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

Fortenberry & Ballard, PC
Certified Public Accountants

Winston County, Mississippi
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FINANCIAL REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinions

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

Omission of Required Supplementary Information

Winston 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 October 7, 2021, on our consideration of the Winston County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Winston 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 Winston County, Mississippi's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
October 7, 2021

Certified Public Accountants

FINANCIAL STATEMENTS

WINSTON COUNTY, MISSISSIPPIExhibit 1

Statement of Net Position

September 30, 2017

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 6,732,686	3,565,717	10,298,403
Property tax receivable	3,312,538		3,312,538
Accounts receivable (net of allowance for uncollectibles of \$813,333)		133,170	133,170
Fines receivable (net of allowance for uncollectibles of \$616,479)	46,292		46,292
Capital leases receivable	457,820		457,820
Intergovernmental receivables	1,123,659	204,710	1,328,369
Other receivables	126,937	4,402	131,339
Internal balances	2,026,606	(2,026,606)	-
Capital assets:			
Land and construction in progress	1,420,764	54,000	1,474,764
Other capital assets, net	34,486,172	3,628,410	38,114,582
Total Assets	49,733,474	5,563,803	55,297,277
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount related to pensions	609,653	278,396	888,049
Total Deferred Outflows of Resources			
LIABILITIES			
Claims payable	344,290	155,241	499,531
Intergovernmental payables	232,640		232,640
Other payables	42,917		42,917
Long-term liabilities			
Due within one year:			
Capital debt	258,935		258,935
Non-capital debt	101,944		101,944
Due in more than one year:			
Capital debt	1,961,181		1,961,181
Non-capital debt	620,142	12,917	633,059
Net pension liability	5,219,746	3,224,938	8,444,684
Total Liabilities	8,781,795	3,393,096	12,174,891
DEFERRED INFLOWS OF RESOURCES			
Property tax for future reporting period	3,312,538		3,312,538
Interest income on capital lease for future reporting period	65,976		65,976
Deferred inflows related to pensions	219,644	50,313	269,957
Total Deferred Inflows of Resources	3,598,158	50,313	3,648,471
NET POSITION			
Net Investment in Capital Assets	33,686,820	3,682,410	37,369,230
Restricted for:			
Expendable:			
General Government	165,215		165,215
Public Safety	403,274		403,274
Public Works	2,104,518	195,932	2,300,450
Health & Welfare	21,659		21,659
Economic development and assistance	639,827		639,827
Unemployment compensation	29,039		29,039
Unrestricted	912,822	(1,479,552)	(566,730)
Total Net Position	\$ 37,963,174	2,398,790	40,361,964

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Net (Expense) Revenue and Changes in Net Position
							Total
<u>Primary government:</u>							
Governmental activities:							
General government	\$ 2,233,145	201,239	9,211		(2,022,695)		(2,022,695)
Public safety	1,745,838	344,533	35,574		(1,365,731)		(1,365,731)
Public works	3,327,319	183,232	2,093,211	605,029	(445,847)		(445,847)
Health and Welfare	115,048		13,021		(102,027)		(102,027)
Culture and recreation	791,762		1,184		(790,578)		(790,578)
Education	32,258				(32,258)		(32,258)
Conservation of natural resources	78,899				(78,899)		(78,899)
Economic development and assistance	144,938				(144,938)		(144,938)
Interest on long-term debt	47,610				(47,610)		(47,610)
Pension Expense	759,640				(759,640)		(759,640)
Total Governmental Activities	<u>9,276,457</u>	<u>729,004</u>	<u>2,152,201</u>	<u>605,029</u>	<u>(5,790,223)</u>	<u>-</u>	<u>(5,790,223)</u>
Business-type activities:							
Correctional facility	3,087,260	2,731,767				(355,493)	(355,493)
Solid waste	437,030	381,795				(55,235)	(55,235)
Total Business-type Activities	<u>3,524,290</u>	<u>3,113,562</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(410,728)</u>	<u>(410,728)</u>
Total Primary Government	<u>\$ 12,800,747</u>	<u>\$ 3,842,566</u>	<u>\$ 2,152,201</u>	<u>\$ 605,029</u>	<u>\$ (5,790,223)</u>	<u>\$ (410,728)</u>	<u>\$ (6,200,951)</u>
General revenues:							
Property taxes					\$ 4,204,539		\$ 4,204,539
Road & bridge privilege taxes					216,464		216,464
Grants & contributions not restricted to specific programs					568,761	600	569,361
Unrestricted interest income					39,664	9,386	49,050
Miscellaneous					273,960	18,736	292,696
Total General Revenues					<u>5,303,388</u>	<u>28,722</u>	<u>5,332,110</u>
Changes in Net Position					<u>(486,835)</u>	<u>(382,006)</u>	<u>(868,841)</u>
Net Position - Beginning, as originally reported					38,572,545	2,770,955	41,343,500
Prior Period Adjustments					(122,536)	9,841	(112,695)
Net Position - Beginning, as restated					<u>38,450,009</u>	<u>2,780,796</u>	<u>41,230,805</u>
Net Position - Ending					<u>\$ 37,963,174</u>	<u>\$ 2,398,790</u>	<u>\$ 40,361,964</u>

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

WINSTON COUNTY, MISSISSIPPI

Balance Sheet - Governmental Funds

September 30, 2017

Exhibit 3

	Major Funds		Other	Total
	General	Tornado	Governmental	Governmental
	Fund	Relief	Funds	Funds
	Fund	Fund		
ASSETS				
Cash	\$ 2,192,108	\$ 1,170,692	\$ 3,369,886	\$ 6,732,686
Property tax receivable	2,516,073		796,465	3,312,538
Fines receivable (net of allowance for uncollectibles of \$616,479)	46,292			46,292
Capital lease receivable			457,820	457,820
Intergovernmental receivables	116,396	953,616	53,647	1,123,659
Other receivables	4,304		42,534	46,838
Due from other funds	1,634,866		78,484	1,713,350
Advances to other funds	2,611,542			2,611,542
Total Assets	<u>\$ 9,121,581</u>	<u>\$ 2,124,308</u>	<u>\$ 4,798,836</u>	<u>\$ 16,044,725</u>
LIABILITIES				
Liabilities:				
Claims payable	\$ 165,731		\$ 178,559	\$ 344,290
Intergovernmental payables	232,640			232,640
Due to other funds	86,912			86,912
Advances from other funds	4,507	2,124,308	2,460	2,131,275
Other payables	42,917			42,917
Total Liabilities	<u>532,707</u>	<u>2,124,308</u>	<u>181,019</u>	<u>2,838,034</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	2,516,073		796,465	3,312,538
Unavailable revenue - capital lease			457,820	457,820
Unavailable revenue - fines	46,292			46,292
Total Deferred Inflows of Resources	<u>2,562,365</u>	<u>-</u>	<u>1,254,285</u>	<u>3,816,650</u>
FUND BALANCES				
Nonspendable:				
Advances	2,611,542			2,611,542
Restricted for:				
General government			165,215	165,215
Public safety			403,274	403,274
Public works			2,104,518	2,104,518
Health and welfare			21,659	21,659
Economic development and assistance			639,827	639,827
Debt service			29,039	29,039
Unassigned	3,414,967			3,414,967
Total Fund Balances	<u>6,026,509</u>	<u>-</u>	<u>3,363,532</u>	<u>9,390,041</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 9,121,581</u>	<u>\$ 2,124,308</u>	<u>\$ 4,798,836</u>	<u>\$ 16,044,725</u>

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

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

Total Fund Balance - Governmental Funds	\$ 9,390,041
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Amounts reported for governmental services 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 \$36,160,254.	35,906,936
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Fines receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.	46,292
--	--------

Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(2,942,202)
--	-------------

Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	391,844
--	---------

Pension obligations are not due and payable in the current period and, therefore are not reported in the funds.	(5,219,746)
---	-------------

Deferred outflows related to pension obligations are applicable to future periods and, therefore are not reported in the funds.	609,653
---	---------

Deferred inflows related to pension obligations are applicable to future periods and, therefore are not reported in the funds.	<u>(219,644)</u>
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Total Net Position - Governmental Activities	<u><u>\$ 37,963,174</u></u>
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The notes to the financial statements are an integral part of this statement.

WINSTON COUNTY, MISSISSIPPIExhibit 4Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2017

	Major Funds		Other	Total
	General	Tornado	Governmental	Governmental
	Fund	Relief	Funds	Funds
		Fund		
REVENUES				
Property taxes	\$ 3,184,793		1,019,746	4,204,539
Road and bridge privilege taxes			216,464	216,464
Licenses, commissions, & other revenue	364,599		14,792	379,391
Fines and forfeitures	166,381			166,381
Intergovernmental revenues	433,975		2,892,016	3,325,991
Charges for services			183,232	183,232
Interest income	15,916		23,748	39,664
Miscellaneous revenues	91,021		189,900	280,921
Total Revenues	4,256,685	-	4,539,898	8,796,583
EXPENDITURES				
Current:				
General government	2,154,740		179,079	2,333,819
Public safety	1,434,055		375,369	1,809,424
Public works	9,375		3,693,231	3,702,606
Health and welfare	102,768		4,720	107,488
Culture and recreation	172,967	103,612	603,731	880,310
Education	32,258			32,258
Conservation of natural resources	82,353			82,353
Economic development assistance	20,000	51,799	192,814	264,613
Debt Service:				
Principal	69,983		260,456	330,439
Interest	6,251		43,485	49,736
Total Expenditures	4,084,750	155,411	5,352,885	9,593,046
Excess (Deficiency) of Revenue over (under) Expenditures	171,935	(155,411)	(812,987)	(796,463)
OTHER FINANCING SOURCES (USES)				
Long term capital debt issued			329,003	329,003
Long term non-capital debt issued	344,145			344,145
Transfers in		155,411	65,015	220,426
Transfers out	(220,426)			(220,426)
Lease principal payments			30,997	30,997
Total Other Financing Sources (Uses)	123,719	155,411	425,015	704,145
Net Changes in Fund Balance	295,654	-	(387,972)	(92,318)
Fund Balance - Beginning, as previously reported	5,668,042		3,751,504	9,419,546
Prior period adjustment	62,813			62,813
Fund Balance - Beginning, as restated	5,730,855		3,751,504	9,482,359
Fund Balances - Ending	\$ 6,026,509	-	3,363,532	9,390,041

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

WINSTON COUNTY, MISSISSIPPIExhibit 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

Net Changes in Fund Balances - Governmental Funds \$ (92,318)

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,330,611 exceeded depreciation of \$900,684 in the current period. 429,927

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. (6,964)

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 reduced long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$673,148 exceeded debt repayments of \$330,439. (342,709)

Items reported in the Statement of Activities related to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recognition of pension expense for the current year. (759,640)
Recognition of contributions made during the year. 311,073

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 assets differs from the change in fund balances by a combination of the following:

Decrease in compensated absences liability 2,666
Decrease in accrued interest payable 2,127

In the Statement of Activities, only interest income from payments received on capital leases is reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from change in fund balances by the principal collections on the capital leases. (30,997)

Change in Net Position of Governmental Activities \$ (486,835)

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

WINSTON COUNTY, MISSISSIPPI
Statement of Net Position - Proprietary Funds
September 30, 2017

Exhibit 5

	Business-type Activities - Enterprise Funds		
	Correctional Facility Fund	Solid Waste Fund	Total
ASSETS			
Current assets:			
Cash	\$ 3,192,197	373,520	3,565,717
Accounts receivable (net of allowance for uncollectibles of \$813,333)		133,170	133,170
Intergovernmental receivables	204,710		204,710
Other receivables	4,402		4,402
Due from other funds		8,428	8,428
Advances to other funds	18,895	1,107	20,002
Total Current Assets	3,420,204	516,225	3,936,429
Capital assets:			
Land and construction in progress	54,000		54,000
Other capital assets, net	3,402,219	226,191	3,628,410
Total Noncurrent Assets	3,456,219	226,191	3,682,410
Total Assets	6,876,423	742,416	7,618,839
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	231,912	46,484	278,396
Total Deferred Outflows of Resources	231,912	46,484	278,396
LIABILITIES			
Current liabilities:			
Claims payable	136,632	18,609	155,241
Due to other funds	1,611,603	8,203	1,619,806
Advances from other funds	415,087	20,143	435,230
Total Current Liabilities	2,163,322	46,955	2,210,277
Noncurrent liabilities:			
Long term debt			
Non-capital debt:			
Compensated absences payable	11,462	1,455	12,917
Net Pension Liability	2,925,717	299,221	3,224,938
Total Noncurrent Liabilities	2,937,179	300,676	3,237,855
Total Liabilities	5,100,501	347,631	5,448,132
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	31,167	19,146	50,313
Total Deferred Inflows of Resources	31,167	19,146	50,313
NET POSITION			
Net investment in capital assets	3,456,219	226,191	3,682,410
Restricted for:			
Public works		195,932	195,932
Unrestricted	(1,479,552)		(1,479,552)
Total Net Position	\$ 1,976,667	422,123	2,398,790

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

WINSTON COUNTY, MISSISSIPPIExhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds		
	Correctional Facility Fund	Solid Waste Fund	Total
Operating Revenues			
Charges for services	\$ 2,731,687	\$ 381,795	\$ 3,113,482
Miscellaneous	80		80
Total Operating Revenues	<u>2,731,767</u>	<u>381,795</u>	<u>3,113,562</u>
Operating Expenses			
Personal services	1,573,493	154,834	1,728,327
Contractual services	365,012	70,818	435,830
Materials and supplies	492,765	83,243	576,008
Depreciation expense	134,969	66,315	201,284
Indirect administrative cost	65,645	8,203	73,848
Pension expense	445,176	53,617	498,793
Total Operating Expenses	<u>3,077,060</u>	<u>437,030</u>	<u>3,514,090</u>
Operating Income (Loss)	<u>(345,293)</u>	<u>(55,235)</u>	<u>(400,528)</u>
Nonoperating Revenues (Expenses)			
Interest income	8,175	1,211	9,386
Intergovernmental grants	600		600
Interest expense	(10,200)		(10,200)
Other income (expenses)	16,536	2,200	18,736
Net Nonoperating Revenue (Expenses)	<u>15,111</u>	<u>3,411</u>	<u>18,522</u>
Net Income (Loss)	<u>(330,182)</u>	<u>(51,824)</u>	<u>(382,006)</u>
Changes in Net Position	<u>(330,182)</u>	<u>(51,824)</u>	<u>(382,006)</u>
Net Position - Beginning, as previously reported	2,300,649	470,306	2,770,955
Prior Period Adjustments	6,200	3,641	9,841
Net Position - Beginning, as restated	<u>2,306,849</u>	<u>473,947</u>	<u>2,780,796</u>
Net Position - Ending	<u>\$ 1,976,667</u>	<u>\$ 422,123</u>	<u>\$ 2,398,790</u>

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

WINSTON COUNTY, MISSISSIPPI
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2017

Exhibit 7

	Business-type Activities		
	Correctional Facility Fund	Solid Waste Fund	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 2,772,530	374,446	3,146,976
Payments to suppliers	(853,435)	(224,374)	(1,077,809)
Payments to employees	(1,752,855)	(170,074)	(1,922,929)
Net Cash Provided (Used) by Operating Activities	166,240	(20,002)	146,238
Cash Flows From Noncapital Financing Activities			
Intergovernmental grants received	600		600
Cash received from other funds:			
Loans from other funds	1,545,958	11,013	1,556,971
Principal paid on long-term debt	(415,000)		(415,000)
Interest expense	(10,200)		(10,200)
Cash paid to other funds:			
Interfund loan repayments		(8,428)	(8,428)
Other receipts	16,534	2,201	18,735
Net Cash Provided (Used) by Noncapital Financing Activities	1,137,892	4,786	1,142,678
Cash Flows From Investing Activities			
Interest on deposits	8,175	1,211	9,386
Net Cash Provided (Used) by Investing Activities	8,175	1,211	9,386
Net Increase (Decrease) in Cash and Cash Equivalents	1,312,307	(14,005)	1,298,302
Cash and Cash Equivalents at Beginning of Year	1,879,890	387,525	2,267,415
Cash and Cash Equivalents at End of Year	\$ 3,192,197	373,520	3,565,717
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (345,293)	(55,235)	(400,528)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	134,969	66,315	201,284
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
(Increase) decrease in accounts receivable	40,763	(7,349)	33,414
Increase (decrease) in claims payable	2,762	(69,344)	(66,582)
Increase (decrease) in compensated absences liability	(7,093)	1,324	(5,769)
Increase (decrease) in interfund payables	65,645	8,203	73,848
Increase (decrease) in pension liability and deferred outflows / inflows (net)	274,487	36,084	310,571
Total Adjustments	511,533	35,233	546,766
Net Cash Provided (Used) by Operating Activities	\$ 166,240	(20,002)	146,238

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

WINSTON COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2017

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 334,180
Intergovernmental receivables	15,020
Total Assets	\$ <u>349,200</u>
LIABILITIES	
Amounts held in custody for others	\$ 25,176
Intergovernmental payables	243,925
Due to other funds	15,060
Advances from other funds	65,039
Total Liabilities	\$ <u>349,200</u>

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

Winston County, Mississippi

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

Winston County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

Winston 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 Winston County, Mississippi 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's legal entity and therefore are reported as part of the primary government financial statements.

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

B. Basis of Presentation

The County's basic financial statements consists 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.

Winston County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have 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

Winston County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

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 knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

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

Tornado Relief Fund - This fund is used to account for all revenues and expenditures received and incurred related to the April 18, 2014 tornado.

The County reports the following major Enterprise Funds:

Correctional Facility Fund - This fund is used to account for all activities related to the operation of the correctional facility.

Solid Waste Fund - This fund is used to account for all activities associated with the 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.

Winston County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

PROPRIETARY FUND TYPES

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to provide 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

Winston County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

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

Capital assets acquired and 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 the 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. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is

Winston County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

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 period(s) 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 16 for additional details.

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

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

Interest income on capital lease for future reporting period/unavailable revenue - capital lease - When an asset is recorded in the governmental fund financial

Winston County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

statements but the revenues is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

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

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 16 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.

In the fund financial statements, the face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

Winston County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

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 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, 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

Winston County, Mississippi

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

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.

Winston County, Mississippi

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.

P. Change in Accounting Standards

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

Winston County, Mississippi

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

(2) Prior Period Adjustments

A summary of the significant net position/fund balance adjustments are as follows:

Exhibit 2 - Statement of Activities - Governmental Activities

<u>Explanation</u>	<u>Amount</u>
<u>Governmental Activities</u>	
1. Unrecorded construction in progress	\$ (191,563)
2. Correction to capital related long term debt	19,923
3. Correction to amounts held in custody for others	62,813
Correction to GASB 68 balances:	
4. Deferred outflow related to pension	(11,751)
5. Net pension liability	(2,679)
6. Deferred inflows related to pensions	721
Total prior period adjustments	<u>\$ (122,536)</u>

Exhibit 2 - Statement of Activities - Business-type Activities

<u>Business-type Activities</u>	
Correction to GASB 68 balances:	
1. Deferred outflow related to pension	\$ 10,351
2. Net pension liability	(1,786)
3. Deferred inflows related to pensions	1,276
Total prior period adjustments	<u>\$ 9,841</u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

<u>Explanation</u>	<u>Amount</u>
General Fund	
Correction to amounts held in custody for others	\$ <u>62,813</u>

Winston County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

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

Explanation	Amount
Business-type Activities	
Correction to GASB 68 balances:	
1. Deferred outflow related to pension	10,351
2. Net pension liability	(1,786)
3. Deferred inflows related to pensions	1,276
Total prior period adjustments	<u>\$ 9,841</u>

(3) Deposits

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$6,732,686 in the governmental funds, \$3,565,717 for business-type funds, \$334,180 for agency funds and the bank balance was \$10,770,401. 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.

Winston County, Mississippi

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

(4) Interfund Transactions and Balances

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

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Correctional Facility Fund	\$ 1,611,603
	Solid Waste Fund	8,203
	Agency Funds	15,060
Other Governmental Funds	General Fund	78,484
Solid Waste Fund	General Fund	8,428
Total		<u>\$ 1,721,778</u>

The amounts due to the general fund from the correctional facility and solid waste funds includes indirect administrative costs incurred during the September 30, 2017 fiscal year plus a temporary loan to the correctional facility fund from the general fund.. The amount due to the general fund from the agency funds represents interest earned on the payroll clearing account plus other transactions paid out of the general fund that should have been paid out of the agency funds. The amounts due to the other governmental and solid waste funds represents taxes and fees collected by the tax collector that were not settled to these funds until after September 30, 2017.

B. Transfers In/Out:

Transfers In	Transfers Out	Amount
Tornado Relief Fund	General Fund	\$ 155,411
Other Governmental Funds	General Fund	65,015
Total		<u>\$ 220,426</u>

Winston County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

C. Advances from/to Other Funds:

<u>Advances to</u>	<u>Advances from</u>	<u>Amount</u>
General Fund	Tornado Relief Fund	\$ 2,124,308
	Other Governmental Funds	2,460
	Correctional Facility Fund	415,087
	Solid Waste Fund	20,143
	Agency Funds	49,544
Correctional Facility Fund	General Fund	4,507
	Agency Funds	14,388
Solid Waste Fund	Agency Funds	1,107
Total		<u>\$ 2,631,544</u>

The amount payable to the general fund from the correctional facility and solid waste funds represents indirect administrative costs incurred during previous fiscal years that have never been paid to the general fund. The amount payable to the general fund from the tornado relief fund represents expenditures for damages incurred during the April 28, 2014 tornado paid in prior years out of the general fund that have not been repaid. The amount payable to the general, correctional facility and solid waste funds from the agency fund represents posting errors which occurred in prior years but have not repaid. The amount payable to the correctional facility fund from the general fund represents posting errors which occurred in previous years that have not been repaid.

(5) Intergovernmental Receivables

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative Credit	\$ 99,833
FEMA/MEMA Reimbursement	953,616
Agency Fund Net (prior year item)	70,210
Total	<u>\$ 1,123,659</u>

Winston County, Mississippi

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

Business-type Activities:

Description	Amount
MDOC reimbursement for housing prisoners	\$ 192,155
Other local government payments for housing prisoners	12,555
Total	\$ <u>204,710</u>

(6) Capital Assets

Capital assets activity for the year ended September 30, 2017, was as follows:

Governmental activities:

	Balance Oct. 1, 2016	Additions	Deletions	Adjustments	Balance Sept. 30, 2017
Non-depreciable capital assets:					
Land	\$ 677,164				677,164
Construction in progress	664,361	935,463		(856,224)	743,600
Total non-depreciable capital assets	<u>1,341,525</u>	<u>935,463</u>	<u>0</u>	<u>(856,224)</u>	<u>1,420,764</u>
Depreciable capital assets:					
Infrastructure	50,721,139			323,726	51,044,865
Buildings	11,146,544			244,197	11,390,741
Improvements other than buildings	426,496			96,738	523,234
Mobile equipment	6,235,654	54,616		76,300	6,366,570
Furniture and equipment	502,488				502,488
Property under capital leases	554,296	340,532		(76,300)	818,528
Total depreciable capital assets	<u>69,586,617</u>	<u>395,148</u>	<u>0</u>	<u>664,661</u>	<u>70,646,426</u>
Less accumulated depreciation for:					
Infrastructure	25,996,177	512,310			26,508,487
Buildings	3,236,055	127,038			3,363,093
Improvements other than buildings	168,283	20,929			189,212
Mobile equipment	5,209,264	143,014		27,468	5,379,746
Furniture and equipment	458,902	7,659			466,561
Property under capital leases	190,889	89,734		(27,468)	253,155
Total accumulated depreciation	<u>35,259,570</u>	<u>900,684</u>	<u>0</u>	<u>0</u>	<u>36,160,254</u>
Total depreciable capital assets, net	<u>34,327,047</u>	<u>(505,536)</u>	<u>0</u>	<u>664,661</u>	<u>34,486,172</u>
Governmental activities capital assets, net	\$ <u>35,668,572</u>	<u>429,927</u>	<u>0</u>	<u>(191,563)</u>	<u>35,906,936</u>

Adjustments were made to correctly present capital assets.

Winston County, Mississippi

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

Business-type activities:

	Balance Oct. 1, 2016	Additions	Balance Sept. 30, 2017
Non-depreciable capital assets:			
Land	\$ 54,000		54,000
Total non-depreciable capital assets	54,000	0	54,000
Depreciable capital assets:			
Buildings	5,229,560		5,229,560
Mobile equipment	940,574		940,574
Furniture and equipment	356,054		356,054
Total depreciable capital assets	6,526,188	0	6,526,188
Less accumulated depreciation for:			
Buildings	1,862,092	104,591	1,966,683
Mobile equipment	593,431	77,096	670,527
Furniture and equipment	240,971	19,597	260,568
Total accumulated depreciation	2,696,494	201,284	2,897,778
Total depreciable capital assets, net	3,829,694	(201,284)	3,628,410
Business-type activities capital assets, net	\$ 3,883,694	(201,284)	3,682,410

Depreciation expense was charged to the functions as follows:

	Amount
Governmental Activities:	
General government	\$ 15,634
Public safety	73,349
Public works	681,470
Health and welfare	8,019
Culture and recreation	8,190
Economic development	114,022
Total depreciation expense	\$ 900,684
Business-type Activities:	
Solid waste	\$ 134,969
Correctional facility	66,315
Total depreciation expense	\$ 201,284

Winston County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

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
New Annex Building	\$ 4,654,124	January - 21

(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) Operating Leases

As Lessor:

On January 1, 2012, Winston County entered into agreement with Teters Floral Product, Inc. for the lease of certain property located at 923 South Church Avenue in Louisville, Mississippi. The operating lease stipulated that the lease would pay approximately \$350,000 for the first year with an annual increase of \$11,400 for each year thereafter commencing January 1, 2012 for three years with the option to renew for two additional periods of three years each. The lease was renewed in January of 2015, for \$755,226 over a three year period.

The County receives income from property it leases under noncancellable operating leases. Total income from such leases was \$192,313 for the year ended September 30, 2017. The future minimum lease receivables for these leases are as follows:

Winston County, Mississippi

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

Year Ending September 30,	Amount
2018	\$ <u>251,742</u>

(9) Capital Leases

As Lessor:

On March 24, 2008, Winston County entered into a capital lease agreement with Polo Custom Products, Inc. and the City of Louisville, Mississippi to lease certain real property, buildings, and all other improvements located at 907 West Main Street, Louisville, MS. The lease agreement stipulated that the lessee, Polo Custom Products would pay approximately \$7,210 per month commencing on June 15, 2008 for a period of twenty years. Half would be paid to Winston County and half to the City of Louisville. The lessee shall have the option to purchase the property at the end of the twenty years for \$100.

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

Classes of Property	Governmental Activities
Buildings	\$ <u>457,820</u>

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

Year Ending September 30,	Principal	Interest
2018	\$ 29,242	10,412
2019	32,829	10,429
2020	33,828	9,431
2021	34,857	8,402
2022	35,917	7,341
2023 - 2027	196,652	19,641
2028 - 2031	28,519	320
Total	\$ <u>391,844</u>	<u>65,976</u>

Winston County, Mississippi

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

As Lessee:

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

Classes of Property	Governmental Activities
Mobile equipment	\$ 818,528
Total	818,528
Less: Accumulated depreciation	(253,155)
Total	\$ 565,373

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

Year Ending September 30,	Principal	Interest
2018	\$ 231,638	13,024
2019	166,793	8,477
2020	236,383	3,636
2021	76,339	1,058
2022	12,051	31
Total	\$ 723,204	26,226

(10) Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. Winston 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

Winston County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

Contributions. At September 30, 2017, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2017, 2016 and 2015 were \$513,068, \$485,391 and \$491,841, respectively, equal to the required contributions for each year.

Winston County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

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 in the Governmental Activities of \$5,219,746 and in the Business-type Activities of \$3,224,938 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 0.050780 percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.002605 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 \$759,640 in the Governmental Activities and \$498,793 in the Business-type Activities. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 116,099	61,620
Net difference between projected and actual earnings on pension plan investments	82,821	
Change of assumptions	184,037	13,653
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	388,654	194,684
County contributions subsequent to the measurement date	116,438	
Total	<u>\$ 888,049</u>	<u>269,957</u>

\$116,438 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:

Winston County, Mississippi

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

Year ending September 30:

2018	\$	397,499
2019		218,868
2020		48,411
2021		(163,124)
Total	\$	<u>501,654</u>

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

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

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

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

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

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

Winston County, Mississippi

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 11,075,767	\$ 8,444,684	\$ 6,260,314

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

Winston County, Mississippi

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

(11) Long-Term Debt

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<u>Governmental Activities:</u>			
A. Capital Leases:			
2014 Mack Dump Truck	\$ 37,358	2.04%	07/2018
Volvo Motor Grader	25,294	2.01%	06/2018
Kubota Tractor	34,971	1.99%	09/2020
Kubota Excavator	41,789	2.02%	11/2020
New Holland Tractor	94,393	1.96%	10/2020
2017 Mack Truck	119,934	2.07%	11/2019
EMA Radios	294,754	2.06%	11/2021
Dist 1 Nissan Frontier Truck	19,649	2.25%	03/2020
(3) Sheriff Vehicles	55,062	1.92%	04/2020
	<u>723,204</u>		
Total Capital Leases	\$ <u>723,204</u>		
B. Other Loans:			
CAP Loan for Polo Industries	\$ 391,844	3.00%	05/2028
TVA Loan	1,791,667	Variable	08/2035
	<u>2,183,511</u>		
Total Other Loans	\$ <u>2,183,511</u>		

Winston County, Mississippi

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

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

Governmental Activities:

Year Ending September 30,	Other Loans	
	Principal	Interest
2018	\$ 129,241	34,330
2019	132,829	32,977
2020	133,828	30,609
2021	134,857	28,210
2022	135,917	25,779
2023 - 2027	696,652	91,281
2028 - 2032	528,519	37,710
2033 - 2035	291,668	5,993
Total	<u>\$ 2,183,511</u>	<u>286,889</u>

Legal Debt Margin

The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased by 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2017, the amount of outstanding debt was equal to less than 1.63% of the latest property assessments.

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

	Balance Oct. 1, 2016	Additions	Reductions	Adjustment	Balance Sept. 30, 2017	Amount due within one year
<u>Governmental Activities:</u>						
Capital leases	\$ 266,880	673,148	196,901	(19,923)	723,204	231,638
Other loans	2,317,049		133,538		2,183,511	129,241
Compensated absences	38,153		2,666		35,487	
Total	<u>\$ 2,622,082</u>	<u>673,148</u>	<u>333,105</u>	<u>(19,923)</u>	<u>2,942,202</u>	<u>360,879</u>

Winston County, Mississippi

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

	Balance Oct. 1, 2016	Reductions	Balance Sept. 30, 2017	Amount due within one year
<u>Business-type Activities:</u>				
Limited obligation bonds	\$ 415,000	415,000	0	
Compensated absences	18,686	5,769	12,917	
Total	\$ <u>433,686</u>	<u>420,769</u>	<u>12,917</u>	<u>0</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid which is generally the General Fund and the Road Maintenance Fund.

(13) Contingencies

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

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.

(14) Joint Ventures

The County participates in the following joint ventures:

Winston County is a participant with the City of Louisville in a joint venture, authorized by Section 65-3-5, Miss. Code Ann. (1972), to operate the Louisville/Winston County Airport Authority. The joint venture was created to improve economic development and is governed by a five-member board of commissioners appointed as follows: Winston County, two; City of Louisville, two; jointly, one. By contractual agreement, the County's appropriation to the joint venture was \$7,500 in fiscal year 2017. Complete financial statements can be obtained from the Louisville/Winston County Airport Authority at P.O. Box 1022, Louisville, MS 39339.

Winston County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

Winston County is a participant with the City of Louisville, Louisville Chamber of Commerce and the Town of Noxapater in a joint venture, authorized by Section 19-5-99, Miss. Code. Ann. (1972), to operate the Winston County Economic Development District. The joint venture was created to foster, encourage and facilitate economic development in the County and is governed by a seven member board of trustees appointed as follows: Winston County Board of Supervisors, two; City of Louisville, two; Louisville Chamber of Commerce, one; Town of Noxapater, one; jointly, one. By contractual agreement, the County's appropriation to the joint venture was \$114,875 in the fiscal year 2017. Complete financial statements can be obtained from the Winston County Economic Development District at P.O. Box 551, Louisville, MS 39339.

Mid-Mississippi Regional Library System was organized under a contract between the counties of Attala, Holmes, Leake, Montgomery and Winston. The joint venture was created to provide free library service to citizens for the member counties. The Winston County Board of Supervisors appoints one of the five members of the board of directors. By contractual agreement, the County's appropriation to the joint venture was \$154,000 in the fiscal year 2017. Complete financial statements can be obtained from the library at Winston County Library, 301 Park Street, Louisville, MS 39339.

(15) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott and Winston. The Winston County Board of Supervisors appoints six of the 30 members of the College Board of Trustees. The County appropriated \$373,128 for maintenance and support of the College in fiscal year 2017.

Golden Triangle Planning and Development District provide services for the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints four of the 28 members of the Board of Directors. The County contributes a small percentage of the District's total revenue. The County appropriated \$20,000 for the support of the District in fiscal year 2017.

Community Counseling Services operates in a district composed of the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints one of the seven members of the board of commissioners. The County appropriated \$19,500 for support of the complex in fiscal year 2017.

Prairie Opportunity, Inc., operates in a district composed of the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints one of the 21 board members. One board member from each of the counties must come from the community. These 14 board members are not appointed

Winston County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

by the county Board of Supervisors. The counties generally provide no financial support to the organization.

Mississippi Regional Housing Authority IV operates in a district composed of the counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints one of the board members. The counties generally provide no financial support to the organization.

(16) Effect of Deferred Amount on Net Position

The governmental activities' unrestricted net position amount of \$912,822 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$71,970 resulting from County contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The \$537,683 balance of deferred outflow of resources, at September 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The business-type activities' unrestricted net position amount of (\$1,479,552) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$44,468 resulting from County contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The \$233,928 balance of deferred outflow of resources, at September 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The governmental activities' unrestricted net position amount of \$912,822 includes the effect of deferring the recognition of revenue resulting from a deferred inflow from capital leases. The \$65,976 balance of deferred inflow of resources, at September 30, 2017 will be recognized as a revenue and will increase the unrestricted net position over the next few years.

The governmental activities' unrestricted net position amount of \$912,822 includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$219,644 balance of deferred inflow of resources, at September 30, 2017 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

The business-type activities' unrestricted net position amount of (\$1,479,552) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$50,313 balance of deferred inflow of resources, at September 30, 2017

Winston County, Mississippi

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

will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

(17) Tax Abatements

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement 77, *Tax Abatement Disclosures*. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one

or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Winston County Board of Supervisors negotiates property tax abatements on an individual basis. All abatements are for ten years and are for economic development purposes. The County had tax abatement agreements with 3 entities as of September 30, 2017.

The County had the following type of tax abatement, which does not provide for the abatement of school or state tax levies.

Sections 27-31-101 and 27-31-105, Miss. Code (Ann.) 1972 - All allowable property tax levies.

There are seventeen companies that have tax abatements under these statutes.

Category	% of Taxes Abated During the Fiscal Year	Amount of taxes Abated During the Fiscal Year
Industrial expansion or addition projects	90.00%	\$ 59,648

(18) 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 Winston County evaluated the activity of the County, through the date

Winston County, Mississippi

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

the financial statements were available to be issued, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements.

The County issued the following debt obligations:

Issue Date	Interest Rate		Issue Amount	Type of Financing	Source of Financing
12/27/2017	2.50%	\$	112,126	Capital lease	Ad valorem taxes
4/13/2018	3.29%		50,294	Capital lease	Ad valorem taxes

REQUIRED SUPPLEMENTARY INFORMATION

WINSTON COUNTY, MISSISSIPPI

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	\$ 3,067,217	3,188,932	3,188,932	-
Licenses, commissions and other revenue	261,150	364,346	364,346	-
Fines and forfeitures	183,000	166,811	166,811	-
Intergovernmental revenues	543,828	539,062	539,062	-
Interest income	7,200	15,182	15,182	-
Miscellaneous revenues	91,000	89,324	89,324	-
Total Revenues	<u>4,153,395</u>	<u>4,363,657</u>	<u>4,363,657</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	2,604,324	2,262,633	2,262,633	-
Public safety	1,049,156	1,165,812	1,089,578	76,234
Public works	19,800	9,375	9,375	-
Health and welfare	107,947	103,266	103,266	-
Culture and recreation	174,800	172,456	172,456	-
Education	150,300	76,329	76,329	-
Conservation of natural resources	105,866	83,307	83,307	-
Economic development	20,000	20,000	20,000	-
Debt service:				
Principal	0	0	70,086	(70,086)
Interest	0	0	6,148	(6,148)
Total Expenditures	<u>4,232,193</u>	<u>3,893,178</u>	<u>3,893,178</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(78,798)</u>	<u>470,479</u>	<u>470,479</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(340,000)</u>	<u>(65,015)</u>	<u>(65,015)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(340,000)</u>	<u>(65,015)</u>	<u>(65,015)</u>	<u>-</u>
Net Change in Fund Balance	(418,798)	405,464	405,464	-
Fund Balances - Beginning	3,470,991	6,051,912	6,254,347	(202,435)
Fund Balances - Ending	<u>3,052,193</u>	<u>6,457,376</u>	<u>6,659,811</u>	<u>(202,435)</u>

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

WINSTON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Tornado Relief Fund
 For the Year Ended September 30, 2017
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 2,250,000	547,174	547,174	-
Total Revenues	<u>2,250,000</u>	<u>547,174</u>	<u>547,174</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	3,000,000	3,000,000	-	3,000,000
Culture and recreation	-	103,612	103,612	-
Economic development and assistance	-	233,697	233,697	-
Total Expenditures	<u>3,000,000</u>	<u>3,337,309</u>	<u>337,309</u>	<u>3,000,000</u>
Net Change in Fund Balance	(750,000)	(2,790,135)	209,865	3,000,000
Fund Balances - Beginning	(1,000,000)	(4,883,453)	(2,539,171)	2,344,282
Fund Balances - Ending	<u>\$ (1,750,000)</u>	<u>(7,673,588)</u>	<u>(2,329,306)</u>	<u>5,344,282</u>

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

Winston County, Mississippi

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

PERS

Last 10 Fiscal Years*

	2017	2016	2015	2014
	0.050780%	0.048175%	0.049800%	0.050400%
County's proportion of the net pension liability (asset)				
County's proportionate share of the net pension liability (asset)	\$ 8,444,684	\$ 8,605,259	\$ 7,699,419	\$ 6,114,845
County's covered payroll	\$ 3,257,575	\$ 3,081,848	\$ 3,122,800	\$ 3,087,492
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	259.23%	279.22%	246.55%	198.05%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

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

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

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

Winston County, Mississippi
Schedule of the County's Contributions
PERS
Last 10 Fiscal Years*

	2017	2016	2015	2014
Contractually required contribution	\$ 513,068	\$ 491,992	\$ 491,841	\$ 486,280
Contributions in relation to the contractually required contribution	513,068	485,391	491,841	486,280
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>6,601</u>	\$ <u>-</u>	\$ <u>-</u>
County's covered payroll	\$ 3,257,575	\$ 3,081,848	\$ 3,122,800	\$ 3,087,492
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

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

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

Winston County, Mississippi

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

1. Budgets

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 - Tax 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) 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).

Winston County, Mississippi

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

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

	<u>Governmental Fund Types</u>	
	General	Tornado
	Fund	Relief
	Fund	Fund
Budget (Cash Basis)	\$ 405,464	209,865
Increase (Decrease)		
Net adjustments for revenue	106,972	(547,174)
Net adjustments for expenditures	(216,782)	337,309
GAAP Basis	\$ 295,654	0

2. 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.

Winston County, Mississippi

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

2016

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

2017

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

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

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

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

B. Change in Benefit Provisions.

2016:

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

OTHER INFORMATION

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

Name	Position	Company	Bond
James "Burr" Warner	Supervisor District 1	Fidelity & Deposit Company of Maryland	\$100,000
Luke Parkes	Supervisor District 2	Fidelity & Deposit Company of Maryland	\$100,000
Marion Jordan	Supervisor District 3	Fidelity & Deposit Company of Maryland	\$100,000
Ralph Goss	Supervisor District 4	Fidelity & Deposit Company of Maryland	\$100,000
Larry Duran	Supervisor District 5	Fidelity & Deposit Company of Maryland	\$100,000
Julie Cunningham	Chancery Clerk	Fidelity & Deposit Company of Maryland	\$100,000
Kelli Rives	Purchase Clerk	Fidelity & Deposit Company of Maryland	\$100,000
Phyllis Sullivan	Assistant Purchase Clerk - WCCRF	Fidelity & Deposit Company of Maryland	\$100,000
Jewel Dixon	Receiving Clerk	Fidelity & Deposit Company of Maryland	\$100,000
Gary Martin	Receiving Clerk District 1	Fidelity & Deposit Company of Maryland	\$100,000
Don Kemp	Receiving Clerk District 2	Fidelity & Deposit Company of Maryland	\$100,000
Chester Triplett	Receiving Clerk District 3	Fidelity & Deposit Company of Maryland	\$100,000
Amzi Triplett	Receiving Clerk District 4	Fidelity & Deposit Company of Maryland	\$100,000
Larry Boatner	Receiving Clerk District 5	Fidelity & Deposit Company of Maryland	\$50,000
Monica Gill	Receiving Clerk - WCCRF	Fidelity & Deposit Company of Maryland	\$100,000
Betty Cockrell	Assistant Receiving Clerk - WCCRF	Fidelity & Deposit Company of Maryland	\$100,000
Kathy Graham	Inventory Control Clerk	Fidelity & Deposit Company of Maryland	\$100,000
Jeffery Deshun Davis	Inventory Control Clerk - WCCRF	Fidelity & Deposit Company of Maryland	\$100,000
Roy Dale Fulton	Constable	Fidelity & Deposit Company of Maryland	\$50,000
Edward Hunt	Constable	Fidelity & Deposit Company of Maryland	\$50,000
Kim Ming	Circuit Clerk	Fidelity & Deposit Company of Maryland	\$100,000
Melissa Fulton	Deputy Circuit Clerk	Fidelity & Deposit Company of Maryland	\$100,000
Cathy Edwards	Deputy Circuit Clerk	Fidelity & Deposit Company of Maryland	\$100,000
Jera Wells	Deputy Circuit Clerk	Old Republic Surety Company	\$50,000
Jason Pugh	Sheriff	Fidelity & Deposit Company of Maryland	\$100,000
Neal Higgason	Chief Deputy Sheriff	Fidelity & Deposit Company of Maryland	\$100,000
Keith Alexander	Deputy Sheriff	Fidelity & Deposit Company of Maryland	\$50,000
Demetrice Cheatham	Deputy Sheriff - Clerk	Fidelity & Deposit Company of Maryland	\$50,000
Robert Beck	Justice Court Judge	Fidelity & Deposit Company of Maryland	\$50,000
Mike Fuller	Justice Court Judge	Fidelity & Deposit Company of Maryland	\$100,000
Janet Jackson	Justice Court Clerk	Fidelity & Deposit Company of Maryland	\$100,000
Erma Smith	Deputy Justice Court Clerk	Fidelity & Deposit Company of Maryland	\$100,000
Darlene Bane	Tax Assessor-Collector	Fidelity & Deposit Company of Maryland	\$100,000
Shelia Winter	Deputy Tax Assessor	Fidelity & Deposit Company of Maryland	\$100,000
Wanda Coward	Deputy Tax Assessor-Collector	Fidelity & Deposit Company of Maryland	\$100,000
Maxine Robertson	Deputy Tax Assessor-Collector	Fidelity & Deposit Company of Maryland	\$100,000
Vera Wells	Deputy Tax Assessor-Collector	Fidelity & Deposit Company of Maryland	\$50,000
Merida Coleman	Deputy Tax Assessor-Collector	Old Republic Surety Company	\$50,000
Debbie Sullivan	Comptroller / Payroll Clerk	Fidelity & Deposit Company of Maryland	\$100,000
Jewel Dixon	Accounts Payable	Fidelity & Deposit Company of Maryland	\$100,000
Betty Cockrell	Inmate Accounts Officer - WCCRF	Fidelity & Deposit Company of Maryland	\$100,000
Melissa Mills	Booking Officer - WCCRF	Fidelity & Deposit Company of Maryland	\$100,000

SPECIAL REPORTS

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
Winston 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 Winston 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 October 7, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as findings 2017-001 and 2017-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

Winston's County Responses to Findings

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard PC
October 7, 2021

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
Winston County, Mississippi

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

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

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

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

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

1048 GLUCKSTADT ROAD, SUITE B
MADISON, MISSISSIPPI 39110
TELEPHONE 601-992-5292 FAX 601-992-2033

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
October 7, 2021

Certified Public Accountants

Winston County, Mississippi

Schedule 1

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

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

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

Schedule 2

Our test results did not identify any purchases made of emergency purchases.

Winston County, Mississippi

Schedule 3

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

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

LIMITED INTERNAL CONTROL
AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Winston County, Mississippi

In planning and performing our audit of the financial statements of Winston County, Mississippi for the year ended September 30, 2017, we considered Winston 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 Winston 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 October 7, 2021, on the financial statements of Winston County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance test, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
October 7, 2021

Certified Public Accountants

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MADISON, MISSISSIPPI 39110
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SCHEDULE OF FINDINGS AND RESPONSES

Winston County, Mississippi

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Governmental Activities	Unmodified
General Fund	Unmodified
Tornado Relief Fund	Unmodified
Business-type Activities	Unmodified
Aggregate Remaining Fund Information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes.
 - b. Significant deficiency identified? None reported.
3. Noncompliance material to financial statements noted? No.

Section II: Financial Statement Findings

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

Board of Supervisors and Justice Court Clerk

Finding 2017-001

Repeat Finding: Yes

Material Weakness

Collection fees should be remitted timely and should not be collected beyond the term of the contract

Criteria:

Effective internal controls should include the timely reconciliation of account balances.

Condition:

The Winston County (the "County") contracted with a third party for collection services through contract that ended on December 31, 2011. However, the County continued to collect this collection fee until July of 2018. The fees collection that were owed to the third party were never

remitted to the third party. The fees collected after December 31, 2011 have not been refunded to the original payee.

Cause:

The County has not implemented adequate internal controls such as the timely reconciliation of account balances to ensure that monies collected are justified by law or contract and that monies collected are remitted on a timely basis to the appropriate entity.

Effect:

Failure to perform timely account reconciliations could result in a misstatement of the financial statements.

Recommendation:

The Board of Supervisors should ensure the County's system of internal control includes the timely reconciliation of account balances to ensure that fees collected are recorded, remitted and reported completely and accurately.

Justice Court Clerk's Response:

The County is addressing this through additional policies and procedures.

Justice Clerk

Finding 2017-002

Repeat Finding: Yes

Material Weakness

Segregation of duties in the Justice Court Clerk's office should be strengthened

Criteria:

Effective internal controls should include adequate segregation of duties. Segregation of duties is the separation of the authority, custody, and accounting of an operation so that one individual cannot complete a transaction from start to finish.

Condition:

Collection, disbursement, recording and reconciliation functions are not adequately segregated in the Justice Court Clerk's office. The Justice Court Clerk has access to collections, prepares the daily check-up sheets, prepares bank deposits, reconciles the bank statements, writes and signs all checks for disbursement, and makes the monthly settlements.

Cause:

The Justice Court Clerk's office has not implemented adequate segregation of duties or compensating internal controls to mitigate risk of one individual performing so that there is separation of the authority, custody, and accounting of operations.

Effect:

Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Lack of adequate segregation of duties can increase the risk of management override of existing internal controls and could result in a loss of public funds.

Recommendation:

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

Justice Court Clerk's Response:

The County is addressing this through additional policies and procedures.