the public school district. Additionally, the bonds of the members of the Board of Supervisors are required to be approved by the Chancery Clerk.
Condition	As reported in the prior year audit report, during our test work, we noted that no bonds were approved in fiscal year 2017 by the Board of Supervisors or the Chancery Clerk.
Cause	The County did not comply with state laws.
Effect	The failure to approve surety bonds for County officers and employees resulted in some employees not being bonded, as required by state law.
Recommendation	The Board of Supervisors should implement procedures to ensure all bonds are approved as required by state law.
Views of Responsible Official(s)	We will comply.
12.	<u>The Board of Supervisors should approve the claims docket.</u>
Repeat Finding	Yes
Criteria	Section 19-13-31(1), Miss. Code Ann. (1972), requires the claims docket to be called at each regular meeting of the Board of Supervisors and all claims then on file, not previously rejected or allowed, shall be passed upon in the order in which they are entered upon the docket. The statute also requires the Board President, or Vice-President in the absence or disability of the President, to sign his name at the end of the docket entries.

Condition	As reported in the prior year audit report, in fiscal year 2017, only the President of the Board of Supervisors reviewed and approved the claims docket. Additionally, one month's docket was not signed by the Board President or Vice-President.
Cause	The County did not comply with state laws.
Effect	Failure to review and approve the claims docket could result in the misappropriation of public funds, as well as excessive and unnecessary costs to the County.
Recommendation	The claims docket should be reviewed by the entire Board of Supervisors each month. Procedures should also be implemented to ensure the docket is signed by either the Board President or Vice-President each month.
Views of Responsible Official(s)	We will comply.
13.	<u>Insurance rebate funds should not be distributed to fire departments without a written contract in effect.</u>
Repeat Finding	Yes
Criteria	Section 83-1-39(6) (a), Miss. Code Ann. (1972), states that no insurance rebate monies shall be paid by the county to any provider of fire protection services except in accordance with a written contract entered into in accordance with guidelines established by the Commissioner of Insurance and properly approved by the Board of Supervisors and the Commissioner of Insurance.
Condition	As reported in prior year audit report, the previous contracts between the Board of Supervisors and the various providers of fire protection services in the County expired on January 4, 2016. As of September 30, 2017, no new contracts had been executed; however, insurance rebate funds in the amount of \$78,547 were distributed to the various providers on July 28, 2017.
Cause	The previous contracts between the Board of Supervisors and the providers of the fire protection services have expired.
Effect	Failure to obtain a written contract before distributing insurance rebate funds resulted in unauthorized disbursements of \$78,547.
Recommendation	The Board of Supervisors should implement procedures to ensure insurance rebate funds are distributed in accordance with state law.
Views of Responsible Official(s)	A written contract was done and approved by the Commissioner of Insurance on 6/7/2018 and expires 1/6/2020.
14.	<u>All County bank accounts should be included on the County's Public Depositor Annual Report.</u>
Repeat Finding	Yes
Criteria	Section 27-105-5(6) (b), Miss. Code Ann. (1972), requires each public depositor to notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year-end.
Condition	As reported in the prior year audit report, it was noted during test work that three county bank accounts were not included in the collateralization report submitted to the State Treasurer by the County. As of September 30, 2017, the combined deposit balances of these three accounts were \$21,960.
Cause	The County did not comply with state laws.

Effect	Failure to include all the County's bank accounts in the collateralization report could result in the County's deposits being under-collateralized and the loss of public funds.
Recommendation	The Board of Supervisors should implement procedures to ensure all County accounts are included on the Public Depositor Annual Report in accordance with state law.
Views of Responsible Official(s)	This was corrected in October 2017. All county bank accounts are included in the collateral report.
15.	<u>All county funds should be deposited in the designated county depository.</u>
Repeat Finding	Yes
Criteria	Section 27-105-305, Miss. Code Ann. (1972), requires the county funds and all other funds in the hands of the County Treasurer to be deposited in the qualified depository as designated annually or biannually by the Board of Supervisors.
Condition	As reported in the prior year audit report, on December 23, 2015, the Board of Supervisors selected Pike National Bank as the county depository for calendar years 2016 and 2017. As of September 30, 2017, the County, through its various offices, had a total of \$3,574.43 on deposit with Citizens Bank and \$18,384.70 on deposit with Trustmark National Bank.
Cause	The County did not comply with state laws.
Effect	Failure to include all County funds in the approved county depository could result in the loss or misappropriation of public funds and places the County in violation of state statute.
Recommendation	All County accounts with Citizen's Bank and Trustmark National Bank should be closed immediately and the funds should be transferred to Pike National Bank. The County should also implement procedures to ensure all county funds are on deposit with the designated county depository.
Views of Responsible Official(s)	All County accounts are on deposit with the designated county depository. The Economic Development Authority accounts were combined. The Town of Tylertown seized Drug Task Force account was closed on 10/12/2017 and a new account was opened on 10/19/2017 into the designated county depository Pike National Bank.
16.	<u>Interfund transfers should be approved in the board minutes.</u>
Repeat Finding	No
Criteria	Section 19-3-27, Miss. Code Ann. (1972), requires the board minutes to be a complete and correct record of all proceedings of the Board of Supervisors.
Condition	Interfund transfers were either made without board orders spread on the minutes or no description of the transfer was provided on the board order.
Cause	The County did not comply with state laws.
Effect	The failure to approve all transfers in the board minutes or provide a proper description could cause transfers to be misstated and creates the opportunity for inappropriate transfers to be made.
Recommendation	The Board of Supervisors should approve and spread complete orders on the minutes relative to interfund transfers.
Views of Responsible Official(s)	We will comply.

17.	<u>Highway privilege taxes and additional privilege taxes should be distributed in accordance with state law.</u>
Repeat Finding	No
Criteria	A portion of the highway privilege taxes and additional privilege taxes collected by the Mississippi Department of Revenue is distributed to the counties in accordance with Section 27-19-11, Miss. Code Ann. (1972). This Code Section requires counties to distribute these proceeds as they would if these collections were ad valorem taxes.
Condition	In fiscal year 2017, the County distributed \$7,566 of these taxes to the Town of Tylertown, for which the County does not levy taxes.
Cause	The County did not comply with state laws.
Effect	County funds were expended for unauthorized purposes.
Recommendation	The Board of Supervisors should implement internal controls to ensure highway privilege taxes and additional privilege taxes are distributed in accordance with state law.
Views of Responsible Official(s)	We will comply.
18.	<u>Issuance of debt for the purchase of equipment not advertised for competitive bids.</u>
Repeat Finding	No
Criteria	Section 17-21-53, Miss. Code Ann. (1972) specifies that all such notes or certificates of indebtedness shall be offered at public sale by the governing authority after not less than 10 days' advertising in a newspaper having general circulation within the governing body.
Condition	The County issued debt for a 2018 freightliner truck for \$69,000 and an emulsion storage tank for \$38,800 in fiscal year 2017. These debt instruments were not advertised according to section 17-21-53, Miss. Code Ann. (1972).
Cause	The County did not comply with state laws.
Effect	Failure to advertise for competitive bids when issuing debt, as required by state law, could result in a loss of public funds.
Recommendation	The Board of Supervisors should ensure that all issuance of debt be advertised for competitive bids as required by state law.
Views of Responsible Official(s)	We will comply.
19.	<u>Required documentation should be filed timely when a PERS retiree is hired.</u>
Repeat Finding	No
Criteria	Under the re-employment provisions of Section 25-11-127, Miss. Code Ann. (1972), the Mississippi Public Employees Retirement System (PERS) requires employers hiring PERS service retirees to file PERS Form 4B, "Certification/ Acknowledgement of Re-employment of Retiree", with the PERS office within five (5) days of employment of a PERS retiree.
Condition	All but one Form 4B for retirees were filed past the window for filing after re-employment.
Cause	The County did not comply with state laws.

Effect	Failure to timely file PERS Form 4B could result in the overpayment of wages to the retiree.
Recommendation	The Board of Supervisors should implement procedures to ensure that all PERS Forms 4B are filed within five (5) days of employment of a covered retiree.
Views of Responsible Official(s)	All form 4B's were submitted on a timely basis for fiscal year 2017-2018. We will continue to comply.

Board of Supervisors and Tax Assessor-Collector.

20. The community college and the mandatory 1 mill ad valorem tax levies should be assessed on industrial exempt properties.

Repeat Finding	Yes
Criteria	Section 27-31-101(1), Miss. Code Ann. (1972), authorizes the Board of Supervisors, in their discretion, to grant exemptions from ad valorem taxation on tangible property used in, or necessary to, the operation of manufacturers and other new enterprises enumerated by classes in this section. Furthermore, Section 27-31-105(1), Miss. Code Ann. (1972), authorizes the Board of Supervisors to also grant exemption from ad valorem taxation to the owner or operator of a manufacturing or other enterprise of public utility who makes additions to or expansions of the enterprise. However, in the case of both exemptions, the Board of Supervisors may not grant exemption from taxes for school district purposes or the 1 mill levy required by Section 27-39-329(2)(b), Miss. Code Ann. (1972).
Condition	As reported in the prior year audit report, the County's levy for Southwest Mississippi Community College and the mandatory 1 mill levy were not assessed on industrial exempt properties for fiscal year 2017.
Cause	The Board of Supervisors and Tax Assessor-Collector did not comply with state laws.
Effect	Failure to assess the community college and the mandatory 1 mill ad valorem tax levies on industrial exempt properties resulted in a shortage of taxes collected in the amount of \$1,232.59 for the community college levies and \$283.36 for the mandatory 1 mill levy.
Recommendation	The Tax Assessor-Collector and the Board of Supervisors should ensure that the appropriate ad valorem taxes are levied on industrial exempt properties in accordance with state law.
Views of Responsible Official(s)	This was corrected in September 2018 after it was brought to our attention.

Chancery Clerk.

21. Board minutes should be complete and correct.

Repeat Finding	Yes
Criteria	Section 19-3-27, Miss. Code Ann. (1972), requires the Chancery Clerk, as the clerk of the Board of Supervisors, to keep and preserve a complete and correct record of all the proceedings and orders of the Board. The minutes of each month's meetings should be prepared by the first Monday of the subsequent month.
Condition	As reported in the prior year audit report, the following deficiencies were noted during our audit: <ul style="list-style-type: none"> a. The minutes for Board meetings are not current in the minute book. b. Significant details and supporting documentation were not included in the minutes for multiple actions taken by the Board.

- c. No Board orders were recorded to appoint the Assistant Purchase Clerk or the Receiving Clerk.
- d. Numerous Board orders authorizing interfund transfers and budget amendments do not include details such as the funds or amounts approved.
- e. Actions required and approved to bring the County into compliance with federal and state labor laws were not specified.
- f. According to the County's payroll records, 13 employees were hired and/or terminated in fiscal year 2017. Only 11 of these 13 occurrences were recorded in the Board minutes.

Cause	The Chancery Clerk did not comply with state laws.
Effect	The failure to keep and preserve a complete and correct record of all Board of Supervisors' proceedings could result in the inability to determine what actions were taken and/or approved by the Board of Supervisors.
Recommendation	The Chancery Clerk should maintain a complete and correct record of all Board proceedings including all supporting documentation.
Views of Responsible Official(s)	A – F have been addressed and corrected.

Circuit Clerk and Board of Supervisors.

22. All fee bills for attending Circuit Court should be approved and signed by the judge.

Repeat Finding	Yes
Criteria	Section 25-7-13(2) (m), Miss. Code Ann. (1972), authorizes the Circuit Court Clerk to charge the County \$50.00 for each day's attendance upon the Circuit Court term, for himself and necessary deputies allowed by the court.
Condition	As reported in the prior year audit report, seven (7) of the fee bills tested were not signed by the judge.
Cause	The Circuit Clerk and Board of Supervisors did not comply with state laws.
Effect	The failure to submit appropriate payroll documentation for attending court resulted in unauthorized payments in the amount of \$7,533.50 made by the Board of Supervisors.
Recommendation	The Circuit Clerk should ensure all fee bills are approved and signed by the appropriate judge before submitting to the County for payment. Also, the Board of Supervisors should implement procedures to ensure that all fee bills are signed by the judge before issuing payment to the Clerk.
Views of Responsible Official(s)	We will comply.

Circuit Clerk.

23. The Circuit Clerk should maintain dockets as required by state law.

Repeat Finding	No
Criteria	Section 9-7-171(1), Miss. Code Ann. (1972), requires the Circuit Clerk to keep a general docket, in which he shall enter the names of the parties in each case, the time of filing the declaration, indictment, record from inferior courts on appeal or certiorari, petition, plea, or demurrer, and all other papers in the cause.
Condition	The original judgments and final dispositions of cases were not consistently posted to the docket. Additionally, a change was made to an original judgment without supporting documentation.

Cause	The Circuit Clerk did not maintain dockets as required by law.
Effect	The failure to properly maintain court dockets could result in the loss or misappropriation of public funds due to the county and or the state.
Recommendation	The Circuit Clerk should implement procedures to ensure the court dockets are maintained in accordance with state law.
Views of Responsible Official(s)	We will comply.
.24.	<u>Deputy Circuit Clerks should be bonded in accordance with state law.</u>
Repeat Finding	Yes
Criteria	Section 9-7-123(2), Miss. Code Ann. (1972), requires that all Deputy Circuit Clerks be bonded for three percent of the prior year's taxes with a minimum of \$50,000 and a maximum of \$100,000.
Condition	As reported in the prior year audit report, the Deputy Circuit Clerks were included in a blanket bond issued for the Sheriff's Office in fiscal year 2017 and did not have individual bonds.
Cause	The County did not comply with state laws.
Effect	Failure to comply with state law would limit the amount available for recovery if a loss occurred.
Recommendation	The Circuit Clerk should ensure the Deputy Circuit Clerks are bonded individually in accordance with state law.
Views of Responsible Official(s)	We have complied in FY2018.
25.	<u>The Circuit Clerk should maintain adequate documentation for all expenses.</u>
Repeat Finding	No
Criteria	Section 9-1-43(1), Miss. Code Ann. (1972), requires the Circuit Clerk to claim only expenses that are allowed as deductions by Schedule C of the Internal Revenue Code. The Clerk is also responsible for adequate documentation to support all expenses.
Condition	Supporting documentation was not available to the auditors for all expenses.
Cause	The Circuit Clerk did not comply with state laws.
Effect	The failure to maintain adequate documentation for all expenses could result in the loss or misappropriation of public funds.
Recommendation	The Circuit Clerk should ensure adequate documentation is maintained for all expenses.
Views of Responsible Official(s)	Complied 2018.
Tax Assessor-Collector.	
26.	<u>Deputy Tax Assessors and Deputy Tax Collectors should be bonded in accordance with state law.</u>
Repeat Finding	Yes

Criteria	Section 27-1-9(a), Miss. Code Ann. (1972), requires each Deputy Tax Assessor to be bonded for an amount not less than \$10,000 and each Deputy Tax Collector to be bonded for an amount not less than \$50,000. Additionally, Section 25-1-15(2), Miss. Code Ann. (1972), requires a new bond every four years concurrent with the normal election cycle of the county for all public employees required to give individual bond.
Condition	As reported in prior year audit report, the Deputy Tax Assessors were covered under a blanket bond with no expiration date. The Deputy Tax Collectors were not bonded as such, but were included on the Deputy Tax Assessors' blanket bond.
Cause	The County did not comply with state laws.
Effect	Failure to comply with state law would limit the amount available for recovery if a loss occurred.
Recommendation	The County should cancel the blanket bond and obtain individual bonds for the Deputy Tax Assessors and the Deputy Tax Collectors. Additionally, the Tax Assessor-Collector should ensure all Deputy Tax Assessors and Deputy Tax Collectors are bonded in accordance with state law.
Views of Responsible Official(s)	This was corrected in September 2017.
Justice Court Clerk.	
27.	<u>The Justice Court Clerk should settle unidentifiable funds to the County.</u>
Repeat Finding	Yes
Criteria	Section 27-105-371, Miss. Code Ann. (1972), requires county officials who receive funds under the authority of their office to settle any unidentifiable funds into the General Fund of the County within 30 days of such determination.
Condition	As reported in the prior year audit report, the Board of Supervisors passed a motion on October 22, 2014, to transfer all unclaimed Justice Court funds to the County's General Fund. However, as of September 30, 2017, no such transfer had been made and unidentifiable/unclaimed funds in the amount of \$23,391 remained in the custody of the Justice Court Clerk.
Cause	The Justice Court Clerk did not comply with state laws.
Effect	The failure to settle any unidentifiable funds to the County could result in the loss or misappropriation of public funds.
Recommendation	The Justice Court Clerk should settle all unidentifiable and/or unclaimed funds to the County's General Fund.
Views of Responsible Official(s)	This will be taken care of at the first of the month board meeting, which is September 2, 2019. All unidentifiable and/or unclaimed monies will be turned over to the Board.
28.	<u>The Justice Court Clerk should report to the Board of Supervisors on a monthly basis.</u>
Repeat Finding	Yes
Criteria	Section 9-11-19(1), Miss. Code Ann. (1972), requires the Justice Court Clerk to submit a report of all fees, costs, fines and penalties received, including cash bonds and other monies which have been forfeited in criminal cases to the Board of Supervisors on a monthly basis. The Justice Court Clerk is also required to report, at least semiannually, any delinquent fines and penalties, giving the date, amount, and names of persons from whom such monies were received.

Condition	As reported in the prior year audit report, the Justice Court Clerk did not report monthly collections to the Board of Supervisors each month and did not report delinquent fines and penalties received at least two times per year.
Cause	The Justice Court Clerk did not comply with state laws.
Effect	The failure of the Justice Court Clerk to submit a report to the Board of Supervisors on a monthly basis could result in the loss of misappropriation of public funds.
Recommendation	The Justice Court Clerk should ensure the previous month's collections are reported to the Board of Supervisors each and every month and that delinquent fines and penalties are reported at least twice per year.
Views of Responsible Official(s)	I am in compliance and will correct what needs to be corrected.

Walthall 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

January 23, 2020

WALTHALL COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

WALTHAM COUNTY

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WALTHALL COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Unmodified
Business-type activities	Unmodified
General fund	Qualified
Solid Waste fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? Yes
3. Noncompliance material to the financial statements noted? Yes

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2017-001. Multiple weaknesses were noted in the County's internal controls over cash.

Repeat Finding Yes

Criteria An effective system of internal control over cash should include an adequate segregation of duties, as well as, a proper system for recording receipt warrants and disbursements, the use of pre-numbered checks, timely reconciliations of bank statements, and other physical safeguards over the cash system.

Condition As reported in the prior year audit report, during our test work, we noted the following deficiencies:

- a. In addition to the governmental and proprietary funds, interest earned on the pooled bank account was also distributed to the County's agency funds.
- b. Multiple discrepancies were noted in payees and amounts between physical checks and the accounting records.

Cause The County lacked the necessary internal controls over cash.

Effect The failure to have an inadequate system of internal controls over cash could result in the loss or misappropriation of public funds.

Recommendation The Board of Supervisors should implement an adequate system of internal controls over cash.

WALTHALL COUNTY

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

**Views of Responsible
Official(s)**

- a. We will comply.
- b. We will comply.

Material Weakness

2017-002. Processing of payroll and other payroll duties not adequately segregated.

Repeat Finding Yes

Criteria An effective system of internal control over the payroll function should include an adequate segregation of duties. The maintenance of the general ledger, processing of payroll and other payroll duties are not adequately segregated for effective internal control.

Condition As reported in the prior year audit report, during our test work, we noted the following internal control weaknesses in the payroll function:

- a. The comptroller, who maintains the general ledger, also processes time sheets, prepares the payroll, prepares payroll checks and reconciles the payroll bank account.
- b. The Board of Supervisors did not approve all payroll and personnel changes.
- c. Multiple check numbers were not accounted for.
- d. Blank checks and the signature stamp are stored together in an unsecure location in the Payroll Clerk's office.
- e. Personnel files are stored in an unsecure location in the Payroll Clerk's office.
- f. Personnel files contain no documentation for payroll or employment status changes.
- g. Individuals are frequently allowed to work for the county before completing any required payroll forms or screenings.
- h. There is no consistency among County departments as to the type or the level of completion of the documentation submitted to the Payroll Clerk for processing.
- i. Changes are made to timekeeping records based on information received verbally from employees.
- j. The mathematical accuracy of timekeeping records is not verified by the Payroll Clerk.
- k. Discrepancies exist between the amounts transferred to the payroll clearing fund for various payroll items and the amounts disbursed from the payroll clearing fund for those items.
- l. Reconciliations of the payroll clearing account were performed an average of 100 business days after the end of the month with the actual number of business days ranging from 15 to 157.

Cause The County lacked the necessary internal controls over the payroll function.

Effect Failure to have an adequate segregation of duties and proper internal controls over the payroll function could result in the loss or misappropriation of public funds.

Recommendation The Board of Supervisors should implement an adequate system of internal controls that will ensure proper segregation of duties exist with respect to control of the general ledger, the processing of payroll and other payroll duties.

**Views of Responsible
Official(s)**

We will comply.

WALTHALL COUNTY

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

Material Weakness

2017-003. Controls over cash collections and disbursements in the Solid Waste Office should be strengthened.

Repeat Finding Yes

Criteria An effective system of internal control over cash collections and disbursements for garbage collection should include an adequate segregation of duties, as well as, a proper system for billing, numbered receipts for payments received, safeguards to protect payments received, and timely reconciliations of bank statements.

Condition As reported in the prior year audit report, during our audit, we noted the following deficiencies in the recording of transactions for garbage collection:

- a. Customers are billed in arrears on a quarterly basis for services already received, which provides little motivation for prompt payment.
- b. There are no effective procedures in place to determine whether all residents receiving services are billed or whether the proper person is being billed. Residents are allowed to make changes to accounts by telephone with no procedures in place to verify the identity of the individual requesting the change.
- c. Numbers are not assigned to receipts by the accounting software; accordingly, there is no accountability for missing receipts.
- d. Although it is the policy of the solid waste office to stamp all checks "For deposit only" upon receipt and to keep the cash drawer locked at all times when not in use, several instances of non-compliance with these policies were observed
- e. Although the head clerk reconciles the monthly collections to the deposits shown on the bank statement, none of the reconciling items such as bank fees and interest earned are entered into the solid waste accounting system.
- f. Both clerks receive payments and work from the same cash drawer. Both clerks also prepare bank deposits and deliver them to the bank.
- g. In addition to receiving payments and performing the partial bank reconciliation, the head clerk also prepares the monthly settlement to the County.

Cause The County lacked the necessary internal controls over the cash collections and disbursements in the Solid Waste office.

Effect The failure to establish an adequate system of internal controls over cash collections and disbursements for garbage collection could result in the misappropriation or loss of public funds.

Recommendation The Board of Supervisors should implement a system of internal control to ensure that all residents receiving services are billed in advance, there are enforceable consequences for nonpayment of bills, all receipts are accounted for; funds in the solid waste office are properly safeguarded, bank statements are properly reconciled to the accounting records, and that there is an adequate segregation of duties in the solid waste office.

Views of Responsible Official(s) We will comply.

Material Weakness

2017-004 An adequate system of internal control over payroll procedures should be implemented.

Repeat Finding No

WALTHALL COUNTY

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

Criteria	An effective system of internal control over the county payroll should include proper segregation of duties, proper authorization of payroll and documentation for all withholdings, deductions, leave and hours worked.
Condition	During audit test work, it was noted that payroll insurances collected from employees during the month are not being returned to the correct fund when the employee leaves. The book balance in the payroll fund at 09/30/2017 was \$111,488, the book balance at 09/30/2018 was \$162,582, and the book balance at 02/28/2019 was \$146,660.
Cause	The County lacked the necessary internal controls over the county payroll function.
Effect	Failure to return payroll insurances to the correct fund when an employee leaves could result in misappropriation of public funds and an overstatement of the payroll fund.
Recommendation	The Board of Supervisors should ensure that controls are implemented in the payroll function to ensure all payroll insurances are returned to the proper fund.

**Views of Responsible
Official(s)**

We will comply.

**Material Weakness
Material Noncompliance**

2017-005 The Approved Final Amended Budget should have beginning cash balances.

Repeat Finding No

Criteria	Section 19-11-11, Miss. Code Ann. (1972), requires the Board of Supervisors to, by resolution, approve and adopt the budget as finally determined and enter the same at length in detail in its official minutes.
Condition	During audit test work, it was noted that the final amended budget, spread in the board minutes for fiscal year 2017, did not have a beginning cash balance for each fund.
Cause	The County lacked the internal controls necessary to ensure the final amended budget had beginning cash balances for each fund.
Effect	Failure to include the beginning cash balance for each fund in the final amended budget causes noncompliance with state law.
Recommendation	The Board of Supervisors should approve and spread on the minutes the final amended budget with the correct beginning cash balance for each fund.
Views of Responsible Official(s)	This is due to an oversight in procedures while preparing the amended budget. The 2018 amended budget is in the correct format.

**Material Weakness
Material Noncompliance**

2017-006. Controls over the levying of ad valorem taxes should be strengthened.

Repeat Finding Yes

WALTHALL COUNTY

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

Criteria	Section 27-39-305, Miss. Code Ann. (1972), authorizes the Board of Supervisors to impose a countywide ad valorem tax levy or levies for the maintenance and/or construction of roads and bridges.
Condition	As reported in prior year audit report, the County authorized a levy of 11.70 mills for county road and bridge maintenance. The proceeds of two mills of this levy is being settled to the Town of Tylertown.
Cause	The County lacked the necessary internal controls over the levying of ad valorem taxes.
Effect	The failure to have adequate controls over the levying of ad valorem taxes resulted in the County making unauthorized payments in the amount of \$136,960 to the Town of Tylertown in fiscal year 2017.
Recommendation	The Board of Supervisors should ensure that none of the collections for the county road and bridge maintenance levy are being settled to the Town of Tylertown.
Views of Responsible Official(s)	This ceased on 3/21/2018 after the board attorney received an opinion for the AG's Office.
Material Weakness Material Noncompliance	
2017-007.	<u>Budget revisions made during the year should be spread on the Board minutes.</u>
Repeat Finding	Yes
Criteria	Section 19-11-19(1), Miss. Code Ann. (1972), states that revisions made in the budget, from time to time, shall be spread upon the official minutes of the board at the meeting at which any such revision is made.
Condition	As reported in the prior year audit report, budget amendments totaling \$93,078 to the General Fund and \$192,292 to the Aggregate Remaining Funds were recorded during the year but were not spread upon the minutes of the Board of Supervisors. The lack of complete Board minutes makes the actions legally taken by the Supervisors indeterminable.
Cause	The County lacked the necessary internal controls to ensure that budget revisions made during the year are spread on the Board minutes.
Effect	Failure to spread budget amendments upon the Board of Supervisors' minutes could result in the reporting of erroneous amounts and increases the possibility of loss or misuse of public funds.
Recommendation	The Board of Supervisors should ensure that complete and detailed orders relative to budget amendments are spread upon the minutes.
Views of Responsible Official(s)	We will comply.
Material Weakness Material Noncompliance	
2017-008.	<u>Controls over the levying of ad valorem taxes should be strengthened.</u>
Repeat Finding	Yes

WALTHALL COUNTY

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

Criteria	An effective system of internal control over the levying of ad valorem taxes should ensure that the amounts levied are in compliance with the appropriate statute granting authority to levy taxes, levy descriptions are accurate, and the specific levies referenced throughout the Board order are relevant to the year for which taxes are being levied.
Condition	<p>As reported in the prior year audit report, the following errors were noted in the tax levy for the fiscal year 2016-2017:</p> <ol style="list-style-type: none">The 0.28 millage rate levied for support of the Pearl River Basin Development District is 0.22 mills less than the 0.50 mill levy required by Section 51-11-31, Miss. Code Ann. (1972).The Board order includes a 200 mill levy "For Retirement of Road Fund Bond and Interest". The County had no road bonds outstanding during the fiscal year. (The County issued a promissory note for repair and maintenance of roads in June 2015.) Furthermore, the Code Section cited in this levy, 19-9-1, does not authorize the County to levy a tax for any such purpose.Section 3 of the levy includes the citation of Section 37-51-1, Miss. Code Ann. (1972), as authorization for the levy of taxes for the purpose of Countywide School Maintenance. This Code Section does not give the County any authority to levy taxes.
Cause	The County lacked the necessary internal controls over the levying of ad valorem taxes.
Effect	Failure to cite the appropriately levy ad valorem taxes resulted in unauthorized ad valorem taxes in that were collected for fiscal year 2017.
Recommendation	The Board of Supervisors should implement procedures to ensure the correct descriptions, purposes, and Code Sections are recorded in the levy and that all levies are specifically authorized by state statute.
Views of Responsible Official(s)	A. Pearl River Basin Development District was dissolved in 2018. This was known by the WCBOS in 2017, so .28 mills were moved to General Fund. The millage amount was an error. B. This will be corrected as follows: for Road Indebtedness Section 17-21-53, Miss Code Ann (1972).C. This will be corrected.
Material Weakness Material Noncompliance	
2017-009.	<u>The Board of Supervisors did not adopt the required resolution prior to the issuance of a negotiable promissory note.</u>
Repeat Finding	Yes
Criteria	Section 17-21-53(1), Miss. Code Ann. (1972), states that before any money is borrowed under this article, the governing authority shall adopt a resolution declaring the necessity for such borrowing and specifying the purpose for which the money borrowed is to be expended, the amount to be borrowed, the date or dates of the maturity thereof, and how such indebtedness is to be evidenced. The resolution shall be certified over the signature of the head of the governing authority.
Condition	As reported in the prior year audit report, the required resolution was not entered in the minutes of the Board of Supervisors prior to the issuance of a \$500,000 promissory note on June 21, 2015. Therefore, the County had no authority under state law to issue the promissory note.
Cause	The County lacked the necessary internal controls and had no authority under state law to issue the promissory note.

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Effect	Failure to adopt the required resolution prior to the issuance of a negotiable promissory note resulted in the illegal diversion of public funds.
Recommendation	The Board of Supervisors should adopt a resolution <i>nunc pro tunc</i> for this debt issue. The Board should also implement procedures to ensure the required resolution has been passed and documented in the minutes before debt is issued in the future.
Views of Responsible Official(s)	We will comply.
Material Weakness Material Noncompliance	
2017-010.	<u>Controls over repayment of interfund loans should be strengthened.</u>
Repeat Finding	No
Criteria	This Mississippi Code is silent regarding the authority of the County to make interfund loans.
Condition	The following deficiencies were noted during the audit: <ul style="list-style-type: none">a. The County had advances of \$8,571 and \$7,988 for fiscal years 2015 and 2016 respectively, resulting in a balance of \$16,559 for fiscal year 2017.b. An advance for regarding Solid Waste indirect cost of \$7,988 was shown in the financial statements, however, \$9,794 was approved in the board minutes.
Cause	The County lacked the necessary internal controls to ensure that interfund loans were repaid within one year.
Effect	The failure the repay these loans constitutes a diversion of legally-restricted funds.
Recommendation	The Board of Supervisors should ensure all advances are repaid
Views of Responsible Official(s)	This was done in error. It will be corrected.
Significant Deficiency	
2017-011.	<u>Bank statements should be reconciled and have adequate supporting documentation.</u>
Repeat Finding	No
Criteria	An effective system of internal control over cash should include the reconciliation of bank statements on a monthly basis.
Condition	The Walthall County Economic Development Authority bank statements were not reconciled as of September 30, 2017.
Cause	The County lacked the necessary internal controls over the reconciliation of bank statements.
Effect	The failure to reconcile the Walthall County Economic Development Authority bank statements on a monthly basis could result in the loss or misappropriation of public funds.

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Recommendation The County should implement a system that ensures bank statements are reconciled on a monthly basis.

Views of Responsible Official(s) We will comply.

Inventory Control Clerk.

Material Weakness

2017-012. The Inventory Control Clerk should maintain an inventory control system.

Repeat Finding Yes

Criteria Effective internal controls over capital assets include developing and maintaining a complete and accurate inventory control system. Also, certain data elements should be captured in capital asset records for all capital assets. Required data elements include description of assets, cost, locations, acquisition dates, disposition dates, method of disposition, and other relevant information. The presence of these data elements in capital asset records helps identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation.

Condition As reported in the prior year audit report, our test results indicated the following deficiencies in the capital asset records:

- c. Documents presented to the Board of Supervisors for approval for deletion do not include serial numbers so that specific assets can be positively identified.
- d. Depreciation was not recorded for an asset #1967 purchased in 2004.
- e. No procedures are in place to identify and track assets purchased with federal funds.
- f. One asset did not have an inventory tag and three assets were not properly marked.

Cause The County lacked the necessary internal controls over the inventory control system.

Effect The failure to maintain an effective inventory controls 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 establish adequate control procedures to maintain accurate inventory records documenting the existence, valuation and completeness of capital assets.

Views of Responsible Official(s)

- a. Deleted items have serial numbers added to them starting in October 2018.
- b. Depreciation on asset # 1967 has been corrected.
- c. Will comply with this finding.
- d. Will comply with this finding.

Chancery Clerk.

Significant Deficiency

2017-013. Controls in the Chancery Clerk's office should be strengthened.

Repeat Finding Yes

Criteria An effective system of internal controls over cash in the Chancery Clerk's office should include the use of sequentially pre-numbered receipts, receipts with sufficient detail to support the fees charged,

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a policy prohibiting the use of white-out or correction tape on documents, and the use of a fee book with pre-numbered lines.

Condition	As reported in prior year audit report, the following deficiencies were noted during our audit: <ul style="list-style-type: none">a. Some receipts did not include sufficient detail for us to determine whether the correct fees were charged.b. White-out was used in the fee book.
Cause	The Chancery Clerk lacked the necessary internal controls over cash.
Effect	The failure to have appropriate internal controls over cash in the Chancery Clerk's office could result in the loss or misappropriation of public funds.
Recommendation	The Chancery Clerk should implement procedures to ensure that receipts include details sufficient to determine whether the fees charged are in accordance with state law, and any necessary corrections to documents are made without the use of white-out or correction tape.
Views of Responsible Official(s)	A & B have been addressed and corrected.
Circuit Clerk.	
Material Weakness	

2017-014. Controls in the Circuit Clerk's office should be strengthened.

Repeat Finding Yes

Criteria An effective system of internal control over cash receipts, cash disbursements and accounting for cash transactions should include the use of proper cash journals, the reconciliation of bank statements to those cash journals, daily bank deposits, a policy prohibiting the use of white-out and correction tape on documentation, proper cutoff at the end of each month, accountability for receipts, receipts with details sufficient to support the fees charged, a detailed list of cash bonds and other amounts held by the office, correct and timely settlement of amounts due to individuals and other entities, and an adequate segregation of duties.

Condition	As reported in the prior year audit report, the following deficiencies were noted: <ul style="list-style-type: none">a. Cash journals were not used.b. Bank statements were not reconciled.c. Bank deposits were not made on a daily basis.d. White-out and/or correction tape was used on documents.e. Amounts received at the end of a month were sometimes comingled and deposited with the subsequent month's receipts.f. Although pre-numbered receipts are used, no procedures are in place to ensure all receipt numbers are accounted for.g. Due to a lack of sufficient details, we were unable to determine whether the correct fees were charged on some receipts.h. Marriage license fees were not settled properly.i. Each deputy clerk prepares and delivers the deposit to the bank for the money she collects.j. One of the deputies responsible for collecting and depositing receipts also posts receipts and disbursements to the ledgers, receives the bank statements, prepares the monthly settlements, and writes the settlement checks. This deputy also maintains the fines receivable records.
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- k. As of June 6, 2019, there were checks totaling \$24,693.47 that are noted as outstanding check, but were not mailed out due to lack of proper address.

Cause	The Circuit Clerk lacked the necessary internal controls over cash.
Effect	The failure to have adequate internal controls in the Circuit Clerk's office could result in the loss or misappropriation of public funds.
Recommendation	The Circuit Clerk should implement procedures to ensure cash journals are maintained, the bank statements are reconciled to the cash journal, bank deposits are made daily, documents are corrected without the use of white-out or correction tape, all transactions are recorded in the correct month, a periodic accounting is made for all receipt numbers, receipts include sufficient detail to determine whether the fees charged are in accordance with state law, cash bonds and other amounts held by the office are properly accounted for, all fees, fines, restitution and other such amounts are settled timely and in the correct amount, and to allow for an adequate segregation of duties in the collection, recording, and disbursement of cash.
Views of Responsible Official(s)	We will comply.
Material Weakness	
2017-015.	<u>The Circuit Clerk's office should ensure effective controls over fines receivable.</u>
Repeat Finding	No
Criteria	An effective system of internal control over fines receivable records should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance.
Condition	Management did not maintain and preserve adequate subsidiary records documenting the existence and valuation of fines receivable for Circuit Clerk fines and the aging of the receivables.
Cause	Management did not maintain and preserve adequate subsidiary records documenting the existence and valuation of Circuit Court fines receivable.
Effect	The Independent Auditor's Report includes a qualified opinion on the General Fund because we were unable to satisfy ourselves as to the fair presentation of Circuit Court fines receivable.
Recommendation	The Circuit Clerk should establish procedures documenting the existence and valuation of Circuit Court fines receivable, including the aging schedule of fines receivable. The Circuit Clerk should also preserve a copy of these records.
Views of Responsible Official(s)	We will comply.
Significant Deficiency	
2017-016.	<u>The Circuit Clerk should prepare a distribution of cash report at year-end.</u>
Repeat Finding	Yes
Criteria	The Circuit Clerk must prepare a report at September 30 th each year identifying the distribution of all funds held by the respectful official in order for these to be included in the financial statements of the County. This report should specify the revenues that are due to the General Fund, other funds,

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state government, or other entities, and should be submitted to the Chancery Clerk by October 31st of each year.

Condition As reported in the prior year audit report, the Circuit Clerk did not prepare a distribution of cash report at September 30, 2017.

Cause The Circuit Clerk did not have the necessary internal controls over cash.

Effect Failure to prepare this report could result in funds held by the Circuit Clerk being misclassified in the County's financial statements.

Recommendation The Circuit Clerk should prepare the distribution of cash report at September 30th of each year.

Views of Responsible Official(s) We will comply.

Justice Court Clerk.

Material Weakness

2017-017. The Justice Court Clerk should ensure effective controls over fines receivable.

Repeat Finding Yes

Criteria An effective system of internal control over fines receivable records should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance.

Condition As reported in the prior year audit report, management did not maintain and preserve adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court fines and the aging of fines receivable.

Cause Management did not maintain and preserve adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court fines and the aging of fines receivable.

Effect The Independent Auditor's Report includes a qualified opinion on the General Fund because we were unable to satisfy ourselves as to the fair presentation of Justice Court fines receivable.

Recommendation The Justice Court Clerk should establish procedures documenting the existence and valuation of Justice Court fines receivable, including the aging schedule of fines receivable. The Justice Clerk should also preserve a copy of these records.

Views of Responsible Official(s) I do print and keep the "Aged Past Due Balance". I will correct what needs to be done.

Material Weakness

2017-018. Internal controls in the Justice Court Clerk's office should be strengthened.

Repeat Finding Yes

Criteria An effective system of internal control over the collection, recording and disbursement of cash in the Justice Court Clerk's office should include physical safeguards over cash in the office, immediate endorsement of checks upon receipt, review for missing receipt numbers, review and/or approval of voided receipts, and an adequate segregation of duties.

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Condition	As reported in the prior year audit report, during our test work, we noted the following deficiencies: <ul style="list-style-type: none">a. No procedures are in place to review reports for missing receipt numbers. Some of the daily reports we reviewed indicated numerous gaps in receipt numbers, partly due to the ability of employees to backdate receipts.b. No approval is required for an employee to void a receipt and no procedures are in place for the Clerk to review voided receipts on a daily basis.c. The Justice Court Clerk collects money, prepares and delivers the bank deposit to the bank, posts receipts and disbursements to the cash journals, prepares the monthly settlements, and writes and signs the checks for those settlements.
Cause	The Justice Court Clerk lacked the necessary internal controls over the collection, recording and disbursement of cash.
Effect	Failure to have adequate controls in the Justice Court Clerk's office could result in the loss or misappropriation of public funds.
Recommendation	The Justice Court Clerk should implement procedures to ensure reports are reviewed on a daily basis for missing receipt numbers, no receipts are backdated, all voided receipts are at least reviewed if not approved when voided, and to allow for adequate segregation of duties in the collection, recording and disbursement of cash.
Views of Responsible Official(s)	Most of this has been corrected. I am in compliance and will correct what needs to be.
Significant Deficiency	
2017-019.	<u>The Justice Court Clerk should prepare a distribution of cash report at year-end.</u>
Repeat Finding	Yes
Criteria	The Justice Court Clerk must prepare a report at September 30 th of each year identifying the distribution of all funds held by the Justice Court Clerk in order for these to be included in the financial statements of the County. This report should specify the revenues that are due to the General Fund, other funds, state government, or other entities. The Justice Court Clerk should submit this report to the Chancery Clerk by October 31 st of each year.
Condition	As reported in the prior year audit report, the Justice Court Clerk did not prepare a distribution of cash report for the fiscal year ended September 30, 2017.
Cause	The Justice Court Clerk lacked the necessary internal controls over cash.
Effect	Failure to prepare a distribution of cash report at year-end could result in funds held by the Justice Court Clerk being misclassified in the County's financial statements.
Recommendation	The Justice Court Clerk should prepare the distribution of cash report at September 30 th of each year.
Views of Responsible Official(s)	I am in compliance and will correct what needs to be corrected.

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Sheriff.

Significant Deficiency

2017-020. The Sheriff should strengthen internal controls over cash.

Repeat Finding Yes

Criteria An effective system of internal controls for collecting, recording, and disbursing cash in the Sheriff's Office should include a reconciliation of receipts issued to the cash received and an adequate segregation of duties.

Condition As reported in the prior year audit report, we noted during our audit that no procedures are performed to reconcile cash deposited to the receipts issued. Additionally, the same employee, receipts cash, prepares all bank deposits, posts receipts to the cash journal, prepares all bank reconciliations, and prepares the monthly settlement reports.

Cause The Sheriff lacked the necessary internal controls over cash.

Effect Failure to have adequate controls in the Sheriff's Office could result in the loss or misappropriation of public funds.

Recommendation The Sheriff should ensure that there are adequate internal controls over the receipting, recording and disbursing of cash in his office.

Views of Responsible Official(s) As stated in October, in order to comply with this deficiency, our department would need additional clerical personnel. Our budget does not have the extra funds to hire additional office employees at this time. This matter will be brought before the Board of Supervisors.