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ALCORN COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

**ALCORN COUNTY
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SEPTEMBER 30, 2018**

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Alcorn 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 Alcorn County, Mississippi, (the County) as of and for the year ended September 30, 2018, 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 of 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 principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Alcorn County, Mississippi, as of September 30, 2018, or the changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinions on Governmental Activities and Business-Type Activities

As discussed in Note 10 to the financial statements, the county has not recorded a net liability for other postemployment benefits in the governmental activities and business-type activities and, accordingly, has not recorded expense for the current period change in those liabilities, deferred outflows, and deferred inflows. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities, deferred outflows, deferred inflows, and expenses as employees earn the rights to the benefits, which would affect the liabilities, deferred outflows, deferred inflows, reduce the net position and change the expenses of the governmental activities and business-type activities. The amount by which this departure would affect the liabilities, deferred outflows, deferred inflows, net position and expenses of the governmental activities and business-type activities is not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental Activities and Business-Type Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and business-type activities of Alcorn County, Mississippi, as of September 30, 2018, and the changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Garbage and Solid Waste Fund, Regional Park Fund and the aggregate remaining fund information of Alcorn County, Mississippi, as of September 30, 2018, 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 Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of the County's Contributions – PERS, the Schedule of the County's Proportionate Share of the Net OPEB Liability, and the Schedule of the County's Contributions – OPEB 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

Alcorn County, Mississippi, has omitted the Management's Discussion and Analysis, the Schedule of the County's Proportionate Share of the Net OPEB Liability, and the Schedule of the County's Contributions – OPEB 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 February 2, 2021, on our consideration of Alcorn 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 Alcorn 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 Alcorn County, Mississippi's internal control over financial reporting and compliance.



J. E. Vance & Company, P.A.
February 2, 2021

FINANCIAL STATEMENTS

Alcorn County
Statement of Net Position
September 30, 2018

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 2,436,531	6,984	2,443,515
Property tax receivable	8,991,226		8,991,226
Fines receivable (net of allowance for uncollectibles of \$1,049,057)	400,019		400,019
Capital leases receivable	357,100		357,100
Intergovernmental receivables	579,852	328,100	907,952
Other receivables	130,974	170,925	301,899
Prepaid items	135,291		135,291
Loans receivable	6,470,000		6,470,000
Internal balances	2,833,525	(2,833,525)	
Restricted assets - cash		1,581,834	1,581,834
Capital assets:			
Land and construction in progress	1,835,797	35,000	1,870,797
Other capital assets, net	57,940,260	17,091,797	75,032,057
Total Assets	82,110,575	16,381,115	98,491,690
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	651,605	206,069	857,674
Deferred amount on refunding		1,458,820	1,458,820
Total Deferred Outflows of Resources	651,605	1,664,889	2,316,494
LIABILITIES			
Claims payable	414,608	103,249	517,857
Intergovernmental payables	457,329		457,329
Accrued interest payable	156,060	72,841	228,901
Amounts held in custody for others	73,171		73,171
Long-term liabilities			
Due within one year:			
Capital debt	723,740	573,969	1,297,709
Non-capital debt	1,146,875		1,146,875
Due in more than one year:			
Capital debt	8,533,949	8,341,037	16,874,986
Non-capital debt	6,875,030		6,875,030
Net pension liability	10,794,665	3,080,226	13,874,891
Total Liabilities	29,175,427	12,171,322	41,346,749
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	290,977	85,986	376,963
Property tax for future reporting period	8,991,226		8,991,226
Unavailable revenue - interest on capital leases	15,837		15,837
Total Deferred Inflows of Resources	9,298,040	85,986	9,384,026
NET POSITION			
Net investment in capital assets	50,518,368	9,670,611	60,188,979
Restricted:			
Expendable:			
Public safety	71,681		71,681
Public works	2,304,856		2,304,856
Debt service	369,369		369,369
Culture and recreation	10,513		10,513
Economic development	8,270		8,270
Capital projects	11,814		11,814
Nonexpendable	41,888		41,888
Unrestricted	(9,048,046)	(3,881,915)	(12,929,961)
Total Net Position	\$ 44,288,713	5,788,696	50,077,409

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

Alcorn County
Statement of Activities
For the Year Ended September 30, 2018

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,950,016	667,810	24,311		(3,257,895)		(3,257,895)
Public safety	3,320,092	671,547	187,624		(2,460,921)		(2,460,921)
Public works	5,328,654		1,467,508	608,381	(3,252,765)		(3,252,765)
Health and welfare	469,318		45,390		(423,928)		(423,928)
Culture and recreation	686,706				(686,706)		(686,706)
Conservation of natural resources	135,505				(135,505)		(135,505)
Economic development and assistance	342,598				(342,598)		(342,598)
Interest on long-term debt	605,587				(605,587)		(605,587)
Pension expense	1,416,096				(1,416,096)		(1,416,096)
Total Governmental Activities	16,254,572	1,339,357	1,724,833	608,381	(12,582,001)		(12,582,001)
Business-type activities:							
Regional Correctional Facility	4,239,433	4,199,776				(39,657)	(39,657)
Total Business-type Activities	4,239,433	4,199,776	-0-	-0-		(39,657)	(39,657)
Total Primary Government	\$ 20,494,005	5,539,133	1,724,833	608,381	(12,582,001)	(39,657)	(12,621,658)
General revenues:							
Property taxes					\$ 11,512,807		11,512,807
Road & bridge privilege taxes					407,248		407,248
Grants and contributions not restricted to specific programs					885,033		885,033
Unrestricted interest income					374,661	1,628	376,289
Miscellaneous					281,940		281,940
Total General Revenues and Transfers					13,461,689	1,628	13,463,317
Changes in Net Position					879,688	(38,029)	841,659
Net Position - Beginning, as originally reported					43,367,973	5,826,725	49,194,698
Prior period adjustments					41,052	-0-	41,052
Net Position - Beginning, as restated					43,409,025	5,826,725	49,235,750
Net Position - Ending					\$ 44,288,713	5,788,696	50,077,409

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

**Alcorn County
Balance Sheet - Governmental Funds
September 30, 2018**

Exhibit 3

	Major Funds				Total Governmental Funds
	General Fund	Garbage and Solid Waste Fund	Regional Park Fund	Other Governmental Funds	
ASSETS					
Cash	\$ 832,955			1,603,576	2,436,531
Property tax receivable	5,383,681	657,150		2,950,395	8,991,226
Fines receivable (net of allowance for uncollectibles of \$1,049,057)	400,019				400,019
Capital lease receivable				357,100	357,100
Intergovernmental receivables	176,521	1,200		81,415	259,136
Other receivables	60,356			49,416	109,772
Loans receivable			6,470,000		6,470,000
Due from other funds	3,660,397	9,138		1,350,456	5,019,991
Advances to other funds	41,888			215,876	257,764
Total Assets	<u>\$ 10,555,817</u>	<u>667,488</u>	<u>6,470,000</u>	<u>6,608,234</u>	<u>24,301,539</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 141,427	10,545		262,636	414,608
Intergovernmental payables	427,582				427,582
Due to other funds	101,806	1,237,880	809	860,183	2,200,678
Advances from other funds	9,376	172,535		70,186	252,097
Amounts held in custody for others	73,171				73,171
Total Liabilities	<u>\$ 753,362</u>	<u>1,420,960</u>	<u>809</u>	<u>1,193,005</u>	<u>3,368,136</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	5,383,681	657,150		2,950,395	8,991,226
Unavailable revenue - fines	400,019				400,019
Unavailable revenue - principal and interest on capital leases				357,100	357,100
Total Deferred Inflows of Resources	<u>\$ 5,783,700</u>	<u>657,150</u>	<u>-0-</u>	<u>3,307,495</u>	<u>9,748,345</u>
Fund balances:					
Nonspendable:					
Advances	41,888				41,888
Loans receivable			6,470,000		6,470,000
Restricted for:					
Public safety				71,681	71,681
Public works				2,304,856	2,304,856
Culture and recreation				10,513	10,513
Economic development and assistance				8,270	8,270
Debt service				525,429	525,429
Capital projects				11,814	11,814
Unassigned	3,976,867	(1,410,622)	(809)	(824,829)	1,740,607
Total Fund Balances	<u>\$ 4,018,755</u>	<u>(1,410,622)</u>	<u>6,469,191</u>	<u>2,107,734</u>	<u>11,185,058</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,555,817</u>	<u>667,488</u>	<u>6,470,000</u>	<u>6,608,234</u>	<u>24,301,539</u>

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

Alcorn County
Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2018

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 11,185,058
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$83,740,718.	59,776,057
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	400,019
Prepaid insurance	135,291
Intergovernmental receivables	320,716
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(17,279,594)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(10,794,665)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(156,060)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	341,263
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	651,605
Deferred inflows of resources related to pensions	<u>(290,977)</u>
Total Net Position - Governmental Activities	\$ <u><u>44,288,713</u></u>

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

Alcorn County
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2018

Exhibit 4

	Major Funds				Total Governmental Funds
	General Fund	Garbage and Solid Waste Fund	Regional Park Fund	Other Governmental Funds	
REVENUES					
Property taxes	\$ 7,077,542	735,504		3,699,761	11,512,807
Road and bridge privilege taxes				407,248	407,248
Licenses, commissions and other revenue	354,705			7,281	361,986
Fines and forfeitures	272,514			5,324	277,838
Intergovernmental revenues	1,135,933	10,865		2,077,274	3,224,072
Charges for services	263,688			349,468	613,156
Interest income	37,927		335,793	941	374,661
Miscellaneous revenues	174,319	100		107,521	281,940
Total Revenues	9,316,628	746,469	335,793	6,654,818	17,053,708
EXPENDITURES					
Current:					
General government	3,934,427			269,092	4,203,519
Public safety	2,627,977			932,671	3,560,648
Public works	100,000	759,617		4,272,656	5,132,273
Health and welfare	447,539				447,539
Culture and recreation	162,384			379,742	542,126
Conservation of natural resources	139,967				139,967
Economic development and assistance	33,194			309,404	342,598
Debt service:					
Principal	1,011,804		190,000	1,202,686	2,404,490
Interest	11,784		336,602	345,748	694,134
Total Expenditures	8,469,076	759,617	526,602	7,711,999	17,467,294
Excess of Revenues over (under) Expenditures	847,552	(13,148)	(190,809)	(1,057,181)	(413,586)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	731,325			75,274	806,599
Long-term non-capital debt issued				500,000	500,000
Transfers in				348,615	348,615
Transfers out	(347,656)			(959)	(348,615)
Lease principal payments				110,671	110,671
Total Other Financing Sources and Uses	383,669	0	0	1,033,601	1,417,270
Net Changes in Fund Balances	1,231,221	(13,148)	(190,809)	(23,580)	1,003,684
Fund Balances - Beginning	2,787,534	(1,397,474)	6,660,000	2,131,314	10,181,374
Fund Balances - Ending	\$ 4,018,755	(1,410,622)	6,469,191	2,107,734	11,185,058

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

Alcorn County
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, 2018

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,003,684
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$1,312,145 exceeded capital outlays of \$803,958.	(508,187)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss.	(21,341)
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.	86,377
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$2,404,490 and amortization of \$83,826 exceeded debt proceeds of \$1,306,599.	1,181,717
Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues / expenditures in the funds. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Decrease in long-term receivables	(5,825)
Increase in prepaid insurance	12,721
Decrease in accrued interest payable	4,721
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of capital lease principal collections of \$110,671.	(110,671)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,416,096)
Recording of contributions made to retirement plan	<u>652,588</u>
Change in Net Position of Governmental Activities	\$ <u><u>879,688</u></u>

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

Alcorn County
Statement of Net Position - Proprietary Fund
September 30, 2018

Exhibit 5

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Alcorn County Regional</u>
	<u>Correctional Facility</u>
ASSETS	
Current assets:	
Cash	\$ 6,984
Intergovernmental receivables	328,100
Other receivables	170,925
Restricted assets - cash	1,581,834
Total Current Assets	<u>2,087,843</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	17,126,797
Total Noncurrent Assets	<u>17,126,797</u>
Total Assets	<u>19,214,640</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	206,069
Deferred amount on refunding	1,458,820
Total Deferred Outflows of Resources	<u>1,664,889</u>
LIABILITIES	
Current liabilities:	
Claims payable	103,249
Due to other funds	2,833,525
Accrued interest payable	72,841
Capital debt:	
Limited obligation bonds	573,969
Total Current Liabilities	<u>3,583,584</u>
Noncurrent liabilities:	
Capital debt:	
Limited obligation bonds	8,341,037
Net pension liability	3,080,226
Total Noncurrent Liabilities	<u>11,421,263</u>
Total Liabilities	<u>15,004,847</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	85,986
Total Deferred Inflows of Resources	<u>85,986</u>
NET POSITION	
Net investment in capital assets	9,670,611
Unrestricted	(3,881,915)
Total Net Position	<u>\$ 5,788,696</u>

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

Alcorn County
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2018

Exhibit 6

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Alcorn County Regional Correctional Facility</u>
Operating Revenues	
Charges for services	\$ 4,199,776
Total Operating Revenues	<u>4,199,776</u>
Operating Expenses	
Personal services	1,625,689
Pension expense	426,158
Contractual services	643,564
Materials and supplies	721,091
Depreciation expense	<u>411,305</u>
Total Operating Expenses	<u>3,827,807</u>
Operating Income (Loss)	<u>371,969</u>
Nonoperating Revenues (Expenses)	
Interest income	1,628
Interest expense	<u>(411,626)</u>
Net Nonoperating Revenue (Expenses)	<u>(409,998)</u>
Changes in Net Position	<u>(38,029)</u>
Net Position - Beginning	<u>5,826,725</u>
Net Position - Ending	<u>\$ 5,788,696</u>

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

Alcorn County
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2018

Exhibit 7

	<u>Business-type Activities - Enterprise Fund</u>	
	Alcorn County Regional Correctional Facility	
Cash Flows From Operating Activities		
Receipts from customers	\$	3,975,820
Payments to suppliers		(1,362,246)
Payments to employees		(1,812,283)
Net Cash Provided by Operating Activities		<u>801,291</u>
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt		(570,000)
Interest paid on debt		(300,767)
Net Cash Used by Capital and Related Financing Activities		<u>(870,767)</u>
Cash Flows From Noncapital Financing Activities		
Receipts from governmental funds		160,967
Net Cash Provided by Noncapital Financing Activities		<u>160,967</u>
Cash Flows From Investing Activities		
Interest on deposits		1,628
Net Cash Provided by Investing Activities		<u>1,628</u>
Net Change in Cash and Cash Equivalents		93,119
Cash and Cash Equivalents at Beginning of Year		
Restricted	<u>1,495,699</u>	
	1,495,699	1,495,699
Cash and Cash Equivalents at End of Year		
Unrestricted	6,984	
Restricted	<u>1,581,834</u>	
	1,588,818	<u>\$ 1,588,818</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating income	\$	371,969
Adjustments to reconcile operating income to net cash		
provided by operating activities:		
Depreciation expense		411,305
Changes in assets and liabilities:		
Increase in intergovernmental receivables		(60,162)
Increase in other receivables		(163,794)
Increase in claims payable		2,333
Increase in interfund payables	160,967	
Less: portion of increase attributable to non-capital financing activities	<u>(160,967)</u>	
Increase in operating portion of interfund payables	-0-	-0-
Increase in net pension liability		83,294
Decrease in deferred outflows of resources	255,885	
Less: portion of decrease attributable to deferred amount on refunding	<u>(112,217)</u>	
Decrease in operating portion of deferred outflows of resources	143,668	143,668
Increase in deferred inflows of resources		<u>12,678</u>
Total Adjustments		<u>429,322</u>
Net Cash Provided by Operating Activities	\$	<u>801,291</u>

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

Alcorn County
Statement of Fiduciary Assets and Liabilities
September 30, 2018

Exhibit 8

	Agency Funds
	<u> </u>
ASSETS	
Cash	\$ 80,706
Due from other funds	17,212
Advances to other funds	<u>12,535</u>
Total Assets	<u>\$ 110,453</u>
 LIABILITIES	
Amounts held in custody for others	\$ 82,123
Intergovernmental payables	7,128
Due to other funds	3,000
Advances from other funds	<u>18,202</u>
Total Liabilities	<u>\$ 110,453</u>

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

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

Management has chosen to omit from the financial statements the following component units which has significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of these component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Alcorn County Human Resource Agency
- Alcorn County Volunteer Fire Districts

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

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

B. Basis of Presentation

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

Government-wide Financial Statements

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

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

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

B. Basis of Presentation (Continued)

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

The County reports the following major governmental funds:

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

Garbage and Solid Waste Fund - This fund is used to account for activities of collecting and disposal of garbage.

Regional Park Fund - This fund is used to account for monies from specific revenue sources that are established for the expansion of Crossroads Regional Park.

The county reports the following major Enterprise Fund:

Alcorn County Regional Correctional Facility Fund – This fund is used to account for the County's activities in operating a regional correctional facility.

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

C. Measurement Focus and Basis of Accounting (Continued)

Additionally, the County reports the following fund types:

Governmental Fund Types

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

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

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

Proprietary Fund Type

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

Fiduciary Fund Type

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

D. Account Classifications

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

E. Deposits and Investments

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

F. Receivables

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

ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

G. Interfund Transactions and Balances

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

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Restricted Assets

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

J. Capital Assets

Capital acquisition and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the (applicable) governmental activities and 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.

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

J. Capital Assets (Continued)

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 or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the County’s financial statements. Donated capital assets are recorded at their fair value at the time of donation.

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

The following schedule details those thresholds and estimated useful lives:

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

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

K. Deferred Outflows/Inflows of Resources

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

Deferred 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 14 for additional details.

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

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

K. Deferred Outflows/Inflows of Resources (Continued)

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

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

Unavailable revenue – 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.

Fines
Principal and interest on capital leases

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 14 for additional details.

L. Pensions

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

M. Long-Term Liabilities

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

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

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

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

N. Equity Classifications

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted 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.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted 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.

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

O. Property Tax Revenues

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

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

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

P. Intergovernmental Revenues in Governmental Funds

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

Q. Compensated Absences

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave or unused personal leave. For the year ended September 30, 2018, Alcorn County recognized no liability.

(2) Prior Period Adjustments

A summary of significant net position adjustments is as follows:

Exhibit 2 – Statement of Activities

Explanation	Amount
<i>Governmental Activities:</i>	
To correct prior year accumulated depreciation on capital assets	\$ 41,052
Total Governmental Activities	\$ <u>41,052</u>

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(3) Deposits

The carrying amount of the County’s total deposits with financial institutions at September 30, 2018 was \$4,106,055, including \$1,581,834 in restricted accounts and \$80,706 in fiduciary accounts, and the bank balance was \$4,411,295. 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 a 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 – Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above the FDIC coverage are collateralized by the pledging financial institution’s trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(4) Loans Receivable

At September 30, 2018, the Corinth-Alcorn County Recreational Commission had \$6,470,000 in loans payable for previous and current loans the County made to the expansion project of Crossroads Regional Park using funds from the \$7,100,000 Taxable Special Obligation Bonds Issue, Series 2015. During June 2015, the Commission entered into an agreement to finance the County’s scheduled debt payments totaling \$7,100,000 principal, with interest ranging from 4.5% - 5.75%. over the remaining life of the bonds.

The following is a summary of loan repayments, equal to the annual debt service requirements of the County:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 200,000
2020	210,000
2021	215,000
2022	230,000
2023	235,000
2024-2028	1,380,000
2029-2033	1,755,000
2034-2038	<u>2,245,000</u>
Loan receivable	<u>\$ 6,470,000</u>

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(5) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2018:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Alcorn County Regional Correctional Facility Fund	\$ 2,833,525
General Fund	Agency Funds	3,000
General Fund	Other Governmental Funds	823,872
Garbage and Solid Waste Fund	General Fund	9,138
Other Governmental Funds	General Fund	75,456
Other Governmental Funds	Garbage and Solid Waste Fund	1,237,880
Other Governmental Funds	Regional Park Fund	809
Other Governmental Funds	Other Governmental Funds	36,311
Agency Funds	General Fund	17,212
Total		<u>\$ 5,037,203</u>

The payables from the General Fund represent the tax revenue collected but not settled until October 2018. The payable from the Agency Fund represents an advance to cover anticipated cash flows, which is expected to be repaid within one year. Other payables represent loans to cover operating cash deficits in the County's pooled cash account. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 23,686
General Fund	Agency Funds	18,202
Other Governmental Funds	General Fund	9,376
Other Governmental Funds	Garbage and Solid Waste Fund	160,000
Other Governmental Funds	Other Governmental Funds	46,500
Agency Funds	Garbage and Solid Waste Fund	12,535
Total		<u>\$ 270,299</u>

The payables to the General Fund represent loans to establish opening balances in other funds. The payables from Garbage & Solid Waste Fund represent advances to cover operating deficits.

C. Transfers In/Out

Transfers In	Transfers Out	Amount
Other Governmental Funds	General Fund	\$ 347,656
Other Governmental Funds	Other Governmental Funds	959
Total		<u>\$ 348,615</u>

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

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(6) Operating Leases

As Lessor:

The county receives income from property it leases under non-cancellable operating leases. Total income from such leases was \$63,600 for the year ended September 30, 2018. The future minimum lease receivables for this lease is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 63,600
2020	63,600
2021	63,600
Total	\$ <u>190,800</u>

(7) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2018 consisted of the following:

<u>Description</u>	<u>Amount</u>
<i>Governmental Funds / Governmental Activities:</i>	
Legislative Tag Credit	\$ 90,933
Motor Vehicle Fuel Tax	57,011
Motor Vehicle Licenses	44,156
Solid Waste DEQ Grant	1,200
Emergency Management Grant	25,689
State aid construction	16,078
Payment in-lieu of tax Distribution	17,548
Other	6,521
Total Governmental Funds	<u>259,136</u>
Payment in-lieu of tax Distribution	296,696
Harvest Permits	1,536
Overweight Fines	22,484
Total Long-term Receivables	<u>320,716</u>
Total Governmental Activities	\$ <u>579,852</u>
<i>Enterprise Funds / Business-type Activities:</i>	
Reimbursement for housing prisoners	\$ <u>328,100</u>
Total Enterprise Funds / Business-type Activities	\$ <u>328,100</u>

ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

(8) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2018:

Primary Government:	Balance 10/1/2017	Increases	Decreases	Completed Construction	Adjustments	Balance 9/30/2018
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 721,783					\$ 721,783
Construction-in-progress	1,166,505	560,469		(612,960)		1,114,014
Total non-depreciable capital assets	<u>1,888,288</u>	<u>560,469</u>	<u>-0-</u>	<u>(612,960)</u>	<u>-0-</u>	<u>1,835,797</u>
<u>Depreciable capital assets:</u>						
Infrastructure	120,382,910			612,960		120,995,870
Buildings	14,172,450					14,172,450
Improvements other than buildings	461,273					461,273
Mobile equipment	3,466,572	29,500	31,268		172,672	3,637,476
Furniture and equipment	1,199,843	7,926			19,718	1,227,487
Leased property under capital leases	1,201,209	206,063	28,460		(192,390)	1,186,422
Total depreciable capital assets	<u>140,884,257</u>	<u>243,489</u>	<u>59,728</u>	<u>612,960</u>	<u>-0-</u>	<u>141,680,978</u>
<u>Less accumulated depreciation for:</u>						
Infrastructure	71,257,597	794,417				72,052,014
Buildings	6,756,130	223,263				6,979,393
Improvements other than buildings	190,993	18,456				209,449
Mobile equipment	2,956,231	76,813	28,141		57,874	3,062,777
Furniture and equipment	1,090,371	11,390			17,746	1,119,507
Leased property under capital leases	256,690	187,806	10,246		(116,672)	317,578
Total accumulated depreciation	<u>82,508,012</u>	<u>1,312,145</u>	<u>38,387</u>	<u>-0-</u>	<u>(41,052)</u>	<u>83,740,718</u>
Total depreciable capital assets, net	<u>58,376,245</u>	<u>(1,068,656)</u>	<u>21,341</u>	<u>612,960</u>	<u>41,052</u>	<u>57,940,260</u>
Governmental activities capital assets, net	<u>\$ 60,264,533</u>	<u>(508,187)</u>	<u>21,341</u>	<u>-0-</u>	<u>41,052</u>	<u>\$ 59,776,057</u>
Business-type Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 35,000					\$ 35,000
<u>Depreciable capital assets:</u>						
Buildings	20,302,639					20,302,639
Mobile equipment	29,169					29,169
Furniture and equipment	161,544					161,544
Total depreciable capital assets	<u>20,493,352</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>20,493,352</u>
<u>Less accumulated depreciation for:</u>						
Buildings	2,842,378	406,054				3,248,432
Mobile equipment	5,250	5,251				10,501
Furniture and equipment	142,622					142,622
Total accumulated depreciation	<u>2,990,250</u>	<u>411,305</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,401,555</u>
Total depreciable capital assets, net	<u>17,503,102</u>	<u>(411,305)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>17,091,797</u>
Business-type activities capital assets, net	<u>\$ 17,538,102</u>	<u>(411,305)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>\$ 17,126,797</u>
Primary government capital assets, net	<u>\$ 77,802,635</u>	<u>(919,492)</u>	<u>21,341</u>	<u>-0-</u>	<u>41,052</u>	<u>\$ 76,902,854</u>

Adjustments were made to reclassify assets no longer under capital lease obligation and to correct useful depreciable lives on certain assets for consistency.

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(8) Capital Assets (Continued)

Depreciation expense was charged to the following functions:

	Governmental Activities	Business-type Activities
General government	\$ 56,509	\$ -0-
Public safety	143,741	411,305
Public works	943,755	-0-
Health and welfare	23,560	-0-
Culture and recreation	144,580	-0-
Total depreciation expense	<u>\$ 1,312,145</u>	<u>\$ 411,305</u>

Commitments with respect to unfinished capital projects at September 30, 2018, consisted of the following:

Governmental Activities: Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
APL-0943(14)B (Kendrick Rd Intersect)	\$ 50,589	Dec-18
ERBR-LSBP-02(23) (BR#115-CR420; BR#126-CR331)	1,350,700	Nov-20
LSBP-02(24) (Clear Creek)	324,825	Nov-20
SAP-02(67) (County Rd 200)	1,085,875	Unknown
STP/BR-0002(32)B (County Rd 750)	<u>2,035,811</u>	Unknown
Total Governmental Activities	<u>\$ 4,847,800</u>	

(9) Claims and Judgments

Risk Financing

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by 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, 2018, to January 1, 2019. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(10) Other Postemployment Benefits

Plan Description

The Alcorn County Board of Supervisors administers the county's health insurance plan which is authorized by Sections 25-15-101 et seq., Miss. Code Ann. (1972). The county's health insurance plan may be amended by the Alcorn County Board of Supervisors. The county purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the county's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment health care benefit reportable under GASB Statement 75 as a single employer other postemployment benefits plan. However, the county has not recorded a liability for other postemployment benefits nor has the county reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The county does not issue a publicly available financial report for the Plan. The county believes that any liability associated with the Plan would be immaterial to the financial statements.

(11) Capital Leases

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2018:

Classes of Property	Amount
Industrial facilities:	
Buildings	\$ 706,900
Total	\$ 706,900

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2018, are as follows:

Year Ending September 30,	Principal	Interest
2019	\$ 113,477	8,966
2020	117,212	5,231
2021	110,574	1,640
Total	\$ 341,263	15,837

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(11) Capital Leases (Continued)

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2018:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 645,922
Furniture and equipment	<u>540,500</u>
Total	1,186,422
Less: Accumulated Depreciation	<u>317,578</u>
Leased Property Under Capital Lease	<u><u>\$ 868,844</u></u>

The following is a schedule by years of the total payments due as of September 30, 2018:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 278,181	18,675
2020	238,674	12,334
2021	195,147	7,356
2022	<u>154,211</u>	<u>3,016</u>
Total	<u><u>\$ 866,213</u></u>	<u><u>41,381</u></u>

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(12) Long-term Debt

Debt outstanding as of September 30, 2018, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
Governmental Activities			
General Obligation Bonds:			
General Obligation Refunding Bonds - Series 2016	\$ <u>7,925,000</u>	3.00-4.00	07/01/2034
Limited Obligation Bonds:			
Taxable Special Obligation Bonds - Series 2015	\$ <u>6,470,000</u>	4.50-5.75	11/01/2037
Capital Leases:			
(2) 2016 Ford F-150 Trucks	\$ 12,643	1.86	06/01/2019
(2) 2018 Ford Police Interceptor Utility Vehicles	47,917	2.63	02/09/2020
2018 Chevrolet Tahoe	31,394	2.79	06/06/2020
2018 Chevrolet Silverado	27,323	3.09	07/30/2022
E-911 Equipment	437,301	2.32	05/23/2022
2018 Ford Interceptor Utility Vehicle	26,508	2.95	05/23/2022
2017 John Deere 6130M Tractor	70,226	2.45	02/21/2022
2012 Kubota M108 Tractor	29,590	2.33	06/28/2020
John Deere 6125M Tractor & Loader	68,321	2.10	05/04/2022
2005 Volvo VNM64T Dump Truck	26,256	2.99	05/08/2022
1999 IR CR 70 Roller	16,582	2.99	05/08/2022
2017 Mack GU432 Dump Truck	56,918	1.82	05/04/2022
2016 Ford F-150 Truck	<u>15,234</u>	2.00	04/05/2020
Total Capital Leases	\$ <u>866,213</u>		
Other Loans:			
Negotiable Promissory Note	\$ 270,000	1.45	12/04/2019
Negotiable Promissory Note	180,000	1.55	10/07/2018
Negotiable Promissory Note	252,316	1.87	03/09/2019
Negotiable Promissory Note	500,000	2.65	05/08/2020
MDA/Flowers Bakeries	271,611	3.00	08/01/2028
MDA/Avectus	<u>341,539</u>	3.00	08/01/2021
Total Other Loans	\$ <u>1,815,466</u>		
Business-type Activities			
Limited Obligation Bonds:			
Taxable Special Obligation Refunding Bonds - Series 2017	\$ <u>8,930,000</u>	1.20-4.00	07/01/2031

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(12) Long-term Debt (Continued)

Pledge of Future Revenues - The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$9,500,000 in limited obligation urban renewal revenue refunding bonds issued in February 2017. Proceeds from the bonds provided financing for the construction of the Alcorn County Regional Correction Facility. The bonds are not a general obligation of the county and, therefore, are not secured by the full faith and credit of the county. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 25 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$11,288,054. Principal and interest paid for the current year and total inmate housing net revenues were \$981,626 and \$4,199,776 respectively.

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

Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Limited Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 370,000	281,644	200,000	327,000	951,576	41,402
2020	385,000	266,844	210,000	317,775	530,053	21,116
2021	400,000	251,444	215,000	308,213	135,857	7,995
2022	415,000	235,444	230,000	298,200	26,051	5,561
2023	435,000	218,844	235,000	287,738	26,844	4,768
2024-2028	2,430,000	824,869	1,380,000	1,260,363	145,085	11,087
2029-2033	2,860,000	400,013	1,755,000	872,788	-0-	-0-
2034-2038	630,000	20,050	2,245,000	328,675	-0-	-0-
Total	\$ 7,925,000	2,499,152	6,470,000	4,000,752	1,815,466	91,929

Business-type Activities:

Year Ending September 30,	Limited Obligation Bonds	
	Principal	Interest
2019	\$ 575,000	291,363
2020	590,000	279,575
2021	600,000	266,005
2022	620,000	250,705
2023	635,000	233,655
2024-2028	3,495,000	847,113
2029-2033	2,415,000	189,638
Total	\$ 8,930,000	2,358,054

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2018, the amount of outstanding debt was equal to 5.43% of the latest property assessments.

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(12) Long-term Debt (Continued)

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2018, \$16,585,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2018:

	Balance Oct. 1, 2017	Additions	Reductions	Balance Sept. 30, 2018	Amount due within one year
Governmental Activities:					
General obligation bonds	8,280,000		355,000	7,925,000	370,000
Unamortized premium	291,664		61,536	230,128	53,903
Unamortized discount	(37,350)		(2,087)	(35,263)	(2,156)
Limited obligation bonds	6,660,000		190,000	6,470,000	200,000
Unamortized premium	102,828		26,458	76,370	21,312
Unamortized discount	(70,401)		(2,081)	(68,320)	(2,201)
Capital leases	970,768	206,599	311,154	866,213	278,181
Other loans	2,263,802	1,100,000	1,548,336	1,815,466	951,576
Totals	\$ 18,461,311	1,306,599	2,488,316	17,279,594	1,870,615
Business-type Activities:					
Limited obligation bonds	\$ 9,500,000		570,000	8,930,000	575,000
Unamortized discount	(15,987)		(993)	(14,994)	(1,031)
Totals	\$ 9,484,013	-0-	569,007	8,915,006	573,969

(13) No Commitment Debt (Not Included in Financial Statements)

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Alcorn County and the City of Corinth issued this debt on a basis of 55% county and 45% city. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

	Balance at Sept. 30, 2018	County Share
Hospital revenue refunding bonds 2011A	\$ 73,695,000	\$ 40,532,250

ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

(14) Defined Benefit Pension Plan

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

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance 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, 2018, 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, 2018 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, 2018, 2017, and 2016 were \$839,104, \$823,269, and \$789,649, respectively, equal to the required contributions for each year.

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(14) Defined Benefit Pension Plan (Continued)

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

At September 30, 2018, the County reported a liability for its proportionate share of the net pension liability of \$10,794,665 for governmental activities and \$3,080,226 for business-type activities. The net pension liability was measured as of June 30, 2018, 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. At June 30, 2018, the County's proportion was 0.083418 percent, which was an increase of 0.002195 from its proportion measured as of June 30, 2017.

Internally, the County allocates its proportionate share of the net pension liability to governmental activities and business-type activities. As of September 30, 2018 and 2017, the internal proportionate share allocated to governmental activities and business-type activities was 77.80% and 22.20%, respectively.

For the year ended September 30, 2018, the County recognized pension expense of \$1,416,096 for governmental activities and \$426,158 for business-type activities.

At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	Business-type Activities	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 47,323	13,503	60,826
Changes of assumptions	6,369	1,818	8,187
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	419,756	119,777	539,533
Changes in internal proportionate allocation to governmental activities and business-type activities	9,473	22,838	32,311
Contributions subsequent to the measurement date	168,684	48,133	216,817
Total Deferred Outflows of Resources	\$ 651,605	206,069	857,674
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 45,505	12,985	58,490
Net difference between projected and actual earnings on pension plan investments	214,582	61,231	275,813
Changes of assumptions	5,962	1,701	7,663
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	2,090	596	2,686
Changes in internal proportionate allocation to governmental activities and business-type activities	22,838	9,473	32,311
Total Deferred Inflows of Resources	\$ 290,977	85,986	376,963

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(14) Defined Benefit Pension Plan (Continued)

Deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date and consisting of \$168,684 for governmental activities and \$48,133 for business-type activities will be recognized as a reduction to the net pension liability in the year ended September 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	Total
2019	\$ 451,447
2020	120,252
2021	(245,409)
2022	(62,396)
	\$ 263,894

Actuarial Assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

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

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

The actuarial assumptions used in the June 30, 2018 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
Total	100.00 %	

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(14) Defined Benefit Pension Plan (Continued)

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%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 18,269,251	13,874,891	10,222,599

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

(15) Contingencies

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

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

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(16) Joint Ventures

The county participates in the following joint venture:

Alcorn County is a participant with the Counties of Prentiss, Tippah and Tishomingo in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate Northeast Regional Library. The joint venture was created to provide a regional public library for the area and is governed by a four-member board appointed by the four Boards of Supervisors. By contractual agreement, the county's appropriation from the General Fund this year to the joint venture amounted to \$150,000. Complete financial statements for the Northeast Regional Library can be obtained from Northeast Regional Library, 1023 North Fillmore Street, Corinth, Mississippi 38834.

Alcorn County is a participant with the City of Corinth in a joint venture, authorized by HB #1183, 1972 Session, to operate the Corinth-Alcorn Area Chamber of Commerce, The Alliance. The joint venture was created to foster, encourage and facilitate economic development in the county. The Alcorn County Board of Supervisors appoints four of the 32 members of the board of directors. The county levied taxes of \$309,404 for the operation of the entity during the 2018 fiscal year. Complete financial statements for the Corinth-Alcorn Area Chamber of Commerce can be obtained from The Alliance, 810 Tate Street, Corinth, Mississippi 38834.

Alcorn County is a participant with the City of Corinth in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Corinth-Alcorn County Airport. The joint venture was created to provide an airport for the area and is governed by a five-member board of commissioners appointed as follows: Alcorn County, two; City of Corinth, two; jointly, one. Alcorn County provided \$100,000 for the operation of the entity during the 2018 fiscal year. Complete financial statements for the Corinth-Alcorn County Airport can be obtained from Corinth-Alcorn County Airport, 56 CR 613, Corinth, Mississippi 38834.

Alcorn County is a participant with the City of Corinth in a joint venture to operate the Siege and Battle of Corinth Commission. The joint venture was created to promote tourism and is governed by five commissioners. The Alcorn County Board of Supervisors and the City of Corinth Board of Aldermen each appoint two commissioners, and jointly appoint the fifth commissioner. Complete financial statements for the Siege and Battle of Corinth Commission can be obtained from P.O. Box 45, Corinth, Mississippi 38835-0045.

Alcorn County is a participant with the City of Corinth in a joint venture, authorized by Section 41-13-15, Miss. Code Ann. (1972), to operate Magnolia Hospital. The joint venture was created to provide a community hospital for the area and is governed by a five-member board of trustees; two appointed by the county Board of Supervisors, two appointed by the city and one jointly appointed. Alcorn County provided \$8,055 for the 2018 fiscal year. Complete financial statements for the Magnolia Hospital can be obtained from Magnolia Hospital, 611 Alcorn Drive, Corinth, Mississippi 38834.

Alcorn County is a participant with the City of Corinth in a joint venture, authorized by Section 55-9-1, Miss. Code Ann. (1972), to operate the Corinth-Alcorn County Recreational Commission. The joint venture was created to provide recreational opportunities for the area and is governed by a five-member board. Each entity appoints two of the five board members and the fifth is jointly appointed. Alcorn County provided \$371,642 for the 2018 fiscal year. Complete financial statements for the Corinth-Alcorn Recreation Commission can be obtained from Corinth-Alcorn Recreation Commission, P.O. Box 699, Corinth, Mississippi 38835.

Alcorn County is a participant with the City of Corinth in a joint venture, established by local and private legislation (Senate Bill 3219), 1997 Session, to operate the Corinth Area Tourism Promotion Council. The joint venture was created to promote tourism and is governed by a seven-member board of directors. Each entity appoints one board member, the Corinth Area Restaurant Association appoints three board members and the Corinth Area Hotel-Motel-Inn-Bed and Breakfast Association appoints two board members. The joint venture is funded by a 2 percent sales tax on motel and food and beverage sales within the City of Corinth. Complete financial statements for the Corinth Area Tourism Promotion Council can be obtained from the Corinth Area Tourism Promotion Council, P.O. Box 69, Corinth, Mississippi 38835.

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(17) Jointly Governed Organizations

The county participates in the following jointly governed organizations:

The Region IV Mental Health Services District operates in a district composed of the Counties of Alcorn, DeSoto, Prentiss, Tippah and Tishomingo. The Alcorn County Board of Supervisors appoints one of the five members of the board of commissioners. The county appropriated \$50,088 for the maintenance and support of the commission in the fiscal year 2018.

Northeast Mississippi Planning and Development District operates in a district composed of the Counties of Alcorn, Benton, Marshall, Prentiss, Tippah and Tishomingo. The Alcorn County Board of Supervisors appoints four of the 24 members of the board of directors. The county appropriated \$124,726, including tuition assistance of \$102,483, for support of the district in fiscal year 2018.

The Northeast Mississippi Community College operates in a district composed of the Counties of Alcorn, Prentiss, Tippah, Tishomingo and Union. The Alcorn County Board of Supervisors appoints two of the 15 members of the college board of trustees. The county levied \$1,112,066 in taxes for maintenance and support of the college in fiscal year 2018.

TAP Alliance (TAP) is an alliance among Tishomingo, Alcorn and Prentiss Counties and the City of Corinth, City of Booneville and City of Iuka. The county appoints two of the nine members of the board of directors, which is to be appointed by and from that county's Board of Supervisors. The county did not appropriate funds for the support of the alliance in fiscal year 2018.

(18) Deficit Fund Balance

The following funds reported deficits in fund balances at September 30, 2018.

Governmental Funds:

Youth Court Grant Fund	\$	1,565
CAP Loan Final Touch		72,673
Avectus Grant Fund		17,788
Reappraisal Fund		25,883
Emergency 911 Fund		697,271
Garbage and Solid Waste Fund		1,410,622
District 2 Construction and Repair Fund		486
District 4 Construction and Repair Fund		9,162
	\$	<u>2,235,450</u>

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(19) Tax Abatements

There are currently a number of agencies with economic development directives and targeted industries in Alcorn County, Mississippi. These efforts to bring businesses and industries into Alcorn County afford the County the opportunity to develop these partnerships that help raise the prominence of the region and attract prospective projects. Due to the pro-business attitude and wise infrastructure planning of the local elected officials as well as the ability to offer various incentives to entice businesses and industries to locate in Alcorn County, the County operates strongly with a well diverse base of manufacturers and distributors.

Facts and Assumptions

Alcorn County provides tax incentives and abatements under four programs: Property tax reductions not to exceed ten years for new enterprises, property tax reductions not to exceed ten years for additions to or expansions of facilities or properties, fee in lieu of personal and real property taxes and tax increment financing. Various Mississippi Code sections allow the County to offer the before mentioned incentives. In order to qualify for any incentive there is an application process, presentation to the Board of Supervisors and ultimately a recommendation by the Board of Supervisors to grant the incentive.

- Mississippi Code Section 27-31-101, allows County Board of Supervisors, at their discretion, to grant tax exemptions for new enterprises from ad valorem taxation, however they do not have the authority to exempt ad valorem taxes for school districts and shall not exceed a period longer than ten years. The date of completion of the new enterprise is when the exemption shall begin. The various new enterprises which fall under this code section and are eligible for an exemption are determined by the Mississippi Department of Revenue and are limited to the following: Warehouse and/or distribution centers, manufacturing, processors and refineries, research facilities, corporate regional and national headquarters meeting minimum criteria established by the Mississippi Development Authority, recreational facilities that impact tourism and data/information procession enterprises that both meet minimum established criteria, technology intensive enterprises or facilities, health care industry facilities as defined in Code Section 57-117-3 and telecommunications enterprises meeting minimum criteria.
- Mississippi Code Section 27-31-105, allows County Board of Supervisors, at their discretion, to grant tax exemptions for any enterprise who makes additions to or expansions of the facilities or properties or replaces equipment used in conjunction with or necessary to the operation of such enterprises from ad valorem taxation with the exception of school district taxes and not to exceed a period longer than ten years. The initial request for exemption must be made in writing by June 1st of the year immediately following the year in which the additions, expansions or replacements are completed. The time of the exemption shall commence from the date of completion of the additions, expansions or replacements and shall extend for a period not to exceed ten years, however the Board of Supervisors in lieu of granting the exemption for one period of ten years, may grant the exemption in consecutive periods of five years each, not to exceed ten years.
- Mississippi Code Section 27-31-104, allows County Board of Supervisors, at their discretion, to grant a fee in lieu of taxes for certain projects. The County Board of Supervisors are authorized to enter into an agreement with a private company having a minimum capital investment of one hundred million dollars or a qualified business meeting minimum criteria established by the Mississippi Development Authority. The Board of Supervisors may enter into a fee in lieu agreement on behalf of the County and the County school district. Any grant of fee in lieu of ad valorem taxes shall be in a written agreement negotiated by the enterprise and the Board of Supervisors with final approval given by the Mississippi Development Authority. The minimum sum allowable as a fee in lieu shall not be less than one-third of the ad valorem levy, including ad valorem taxes for school district purposes.

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(19) Tax Abatements (Continued)

- Mississippi Code Section 27-31-51 allows County Board of Supervisors, at their discretion, to grant eligible warehouses a license to operate as a free port warehouse. A free port warehouse is regularly engaged in the handling and storage of personal property pending transit to a final destination outside the State of Mississippi. This exemption may be granted for all local property taxes and may be granted for any period of time set by the Board of Supervisors.

<u>Tax Abatement Programs</u>	<u>Industries</u>	<u>Reported Capital Investment</u>	<u>Amount of taxes abated during the fiscal year</u>
Personal / Real Tax Exemptions	38 Exemptions; 8 Agencies	\$ 328,861,510	\$ 1,713,055
Free-port Warehouse	Kimberly Clark Inc.	\$ 30,045,855 *	\$ 523,745 *

* - Estimated amounts based on monthly average of inventory.

These incentives have served many purposes, including but not limited to: the amount of dollars through infrastructure improvements, the overall number of new businesses and industries that have located or relocated to Alcorn County, the number of jobs that have been and continue to be created in Alcorn County, and most importantly an excellent quality of life for all citizens throughout the County while maintaining a low tax bill without a significant tax increase.

(20) Effect of Deferred Amounts on Net Position

Governmental Activities

The governmental activities' unrestricted net position amount of (\$9,048,046) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$168,684 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. The \$482,921 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next 3 years. The \$290,977 balance of the deferred inflow of resources related to pension at September 30, 2018, will be recognized in pension expense over the next 4 years.

The governmental activities' unrestricted net position also includes the effect of recognition of deferring the recognition of revenue resulting from capital leases receivable. The \$15,837 balance of deferred inflows of resources at September 30, 2018, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

Business-type Activities

The business-type activities' unrestricted net position amount of (\$3,881,915) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$48,133 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. The \$157,936 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next 3 years. The \$85,986 balance of the deferred inflow of resources related to pension at September 30, 2018, will be recognized in pension expense over the next 4 years.

**ALCORN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

(20) Effect of Deferred Amounts on Net Position (Continued)

The business-type activities' unrestricted net position also includes the effect of deferring the recognition of expenditures resulting from a refunding of County debt. The \$1,458,820 balance of deferred outflows of resources at September 30, 2018, will be recognized as an expense and will decrease the unrestricted net position over the next 13 years.

(21) 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 Alcorn County evaluated the activity of the County through February 2, 2021, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

- Subsequent to September 30, 2018, the County issued the following significant debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
11/28/18	3.27%	33,686	Capital Lease	Ad valorem taxes
12/27/18	3.24%	144,964	Capital Lease	Ad valorem taxes
04/18/19	2.88%	500,000	Other Loan	Ad valorem taxes
04/23/19	2.93%	61,599	Capital Lease	Ad valorem taxes
05/16/19	2.83%	98,250	Capital Lease	Ad valorem taxes
02/01/20	2.00%	415,000	Other Loan	Ad valorem taxes
04/20/20	1.70%	36,701	Capital Lease	Ad valorem taxes
04/20/20	1.70%	36,701	Capital Lease	Ad valorem taxes
05/13/20	1.59%	500,000	Other Loan	Ad valorem taxes
05/21/20	1.62%	124,156	Capital Lease	Ad valorem taxes
09/24/20	1.39%	700,000	Other Loan	Ad valorem taxes
10/06/20	1.48%	64,584	Capital Lease	Ad valorem taxes

- As of the date of the report, a demand has been issued by the Office of the State Auditor against the County's tax collector in the amount of \$69,155, which includes alleged embezzlement, losses to the county, interest, and investigative fees.

REQUIRED SUPPLEMENTARY INFORMATION

Alcorn County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 6,384,158	7,004,280	7,083,150	78,870
Licenses, commissions and other revenue	357,710	348,121	348,121	-0-
Fines and forfeitures	429,500	260,161	260,161	-0-
Intergovernmental revenues	1,149,500	1,102,179	1,120,766	18,587
Charges for services	325,000	274,415	274,415	-0-
Interest income	15,000	37,772	37,772	-0-
Miscellaneous revenues	236,500	178,694	178,694	-0-
Total Revenues	<u>8,897,368</u>	<u>9,205,622</u>	<u>9,303,079</u>	<u>97,457</u>
EXPENDITURES				
Current:				
General government	4,063,319	3,856,806	3,871,173	(14,367)
Public safety	2,820,840	2,656,108	2,618,995	37,113
Public works	100,000	100,000	100,000	-0-
Health and welfare	497,358	448,446	448,446	-0-
Culture and recreation	286,378	163,938	163,938	-0-
Conservation of natural resources	147,772	139,892	139,892	-0-
Economic Development	39,700	33,194	33,194	-0-
Debt service:				
Principal	356,726	315,000	1,011,804	(696,804)
Interest	12,857	11,754	11,784	(30)
Total Expenditures	<u>8,324,950</u>	<u>7,725,138</u>	<u>8,399,226</u>	<u>(674,088)</u>
Excess of Revenues over (under) Expenditures	<u>572,418</u>	<u>1,480,484</u>	<u>903,853</u>	<u>(576,631)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	-0-	131,325	731,325	600,000
Transfers in	-0-	195,435	-0-	(195,435)
Transfers out	(237,780)	(543,091)	(347,656)	195,435
Total Other Financing Sources and Uses	<u>(237,780)</u>	<u>(216,331)</u>	<u>383,669</u>	<u>600,000</u>
Net Change in Fund Balance	<u>334,638</u>	<u>1,264,153</u>	<u>1,287,522</u>	<u>23,369</u>
Fund Balances - Beginning	<u>(47,115)</u>	<u>5,676,795</u>	<u>5,930,457</u>	<u>253,662</u>
Fund Balances - Ending	<u>\$ 287,523</u>	<u>6,940,948</u>	<u>7,217,979</u>	<u>277,031</u>

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

Alcorn County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Garbage and Solid Waste Fund
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Property taxes	\$ 695,448	736,988	736,988	-0-
Intergovernmental revenues	-0-	9,666	9,666	-0-
Miscellaneous revenues	-0-	1,024	1,024	-0-
Total Revenues	<u>695,448</u>	<u>747,678</u>	<u>747,678</u>	<u>-0-</u>
EXPENDITURES				
Current:				
Public works	695,448	755,148	755,148	-0-
Total Expenditures	<u>695,448</u>	<u>755,148</u>	<u>755,148</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>-0-</u>	<u>(7,470)</u>	<u>(7,470)</u>	<u>-0-</u>
Net Change in Fund Balance	<u>-0-</u>	<u>(7,470)</u>	<u>(7,470)</u>	<u>-0-</u>
Fund Balances - Beginning	<u>1,283,474</u>	<u>1,164,456</u>	<u>1,164,456</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 1,283,474</u>	<u>1,156,986</u>	<u>1,156,986</u>	<u>-0-</u>

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

Alcorn County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Regional Park Fund
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Interest income	\$ 528,275	525,775	525,775	-0-
Total Revenues	<u>528,275</u>	<u>525,775</u>	<u>525,775</u>	<u>-0-</u>
EXPENDITURES				
Debt service:				
Principal	190,000	190,000	190,000	-0-
Interest	338,275	335,775	335,775	-0-
Bond issue costs		4,430	4,430	-0-
Total Expenditures	<u>528,275</u>	<u>530,205</u>	<u>530,205</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>-0-</u>	<u>(4,430)</u>	<u>(4,430)</u>	<u>-0-</u>
Net Change in Fund Balance	<u>-0-</u>	<u>(4,430)</u>	<u>(4,430)</u>	<u>-0-</u>
Fund Balances - Beginning	<u>-0-</u>	<u>-0-</u>	<u>3,603</u>	<u>3,603</u>
Fund Balances - Ending	<u>\$ -0-</u>	<u>(4,430)</u>	<u>(827)</u>	<u>3,603</u>

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

**ALCORN COUNTY
SCHEDULE OF THE COUNTY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS*
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability	0.083418%	0.081223%	0.076494%	0.076644%
County's proportionate share of the net pension liability	\$ 13,874,891	13,502,019	13,663,738	11,847,651
County's covered payroll	\$ 5,259,553	5,210,470	4,893,480	4,788,273
County's proportionate share of the net pension liability as a percentage of its covered payroll	263.80%	259.13%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%

* The amount presented for each fiscal year was determined as of the measurement date of 6/30 of the year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

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

ALCORN COUNTY
SCHEDULE OF COUNTY CONTRIBUTIONS – PERS
LAST TEN FISCAL YEARS*
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 839,104	823,269	789,649	748,568
Contributions in relation to the contractually required contribution	(839,104)	(823,269)	(789,649)	(748,568)
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
County's covered payroll	5,327,640	5,227,105	5,013,627	4,752,786
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 9/30/15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

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

ALCORN COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

UNAUDITED

Budgetary Comparison Schedules

A. Budgetary Information

Statutory requirements dictate how and when the County’s budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor and the 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 and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) is a part of required supplementary information.

C. Budget/GAAP Reconciliation

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

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

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

	Governmental Fund Types		
	General Fund	Garbage and Solid Waste Fund	Regional Park Fund
Budget (Cash Basis)	\$ 1,287,522	\$ (7,470)	\$ (4,430)
Increase (Decrease)			
Net adjustments for revenue accruals	13,550	(1,209)	(189,982)
Net adjustments for expenditure accruals	(69,851)	(4,469)	3,603
GAAP Basis	\$ 1,231,221	\$ (13,148)	\$ (190,809)

**ALCORN COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018
UNAUDITED**

Pension Schedules

A. Changes of Assumptions

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%.

2016

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

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.

B. Changes in benefit provisions

2016

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

C. Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation.

OTHER INFORMATION

Alcorn County
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2018
UNAUDITED

Name	Position	Insurance Company	Bond
Lowell Hinton	Supervisors	Travelers Casualty & Surety Co.	\$ 100,000
James Voyles	Supervisors	Travelers Casualty & Surety Co.	100,000
Tim Mitchell	Supervisors	Travelers Casualty & Surety Co.	100,000
Stephen Glidewell	Supervisors	Travelers Casualty & Surety Co.	100,000
Jimmy Waldon	Supervisors	RLI Insurance Company	100,000
Greg Younger	Chancery Clerk	RLI Insurance Company	100,000
Greg Younger	Purchase Clerk	Travelers Casualty & Surety Co.	75,000
Jill Goodwin	Assistant Purchase Clerk	Travelers Casualty & Surety Co.	50,000
Carolyn James	Receiving Clerk	FCCI Insurance Group	75,000
Eddie Clark	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	50,000
Shelly Hopkins	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	50,000
Keven Moss	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	50,000
Anthony Hutcheson	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	50,000
Laura Lawson	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	50,000
Tracy Bullard	Assistant Receiving Clerk	FCCI Insurance Group	50,000
Jerry Gifford	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	50,000
Willie Justice	Inventory Control Clerk	Travelers Casualty & Surety Co.	75,000
Dana Talley	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	50,000
Larry Settlemires	Assistant Receiving Clerk	FCCI Insurance Group	50,000
John C Butler	Constable	Travelers Casualty & Surety Co.	50,000
Harry Duncan	Constable	Travelers Casualty & Surety Co.	50,000
Joe Caldwell	Circuit Clerk	RLI Insurance Company	100,000
Ben Caldwell	Sheriff	Travelers Casualty & Surety Co.	100,000
Steven Little	Justice Court Judge	RLI Insurance Company	50,000
Jimmy McGee	Justice Court Judge	Travelers Casualty & Surety Co.	50,000
Donna Taylor	Interim Justice Court Clerk	Travelers Casualty & Surety Co.	50,000
Carol Derrick	Deputy Justice Court Clerk	FCCI Insurance Group	50,000
Cindy Davis	Deputy Justice Court Clerk	FCCI Insurance Group	50,000
Lana Rider	Deputy Justice Court Clerk	Travelers Casualty & Surety Co.	50,000
Larry Ross	Tax Collector	RLI Insurance Company	100,000
Kenneth Brawner	Tax Assessor	RLI Insurance Company	50,000
Crystal Starling	Deputy Circuit Clerk	RLI Insurance Company	100,000
Heather Boyer	Deputy Circuit Clerk	RLI Insurance Company	100,000
Sherra Green	Deputy Circuit Clerk	RLI Insurance Company	100,000
Kalee Smith	Deputy Circuit Clerk	RLI Insurance Company	100,000
Leigh Stevens	Deputy Tax Collector	Western Surety	50,000
Melissa Gaines	Deputy Tax Collector	Western Surety	50,000
Caroline Lancaster	Deputy Tax Collector	Western Surety	50,000
Tammy Mask	Deputy Tax Collector	Western Surety	50,000
Heather Crabb	Deputy Tax Collector	Western Surety	50,000

SPECIAL REPORTS

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CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
Alcorn County, Mississippi

We have audited, 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 the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Alcorn County, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated February 2, 2021. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the governmental activities and business-type activities because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, and 2018-008 that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Alcorn County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated February 2, 2021, included within this document.

Alcorn County's Responses to Findings

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

Purpose of the Report

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

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

Tupelo, Mississippi
February 2, 2021

J. E. VANCE & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
Alcorn County, Mississippi

We have examined Alcorn 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, 2018. The Board of Supervisors of Alcorn 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 Alcorn County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

Inventory Control Clerk.

1. Repeat Finding – Yes (2016-1, 2017-1)

Criteria:

Section 31-7-107, Mississippi Code Annotated (1972), requires the establishment and maintenance of an inventory control system.

Condition:

The County failed to account for and capitalize multiple state-aid road and bridge project additions.

Cause:

The County has ineffective controls over recordkeeping for state-aid road and bridge infrastructure projects.

Effect:

The County's inventory of infrastructure assets was incomplete. Audit adjustments were necessary to correct the balance of the County's capital asset records. Adjustments to correct these errors were proposed and made to the financial statements with management's approval. Failure to maintain accurate inventory control records could result in violation of state purchasing statutes or the misappropriation of public funds.

Recommendation:

The Inventory Control Clerk should implement procedures to ensure that all state aid road and bridge projects which meet the capitalization criteria are included in capital asset records.

Views of Responsible Official:

The Inventory Control Department has developed a plan to make sure that all infrastructure improvements are capitalized as required and has set the plan in motion. We expect to have this completed for the 2019 fiscal year.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Alcorn County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2018.

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

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

This report is intended for use in evaluating Alcorn 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.



Tupelo, Mississippi
February 2, 2021

Alcorn County
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2018

Schedule 1

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

**Alcorn County
Schedule of Emergency Purchases
For the Year Ended September 30, 2018**

Schedule 2

Our test results did not identify any emergency purchases.

**Alcorn County
Schedule of Purchases Made Noncompetitively from a Sole Source
For the Year Ended September 30, 2018**

Schedule 3

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

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Limited Internal Control and Compliance Review Management Report

Members of the Board of Supervisors
Alcorn County, Mississippi

In planning and performing our audit of the financial statements of Alcorn County, Mississippi for the year ended September 30, 2018, we considered Alcorn 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 Alcorn 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 February 2, 2021, on the financial statements of Alcorn County, Mississippi.

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

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency.

Our findings and recommendations and your responses are disclosed below:

Board of Supervisors.

1. Repeat Finding – Yes (2016-1, 2017-1)

Criteria

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

Condition

Eight funds had deficit fund balances at year end (see Note 18).

Cause

Expenditures were authorized to be made from funds with insufficient cash balances.

Effect

Having an insufficient balance in the respective funds is a violation of the statute listed above.

Recommendation – All funds should be examined on a regular basis to see if sufficient funds are available before incurring costs. Transfers should be made to funds to keep from having deficit fund balances.

Official Response – We will monitor the funds more closely to insure when budgets are required to be amended, that amendments are made in the correct amount and avoid deficit fund balances.

Receiving Clerk, Tax Assessor, (2) Assistant Receiving Clerks, (2) Deputy Justice Court Clerks, Deputy Circuit Clerks.

2. Repeat Finding – No

Criteria:

Section 25-1-15, Mississippi Code Annotated (1972), states, “A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or the normal election cycle of the local government applicable to the employee.

Section 25-1-19, Mississippi Code Annotated (1972) requires all bonds be filed and recorded in the office of the clerk of the chancery court of the county.

Condition

A review of the bond schedule revealed that the following county employee’s bonds were listed as “Continuation Certificates”:

- Receiving Clerk
- Tax Assessor
- Two (2) Assistant Receiving Clerks
- Two (2) Deputy Justice Court Clerks

A “Continuation Certificate” is a document that extends the life of the original surety bond that only covers the current bonding period, rather than both the current and previous periods. Failure to have a bond in place for a specific term of office could limit the amount available for a recovery of loss if the loss occurs over multiple terms.

A review of the bond schedule also revealed that the Deputy Circuit Clerks are all bonded under a single bond, and the Deputy Tax Collectors are all bonded under a single bond.

Cause

County employees did not follow the Mississippi statute stated above.

Effect

Failure to have a bond in place for a specific term of office could limit the amount available for a recovery of loss if the loss occurs over multiple terms.

Recommendation

The county officials should ensure that all bonds properly list a specific term of office covered and that new bonds are secured every four (4) years concurrent with the normal election cycle of the Governor.

Views of Responsible Officials:

The County will discuss these findings with the Board and appropriate members of management and will take the necessary steps to correct these issues.

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

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



Tupelo, Mississippi
February 2, 2021

SCHEDULE OF FINDINGS AND RESPONSES

**ALCORN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Section 1: Summary of Auditor’s Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor’s report issued on the financial statements: | |
| Governmental Activities | Qualified |
| Business-type Activities | Qualified |
| Aggregate Discretely Presented Component Units | Adverse |
| General Fund | Unmodified |
| Garbage and Solid Waste Fund | Unmodified |
| Regional Park Fund | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified? | None Reported |
| 3. Noncompliance material to the financial statements? | No |

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness

2018-001 Finding - The County should implement controls to ensure preparation of its financial statements.

Repeat Finding – Yes

Criteria:

A critical aspect of effective financial management is the preparation of accurate financial statements.

Condition:

The County's accounting records are maintained on a cash basis and the auditors assisted in the preparation of accrual entries and the financial statements. However, the County has made all management decisions including approving the accrual entries, designating an individual with a basic understanding of the financial statements and related note disclosures to oversee the financial statement preparation, evaluating the adequacy and results of the services performed, and accepting responsibility for the results of the services.

Cause:

The Board of Supervisors did not assign the preparation of the financial statements to the accounting personnel.

Effect:

The Board of Supervisors chose not to prepare the financial statements and related notes.

Recommendation:

The Board of Supervisors should establish adequate controls and procedures to ensure that the financial statements and note disclosures are prepared in accordance with generally accepted accounting principles.

Response

Like many small to medium sized counties, Alcorn County must rely heavily for assistance on our contract auditors. We will continue our efforts to achieve a goal of excellence in our accounting procedures, with the ultimate goal of preparing our own financial statements.

Material Weakness

2018-002 Finding - Financial data for component units not included in the financial statements.

Repeat Finding – Yes

Criteria:

Accounting principles generally accepted in the United States of America require the financial data for the County's component units to be included in the financial data of the County unless the County also issues financial statements for the financial reporting entity that includes the financial data for its component units. The County has not issued such reporting entity financial statements.

Condition:

The financial statements of the County do not include the financial data of the County's legally separate component units.

Cause:

The County chose not to include the financial statements of its component units.

Effect:

The failure to include the financial statements of the component units could result in the financial statements of the County to be misleading.

Recommendation:

In order for the County to comply with accounting principles generally accepted in the United States of America, the County should include the County's component units.

Response:

Alcorn County Human Resources Agency issues a separate audited financial statement. The County did not choose to include the component units in the County financial statements. The Board does not believe the financial statements are misleading without the component units included.

Material Weakness

2018-003 Finding – The County should implement controls to ensure that infrastructure improvements are capitalized.

Repeat Finding – Yes

Criteria:

An effective system of internal controls should include adequate subsidiary records documenting amounts to be capitalized for state aid road and bridge projects.

Condition:

The County failed to capitalize multiple state-aid road and bridge project additions. As a result, audit adjustments were necessary to correct the balance of the County's capital asset records. Adjustments to correct these errors were proposed and made to the financial statements with management's approval.

Cause:

The lack of adequate controls over state aid road and bridge projects in the inventory control system.

Effect:

The failure to implement a proper inventory control system over state aid road and bridge projects resulted in the reporting of inaccurate amounts on the capital asset reports which increases the possibility of the loss or misappropriation of assets.

Recommendation:

The Inventory Control Clerk should implement procedures to ensure that all state aid road and bridge projects which meet the capitalization criteria are included in capital asset records.

Response:

The Inventory Control Department has developed a plan to make sure that all infrastructure improvements are capitalized as required and has set the plan in motion. We expect to have this complete for the 2019 audit.

Material Weakness

2018-004 Finding - Controls surrounding cash maintenance should be strengthened.

Repeat Finding – Yes

Criteria:

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. Warrants were issued on funds which did not have sufficient money to pay the warrants.

Condition:

The Garbage and Solid Waste Fund, Flowers' Bakeries Cap Loan Fund, Aventus Cap Loan Fund, Emergency-911 Fund, Reappraisal Fund, Regional Park Fund, and the Alcorn County Regional Correctional Faculty Fund had deficit cash balances for the period ended September 30, 2018. This causes money from other funds to be used to pay the warrants. Expenditures have exceeded revenues collected.

Cause

Warrants were issued on funds which did not have sufficient money to pay the warrants.

Effect

Having an insufficient balance in the respective funds is a violation of the statute listed above and could result in misappropriation of public funds.

Recommendation:

The Board of Supervisors should ensure that no warrants are written on funds when cash is not available to pay the same.

Response:

The County has made progress in correcting this issue and will continue to do so moving forward.

Material Weakness

2018-005 Finding - Liability for postemployment benefits not recorded and note disclosures for postemployment benefits not reported.

Repeat Finding – Yes

Criteria:

GASB Statement 75 requires the County to report on an accrual basis the liability associated with other postemployment benefits.

Condition:

The County has not recorded a liability for other postemployment benefits nor reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

Cause

The County did not have an annual actuarial valuation of other postemployment benefits.

Effect

The failure to include the accrual of the other postemployment benefits liability could result in the financial statements of the County to be misleading.

Recommendation:

The Board of Supervisors should have an actuarial valuation performed annually so that the liability for the other postemployment benefits can be recorded and appropriate note disclosures can be made.

Response:

The Board believes the liability associated with the Plan would be immaterial to the financial statements.

Material Weakness

2018-006 Finding – Public Officials Should Ensure Compliance with State Laws over Surety Bonds

Repeat Finding – No

Criteria:

Section 25-1-15, Mississippi Code Annotated (1972), states, “A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or the normal election cycle of the local government applicable to the employee.

Section 25-1-19, Mississippi Code Annotated (1972) requires all bonds be filed and recorded in the office of the clerk of the chancery court of the county.

Condition

A review of the bond schedule revealed that the following county employee’s bonds were listed as “Continuation Certificates”:

- Receiving Clerk
- Tax Assessor
- Two (2) Assistant Receiving Clerks
- Two (2) Deputy Justice Court Clerks

A “Continuation Certificate” is a document that extends the life of the original surety bond that only covers the current bonding period, rather than both the current and previous periods. Failure to have a bond in place for a specific term of office could limit the amount available for a recovery of loss if the loss occurs over multiple terms.

A review of the bond schedule also revealed that the Deputy Circuit Clerks are all bonded under a single bond, and the Deputy Tax Collectors are all bonded under a single bond.

Cause

County employees did not follow the Mississippi statute stated above.

Effect

Failure to have a bond in place for a specific term of office could limit the amount available for a recovery of loss if the loss occurs over multiple terms.

Recommendation

The county officials should ensure that all bonds properly list a specific term of office covered and that new bonds are secured every four (4) years concurrent with the normal election cycle of the Governor.

Response:

The County will discuss these findings with the Board and appropriate members of management and will take the necessary steps to correct these issues.

Material Weakness

2018-007 Finding – Alcorn County should implement a formal information security policy.

Repeat Finding – No

Criteria:

Effective internal controls over financial accounting and reporting should include a formal Information Security Policy or Enterprise Security Plan.

Condition

Alcorn County does not have a formal Information Security Policy or Enterprise Security Plan in place.

Cause

Alcorn County has not implemented a formal Information Security Policy or Enterprise Security Plan.

Effect

The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internet protocol. During the course of our audit we noted that the absence of this policy resulted in several computers running unsupported and vulnerable versions of Microsoft Windows.

Recommendation

A robust set of Information Technology policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity/Disaster Recovery

Response

We are currently seeking assistance from an IT security vendor to develop an appropriate Information Security Policy.

Tax Collector

Material Weakness

2018-008 Finding – Internal Controls in the Tax Collector’s Office should be strengthened.

Repeat Finding – No

Criteria:

Effective internal controls over financial accounting and reporting should include the following:

- Trial balance & financial statements reviewed monthly by the tax collector.
- Cash reconciliations should be reconciled to the monthly ledger.
- Settlements should include an accounting for substantially all funds collected.

Condition:

The Tax Collector’s Office did not ensure that the appropriate financial records were reviewed on a monthly basis. Also, bank reconciliations did not match subsidiary accounting ledgers.

Cause

The Tax Collector’s Office did not have effective controls in place regarding financial close and reporting.

Effect

This resulted in accumulated unsettled funds amounting to \$147,409 as of September 30, 2018, largely due to a clerical error which was not timely corrected. Subsequent to our discovery of the unsettled funds, the Tax Collector was able to make corrections to the financial records and settle the accumulated funds. Audit adjustments were proposed and made to correct the county’s financial statements.

Recommendation:

The Tax Collector should implement additional controls and safeguards to ensure that financial records are appropriately maintained, reviewed not less than monthly, and settled to the appropriate agencies.

Response:

We have implemented these recommendations.