

# GEORGE COUNTY, MISSISSIPPI

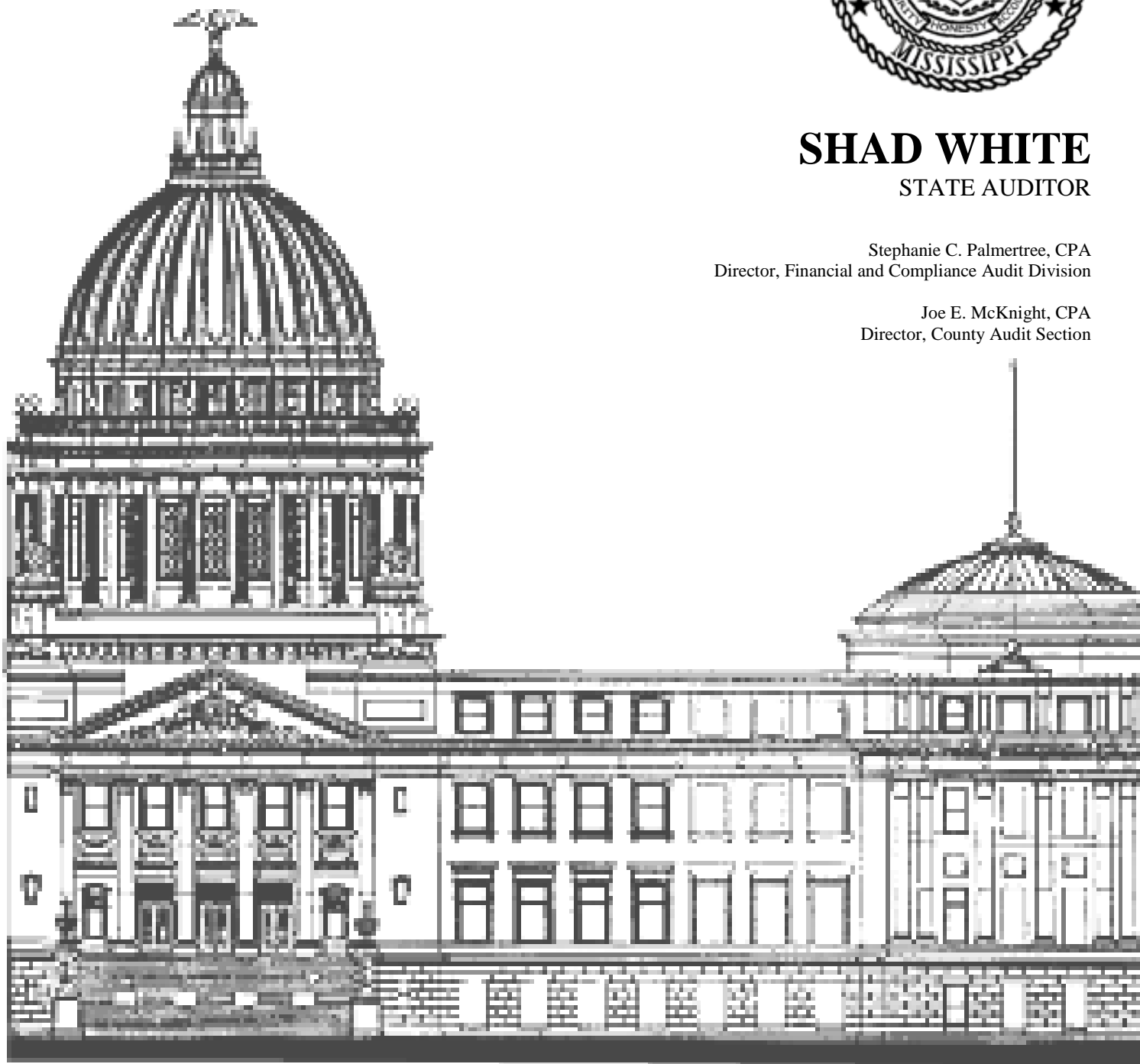
Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2018



**SHAD WHITE**  
STATE AUDITOR

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

Joe E. McKnight, CPA  
Director, County Audit Section



A Report from the County Audit Section

[www.osa.state.ms.us](http://www.osa.state.ms.us)









**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
Shad White**

February 11, 2020

Members of the Board of Supervisors  
George County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2018 financial and compliance audit report for George County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

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

Shad White



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GEORGE COUNTY

FINANCIAL SECTION

GEORGE COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
SHAD WHITE  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
George County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of George County, Mississippi, (the County) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

### ***Unmodified Opinion***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of George County, Mississippi, as of September 30, 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 Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County's Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

#### ***Supplementary and Other Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2020 on our consideration of George County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of George County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering George County, Mississippi's internal control over financial reporting and compliance.

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JOE E. MCKNIGHT, CPA  
Director, County Audit Section

February 11, 2020

GEORGE COUNTY

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GEORGE COUNTY

FINANCIAL STATEMENTS

GEORGE COUNTY

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GEORGE COUNTY  
Statement of Net Position  
September 30, 2018

Exhibit 1

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit George Regional Health System
ASSETS				
Cash	\$ 12,786,507		12,786,507	13,864,042
Restricted assets - cash		1,423,736	1,423,736	
Property tax receivable	8,734,575		8,734,575	
Accounts receivable (net of allowance for uncollectibles of \$695,214)	383,421		383,421	4,909,374
Fines receivable (net of allowance for uncollectibles of \$1,644,049)	613,779		613,779	
Loans receivable (net of allowance for uncollectibles of \$50,000)	88,752		88,752	
Capital leases receivable	153,125		153,125	
Intergovernmental receivables	171,169	216,324	387,493	
Other receivables	12,898		12,898	115,507
Inventories and prepaid items				1,857,984
Prepaid expenses				459,220
Due from third party payors				1,057,866
Certificates of deposit				1,652,278
Cash and cash equivalents held by trustee Internally designated by board for capital improvements				741,007
Other assets				225,990
Capital assets:				4,683,114
Land and construction in progress	2,021,909	87,674	2,109,583	7,241,502
Other capital assets, net	56,374,032	5,250,029	61,624,061	11,079,068
Total Assets	<u>81,340,167</u>	<u>6,977,763</u>	<u>88,317,930</u>	<u>47,886,952</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	261,808	100,288	362,096	
Deferred amount on refunding		29,292	29,292	
Total Deferred Outflows of Resources	<u>261,808</u>	<u>129,580</u>	<u>391,388</u>	<u>0</u>
LIABILITIES				
Claims payable	64,686	7,665	72,351	
Current maturities of long-term obligations				677,312
Accounts payable, trade				1,104,760
Accrued salaries and wages				560,587
Accrued payroll taxes				133,610
Accrued employee benefits				767,781
Other current liabilities				135,376
Long-term obligations, less current maturities				10,496,349
Intergovernmental payables	299,698		299,698	
Accrued interest payable	39,239	23,290	62,529	
Unearned revenue	23,962		23,962	
Other payables	64,472		64,472	
Long-term liabilities				
Net pension liability	8,455,619	3,220,727	11,676,346	
Due within one year:				
Capital debt	1,445,356	555,000	2,000,356	
Non-capital debt	68,809		68,809	
Due in more than one year:				
Capital debt	10,690,999	2,394,036	13,085,035	
Non-capital debt	145,720	76,601	222,321	
Total Liabilities	<u>21,298,560</u>	<u>6,277,319</u>	<u>27,575,879</u>	<u>13,875,775</u>

GEORGE COUNTY  
Statement of Net Position  
September 30, 2018

Exhibit 1 -Cont'd

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	George Regional Health System
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	395,059	140,725	535,784	
Deferred revenues - property taxes	8,734,575		8,734,575	
Total Deferred Inflows of Resources	9,129,634	140,725	9,270,359	0
NET POSITION				
Net investment in capital assets	46,259,586	2,417,959	48,677,545	7,146,909
Restricted for:				
Expendable:				
General government	225,897		225,897	
Public safety	2,419,218		2,419,218	
Public works	5,168,791		5,168,791	
Health and welfare	741,007		741,007	
Culture and recreation	177,910		177,910	
Economic development and assistance	356,121		356,121	
Under indenture agreements				741,007
Unrestricted	(4,174,749)	(1,728,660)	(5,903,409)	26,123,261
Total Net Position	\$ 51,173,781	689,299	51,863,080	34,011,177

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

GEORGE 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			Component Unit George Regional Health System
		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	\$ 3,115,100	769,218	92,442		(2,253,440)		(2,253,440)	
Public safety	2,781,308	362,001	181,590	78,193	(2,159,524)		(2,159,524)	
Public works	3,213,465	632,684	702,180	201,456	(1,677,145)		(1,677,145)	
Health and welfare	5,495,411		939,745	13,727	(4,541,939)		(4,541,939)	
Culture and recreation	31,285				(31,285)		(31,285)	
Conservation of natural resources	41,248				(41,248)		(41,248)	
Economic development and assistance	75,057				(75,057)		(75,057)	
Interest on long-term debt	396,501				(396,501)		(396,501)	
Bond issuance costs	80,584				(80,584)		(80,584)	
Pension expense	943,408				(943,408)		(943,408)	
Total Governmental Activities	<u>16,173,367</u>	<u>1,763,903</u>	<u>1,915,957</u>	<u>293,376</u>	<u>(12,200,131)</u>		<u>(12,200,131)</u>	
Business-type activities:								
Regional Jail Fund	<u>3,287,735</u>	<u>3,142,341</u>	<u>103,539</u>			(41,855)	(41,855)	
Total Business-type Activities	<u>3,287,735</u>	<u>3,142,341</u>	<u>103,539</u>	<u>0</u>		(41,855)	(41,855)	
Total Primary Government	<u>\$ 19,461,102</u>	<u>4,906,244</u>	<u>2,019,496</u>	<u>293,376</u>	<u>(12,200,131)</u>	<u>(41,855)</u>	<u>(12,241,986)</u>	
Component unit:								
George Regional Health System	\$ <u>48,101,100</u>		<u>49,255,681</u>	<u>741,255</u>				<u>1,895,836</u>
Total Component Units	<u>\$ 48,101,100</u>	<u>0</u>	<u>49,255,681</u>	<u>741,255</u>				<u>1,895,836</u>

GEORGE COUNTY  
Statement of Activities  
For the Year Ended September 30, 2018

Exhibit 2- Cont'd

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		George Regional Health System	
					Governmental Activities	Business-type Activities		Total
	General revenues:							
	Property taxes				\$ 8,948,058		8,948,058	
	Road & bridge privilege taxes				295,485		295,485	
	Grants and contributions not restricted to specific programs				335,633		335,633	34,475
	Unrestricted interest income				125,150	10,679	135,829	
	Unrestricted investment income							333,344
	Miscellaneous				549,165	23,408	572,573	
	Transfers				(96,906)	96,906	0	
	Total General Revenues and Transfers				10,156,585	130,993	10,287,578	367,819
	Changes in Net Position				(2,043,546)	89,138	(1,954,408)	2,263,655
	Net Position - Beginning, as previously reported				53,275,113	600,161	53,875,274	31,747,522
	Prior period adjustment				(57,786)		(57,786)	
	Net Position - Beginning, as restated				53,217,327	600,161	53,817,488	31,747,522
	Net Position - Ending				\$ 51,173,781	689,299	51,863,080	34,011,177

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

GEORGE COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2018

Exhibit 3

	Major Funds					
	General Fund	Garbage & Solid Waste Fund	Hospital Renovation Fund	2017 Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 4,200,102	2,338,190	14,051	726,956	5,507,208	12,786,507
Property tax receivable	4,449,250	244,700			4,040,625	8,734,575
Accounts receivable (net of allowance uncollectibles of \$695,214)		383,421				383,421
Fines receivable (net of allowance for uncollectibles of \$1,644,049)	613,779					613,779
Loans receivable (net of allowance for uncollectibles of \$50,000)					88,752	88,752
Capital leases receivable	153,125					153,125
Intergovernmental receivables	170,764				405	171,169
Other receivables	10,452				2,446	12,898
Due from other funds		8,120			87,054	95,174
Total Assets	<u>\$ 9,597,472</u>	<u>2,974,431</u>	<u>14,051</u>	<u>726,956</u>	<u>9,726,490</u>	<u>23,039,400</u>
<b>LIABILITIES</b>						
Liabilities:						
Claims payable	\$ 32,825	4,203			27,658	64,686
Intergovernmental payables	284,916					284,916
Due to other funds	109,956					109,956
Unearned revenue		23,962				23,962
Other payables	64,472					64,472
Total Liabilities	<u>492,169</u>	<u>28,165</u>	<u>0</u>	<u>0</u>	<u>27,658</u>	<u>547,992</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	4,449,250	244,700			4,040,625	8,734,575
Unavailable revenue - capital leases receivable	153,125					153,125
Unavailable revenue - accounts receivable		383,421				383,421
Unavailable revenue - fines	613,779					613,779
Total Deferred Inflows of Resources	<u>5,216,154</u>	<u>628,121</u>	<u>0</u>	<u>0</u>	<u>4,040,625</u>	<u>9,884,900</u>
<b>Fund balances:</b>						
Restricted for:						
General government					225,897	225,897
Public safety					2,419,218	2,419,218
Public works		2,318,145			2,467,225	4,785,370
Health and welfare			14,051	726,956		741,007
Culture and recreation					177,910	177,910
Economic development and assistance					356,121	356,121
Debt service					11,836	11,836
Unassigned	3,889,149					3,889,149
Total Fund Balances	<u>3,889,149</u>	<u>2,318,145</u>	<u>14,051</u>	<u>726,956</u>	<u>5,658,207</u>	<u>12,606,508</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,597,472</u>	<u>2,974,431</u>	<u>14,051</u>	<u>726,956</u>	<u>9,726,490</u>	<u>23,039,400</u>

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

GEORGE COUNTY

Exhibit 3-1

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 12,606,508
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 \$83,046,054.	58,395,941
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	997,200
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(12,350,884)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,455,619)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(39,239)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	153,125
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	261,808
Deferred inflows of resources related to pensions	<u>(395,059)</u>
Total Net Position - Governmental Activities	\$ <u><u>51,173,781</u></u>

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

GEORGE COUNTY

Exhibit 4

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

	Major Funds					
	General Fund	Garbage & Solid Waste Fund	Hospital Renovation Fund	2017 Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 4,517,743	473,712			3,956,603	8,948,058
Road and bridge privilege taxes					295,485	295,485
Licenses, commissions and other revenue	376,547				21,849	398,396
Fines and forfeitures	417,108				3,623	420,731
Intergovernmental revenues	476,275	14,094			2,054,597	2,544,966
Charges for services	292,668	594,726			8,716	896,110
Interest income	28,320	16,221	14,051	12,861	53,697	125,150
Miscellaneous revenues	211,695	21,833			250,013	483,541
Total Revenues	6,320,356	1,120,586	14,051	12,861	6,644,583	14,112,437
<b>EXPENDITURES</b>						
Current:						
General government	3,110,477				175,807	3,286,284
Public safety	2,443,293				346,434	2,789,727
Public works		809,383			5,215,267	6,024,650
Health and welfare	237,752		2,142,760	2,415,321	703,114	5,498,947
Culture and recreation	28,450					28,450
Conservation of natural resources	42,759					42,759
Economic development and assistance	81,602					81,602
Debt service:						
Principal	64,237				1,620,317	1,684,554
Interest	2,559				401,400	403,959
Bond issuance costs				80,584		80,584
Total Expenditures	6,011,129	809,383	2,142,760	2,495,905	8,462,339	19,921,516
Excess of Revenues over (under) Expenditures	309,227	311,203	(2,128,709)	(2,483,044)	(1,817,756)	(5,809,079)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term capital debt issued					199,500	199,500
Proceeds from sale of capital assets	32,000	85,110			822,257	939,367
Transfers in					150,688	150,688
Transfers out	(239,652)				(7,942)	(247,594)
Lease principal payments	153,125					153,125
Total Other Financing Sources and Uses	(54,527)	85,110	0	0	1,164,503	1,195,086
Net Changes in Fund Balances	254,700	396,313	(2,128,709)	(2,483,044)	(653,253)	(4,613,993)
Fund Balances - Beginning	3,634,449	1,921,832	2,142,760	3,210,000	6,311,460	17,220,501
Fund Balances - Ending	\$ 3,889,149	2,318,145	14,051	726,956	5,658,207	12,606,508

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

GEORGE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2018

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (4,613,993)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$3,895,382 exceeded depreciation of \$1,417,067 in the current period.	2,478,315
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$65,624 and the proceeds from the sale of \$939,367 in the current period.	(873,743)
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.	19,424
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	29,242
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 \$1,684,554 exceeded debt proceeds of \$199,500.	1,485,054
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences liability	(6,083)
The amount of increase in accrued interest payable	(13,547)
The amortization of bond premium	21,005
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from change in fund balances by the principal collections on the capital leases.	(153,125)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(943,408)
Recording of contributions made during the year	527,313
Change in Net Position of Governmental Activities	\$ <u>(2,043,546)</u>

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

GEORGE COUNTY  
Statement of Net Position - Proprietary Fund  
September 30, 2018

Exhibit 5

	Business-type Activities - Enterprise Fund
	Regional Jail Fund
ASSETS	
Current assets:	
Restricted assets - cash	\$ 1,423,736
Intergovernmental receivables	216,324
Total Current Assets	1,640,060
Noncurrent assets:	
Capital assets:	
Land	87,674
Other capital assets, net	5,250,029
Total Noncurrent Assets	5,337,703
Total Assets	6,977,763
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	100,288
Deferred amount on refunding	29,292
Total Deferred Outflows of Resources	129,580
LIABILITIES	
Current liabilities:	
Claims payable	7,665
Accrued interest payable	23,290
Capital debt:	
Other long-term liabilities	555,000
Total Current Liabilities	585,955
Noncurrent liabilities:	
Net pension liability	3,220,727
Capital debt:	
Other long-term liabilities	2,394,036
Non-capital debt:	
Compensated absences payable	76,601
Total Noncurrent Liabilities	5,691,364
Total Liabilities	6,277,319
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	140,725
Total Deferred Inflows of Resources	140,725
NET POSITION	
Net investment in capital assets	2,417,959
Unrestricted	(1,728,660)
Total Net Position	\$ 689,299

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

## GEORGE COUNTY

Exhibit 6

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

	Business-type Activities - Enterprise Fund
	Regional Jail Fund
Operating Revenues	
Charges for services	\$ 3,142,341
Miscellaneous	23,408
Total Operating Revenues	<u>3,165,749</u>
Operating Expenses	
Personal services	1,485,590
Contractual services	624,208
Materials and supplies	489,179
Depreciation expense	164,687
Pension expense	362,967
Total Operating Expenses	<u>3,126,631</u>
Operating Income (Loss)	<u>39,118</u>
Nonoperating Revenues (Expenses)	
Interest income	10,679
Intergovernmental grants	103,539
Interest expense	(161,104)
Net Nonoperating Revenue (Expenses)	<u>(46,886)</u>
Net Income (Loss)	(7,768)
Transfers in	<u>96,906</u>
Changes in Net Position	89,138
Net Position - Beginning	<u>600,161</u>
Net Position - Ending	<u>\$ 689,299</u>

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

GEORGE COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2018

Exhibit 7

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Regional Jail Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 3,231,909
Payments to suppliers	(1,108,309)
Payments to employees	(1,681,242)
Other operating cash receipts	23,408
Net Cash Provided (Used) by Operating Activities	<u>465,766</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	103,539
Cash received from other funds:	
Operating transfers in	96,906
Net Cash Provided (Used) by Noncapital Financing Activities	<u>200,445</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(42,260)
Principal paid on long-term debt	(536,920)
Interest paid on debt	(142,645)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(721,825)</u>
Cash Flows From Investing Activities	
Interest on deposits	10,679
Net Cash Provided (Used) by Investing Activities	<u>10,679</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(44,935)
Cash and Cash Equivalents at Beginning of Year	<u>1,468,671</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,423,736</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>39,118</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	164,687
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	89,568
Increase (decrease) in claims payable	(354)
Increase (decrease) in compensated absences liability	(12,878)
Increase (decrease) in pension liability, deferred outflows and deferred inflows, net	<u>185,625</u>
Total Adjustments	<u>426,648</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 465,766</u>

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

GEORGE COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2018

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 317,141
Due from other funds	<u>14,782</u>
Total Assets	<u>\$ 331,923</u>
LIABILITIES	
Intergovernmental payables	\$ <u>331,923</u>
Total Liabilities	<u>\$ 331,923</u>

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

## GEORGE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

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

##### A. Financial Reporting Entity.

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

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

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

##### B. Individual Component Unit Disclosures.

###### Blended Component Unit

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

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

###### Discretely Presented Component Unit

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

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

## GEORGE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

#### C. Basis of Presentation.

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

##### Government-wide Financial Statements:

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

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

##### Fund Financial Statements:

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

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

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

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

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

## GEORGE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

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

The County reports the following major Governmental Funds:

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

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

Hospital Renovation Project Fund - This fund is used to account for the financial resources related to the 2014 bond issue for the hospital renovation construction project.

2017 Construction Fund - This fund is used to account for the financial resources related to the 2017 bond issue for the hospital renovation construction project.

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

#### PROPRIETARY FUND TYPE

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

#### FIDUCIARY FUND TYPE

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

#### E. Account Classifications.

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

## GEORGE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

#### F. Deposits.

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

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

#### G. Receivables.

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

#### H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### I. Restricted Assets.

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

#### J. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

# GEORGE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. George County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

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

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

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

### K. Deferred Outflows/Inflows of Resources:

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

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

Deferred outflows related to pensions - This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 11 for additional details.

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

## GEORGE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

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

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

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

Deferred inflows related to pensions - This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 11 for additional details.

#### L. Pensions.

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

#### M. Long-term Liabilities.

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

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

#### N. Equity Classifications.

Government-wide Financial Statements:

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

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

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

## GEORGE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

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

#### Net Position Flow Assumption:

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

#### Fund Financial Statements:

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

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

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

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

#### Fund Balance Flow Assumption:

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

#### O. Property Tax Revenues:

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

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and

## GEORGE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

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. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

R. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions of this standard has been incorporated into the financial statements and notes.

(2) Prior Period Adjustments.

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

Exhibit 2 – Statement of Activities – Governmental Activities.

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in capital assets, net	\$ <u><u>(57,786)</u></u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$14,527,384, and the bank balance was \$15,182,767. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

GEORGE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

(4) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Garbage and Solid Waste Fund	General Fund	\$ 8,120
Other Governmental Funds	General Fund	87,054
Agency Funds	General Fund	<u>14,782</u>
Total		\$ <u><u>109,956</u></u>

The receivables represent the tax revenue collected in September, 2018, but not settled until October, 2018. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 142,746
Other Governmental Funds	Other Governmental Funds	7,942
Regional Jail Fund	General Fund	<u>96,906</u>
Total		\$ <u><u>247,594</u></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.

(5) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 126,666
Mississippi Department of Corrections - housing prisoners reimbursement	8,420
Emergency management performance grant reimbursement	24,938
Various grant reimbursements	<u>11,145</u>
Total Governmental Activities	\$ <u><u>171,169</u></u>
<b>Business-type Activities:</b>	
Mississippi Department of Corrections - housing prisoners reimbursement	\$ 176,562
George County - housing prisoners reimbursement	29,038
City of Lucedale - housing prisoners reimbursement	6,450
Greene County - housing prisoners reimbursement	<u>4,274</u>
Total Business-type Activities	\$ <u><u>216,324</u></u>

# GEORGE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

### (6) Loans Receivable.

Loans receivable balances at September 30, 2018, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
George Regional Health System*	10/26/1992	0.00%	Unknown	\$ 50,000
Freight rail service loan	10/06/2003	1.00%	03/01/2020	88,752
Total				138,752
Less: Allowance for doubtful accounts				(50,000)
Total, Net of allowance for doubtful accounts				\$ 88,752

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

### (7) Restricted Assets.

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

Revenue fund	\$ -
General account	239,939
Debt service reserve fund	416,927
Debt service reserve fund II	133,724
Depreciating and operating reserve fund	342,386
Regional jail construction fund	290,760
Total restricted assets	\$ 1,423,736

GEORGE 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:

**Governmental activities:**

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments*	Balance Sept. 30, 2018
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,951,909	70,000			2,021,909
Total non-depreciable capital assets	1,951,909	70,000	0	0	2,021,909
<u>Depreciable capital assets:</u>					
Infrastructure	111,212,882	3,542,113			114,754,995
Buildings	10,151,077				10,151,077
Improvements other than buildings	134,280				134,280
Mobile equipment	12,757,932	61,481	449,100	93,785	12,464,098
Furniture and equipment	791,637	72,288			863,925
Leased property under capital leases	1,966,747	149,500	907,250	(157,286)	1,051,711
Total depreciable capital assets	137,014,555	3,825,382	1,356,350	(63,501)	139,420,086
<u>Less accumulated depreciation for:</u>					
Infrastructure	69,203,567	789,594			69,993,161
Buildings	1,779,583	69,047			1,848,630
Improvements other than buildings	46,684	5,374			52,058
Mobile equipment	10,084,545	430,756	400,950	50,652	10,165,003
Furniture and equipment	658,487	26,137			684,624
Leased property under capital leases	344,443	96,159	81,657	(56,367)	302,578
Total accumulated depreciation	82,117,309	1,417,067	482,607	(5,715)	83,046,054
Total depreciable capital assets, net	54,897,246	2,408,315	873,743	(57,786)	56,374,032
Governmental activities capital assets, net	\$ 56,849,155	2,478,315	873,743	(57,786)	58,395,941

\*Adjustments are for the reclassification of paid-off capital leases to mobile equipment and to correct prior year errors in capital assets, net.

GEORGE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

**Business-type activities:**

	Balance Oct. 1, 2017	Additions	Deletions	Balance Sept. 30, 2018
<u>Non-depreciable capital assets:</u>				
Land	\$ 87,674			87,674
Total non-depreciable capital assets	87,674	0	0	87,674
<u>Depreciable capital assets:</u>				
Buildings	7,415,772			7,415,772
Improvements other than buildings	130,000			130,000
Mobile equipment	78,649			78,649
Furniture and equipment	91,348	42,260		133,608
Total depreciable capital assets	7,715,769	42,260	0	7,758,029
<u>Less accumulated depreciation for:</u>				
Buildings	2,165,325	148,319		2,313,644
Improvements other than buildings	41,600	5,200		46,800
Mobile equipment	66,041			66,041
Furniture and equipment	70,347	11,168		81,515
Total accumulated depreciation	2,343,313	164,687	0	2,508,000
Total depreciable capital assets, net	5,372,456	(122,427)	0	5,250,029
Business-type activities capital assets, net	\$ 5,460,130	(122,427)	0	5,337,703

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental activities:</b>	
General government	\$ 85,679
Public safety	232,866
Public works	1,095,687
Culture and recreation	2,835
Total governmental activities depreciation expense	\$ 1,417,067
<b>Business-type activities:</b>	
Regional jail	\$ 164,687

# GEORGE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

### Component unit:

The George Regional Health System capital asset balances at September 30, 2018, are as follows:

	Balance Oct. 1, 2017	Additions	Deletions	Balance Sept. 30, 2018
<u>Non-depreciable capital assets:</u>				
Land	\$ 488,858			488,858
Construction in progress	1,963,726	4,788,918		6,752,644
Total non-depreciable capital assets	2,452,584	4,788,918		7,241,502
<u>Depreciable capital assets:</u>				
Land improvements	157,270	9,540		166,810
Buildings	15,941,679	21,806		15,963,485
Fixed equipment	2,570,902	8,859	8,169	2,571,592
Major moveable equipment	17,221,183	365,415	523,577	17,063,021
Automotive equipment	94,660	12,212		106,872
Total depreciable capital assets	35,985,694	417,832	531,746	35,871,780
<u>Less accumulated depreciation for:</u>				
Land improvements	177,464	8,044		185,508
Buildings	7,141,040	426,914		7,567,954
Fixed equipment	1,894,980	150,339		2,045,319
Major moveable equipment	14,287,001	1,161,745	527,486	14,921,260
Automotive equipment	64,086	8,585		72,671
Total accumulated depreciation	23,564,571	1,755,627	527,486	24,792,712
Total depreciable capital assets, net	12,421,123	(1,337,795)	4,260	11,079,068
Component unit capital assets, net	14,873,707	3,451,123	4,260	18,320,570

### (9) Claims and Judgments.

#### Risk Financing.

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

### (10) Capital Leases.

#### As Lessor:

On June 27, 2013, George County entered into a capital lease agreement with Enviva Pellets Cottdale, LLC for the lease of land used for the production of wood pellets. The capital lease stipulated that the lessee would pay

# GEORGE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

approximately \$612,500 in advance and then \$12,760.42 per month in lease payments commencing August 31, 2016 for a term of four years. At the end of the lease term, the property will be transferred to Enviva Pellets Cottondale, LLC upon completion of the underlying debt.

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

<u>Classes of Property</u>	<u>Amount</u>
Land	\$ <u>1,225,000</u>

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

<u>Year Ending September 30</u>	<u>Principal</u>
2019	\$ <u>153,125</u>

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</u>
Mobile equipment	\$ 1,051,711
Less: Accumulated depreciation	<u>(302,578)</u>
Leased Property Under Capital Leases	\$ <u>749,133</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	\$ 840,492	18,996
2020	49,546	3,121
2021	<u>121,371</u>	<u>233</u>
Total	\$ <u>1,011,409</u>	<u>22,350</u>

### (11) Defined Benefit Pension Plan.

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

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

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees

## GEORGE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

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 \$704,655, \$706,905 and \$692,493, respectively, equal to the required contributions for each year.

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

At September 30, 2018, the County reported a liability of \$11,676,346 for its proportionate share of the net pension liability. 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. The County's proportionate share used to calculate the September 30, 2018 net pension liability was 0.070200 percent, which was based on a measurement date of June 30, 2018. This was a decrease of 0.001515 percent from its proportionate share used to calculate the September 30, 2017 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended September 30, 2018, the County recognized pension expense of \$1,306,375. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# GEORGE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,528	
Net difference between projected and actual earnings on pension plan investments		255,058
Changes of assumptions	7,038	6,343
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	141,134	274,383
County contributions subsequent to the measurement date	163,396	
Total	\$ 362,096	535,784

\$163,396 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 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	Amount
2019	\$ 116,928
2020	(62,068)
2021	(339,433)
2022	(52,511)
Total	\$ (337,084)

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,

# GEORGE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

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 %	

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 15,374,397	11,676,346	8,602,777

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

# GEORGE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

### (12) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
General Obligation Hospital Construction Bonds, Series 2017	\$ 3,045,000	1.75-2.50%	09/2032
Special Obligation Bonds, MDB, Series 2014A	7,380,000	3.00-5.00%	09/2034
Special Obligation Bonds, MDB, Series 2014B	<u>305,000</u>	1.75-2.65%	09/2020
Total General Obligation Bonds	<u>\$ 10,730,000</u>		
B. Capital Leases:			
Sheriff - (5) 2017 Ford Explorers	\$ 52,447	1.96%	03/2019
District 1 - Caterpillar motorgrader	35,706	3.19%	01/2020
District 1 - (3) John Deere tractors	224,250	1.81%	10/2018
District 2 - (2) John Deere tractors	157,000	1.81%	10/2018
District 3 - Ford F-450	7,586	2.08%	09/2019
District 3 - 2017 International 7500 truck	53,648	2.05%	01/2021
District 3 - (2) 6110M John Deere tractors	149,500	2.09%	11/2018
District 4 - Caterpillar 140 motor grader	49,422	1.94%	01/2020
District 4 - Caterpillar 938M wheel loader	124,850	2.21%	10/2020
District 4 - (2) John Deere tractors	<u>157,000</u>	1.81%	10/2018
Total Capital Leases	<u>\$ 1,011,409</u>		
C. Other Loans:			
Multi-Purpose Building loan	\$ 8,859	3.00%	07/2019
Freight Rail Service Revolving MDA loan	100,486	1.00%	03/2020
Singing River Loan #3	<u>50,000</u>	2.00%	10/2019
Total Other Loans	<u>\$ 159,345</u>		

### **Business-type Activities:**

A. General Obligation Bonds:			
General Obligation Bond, Series 2008	\$ <u>1,575,000</u>	4.00-5.50%	12/2028
B. Limited Obligation Bonds:			
Urban Renewal Revenue Refunding Bond, Series 2011	\$ <u>1,370,000</u>	2.00%	04/2021

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

Annual principal and interest payments on the bonds are expected to require less than 16.25% percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,484,814. Principal and interest paid for the current year and total inmate housing net revenues were \$495,131 and \$3,142,341, respectively.

# GEORGE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

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

### Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2019	\$ 525,000	364,296	127,668	7,057
2020	550,000	349,061	31,677	72
2021	565,000	332,978		
2022	590,000	310,463		
2023	615,000	290,663		
2024 - 2028	3,405,000	1,147,052		
2029 - 2033	3,850,000	503,580		
2034 - 2038	630,000	22,050		
Total	\$ 10,730,000	3,320,143	159,345	7,129

### Business-type Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 110,000	67,119	445,000	56,533
2020	115,000	62,069	465,000	38,731
2021	125,000	57,113	460,000	19,550
2022	130,000	51,694		
2023	135,000	45,978		
2024 - 2028	780,000	131,537		
2029 - 2033	180,000	4,048		
Total	\$ 1,575,000	419,558	1,370,000	114,814

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 6.67% of the latest property assessments.

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

GEORGE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

	Balance Oct. 1, 2017	Additions	Reductions	Balance Sept. 30, 2018	Amount due within one year
<b>Governmental Activities:</b>					
Compensated absences	\$ 107,960	6,083		114,043	
General obligation bonds	11,240,000		510,000	10,730,000	525,000
Add:					
Premiums	357,092		21,005	336,087	21,005
Capital leases	1,548,933	199,500	737,024	1,011,409	840,492
Other loans	596,875		437,530	159,345	127,668
Total	<u>\$ 13,850,860</u>	<u>205,583</u>	<u>1,705,559</u>	<u>12,350,884</u>	<u>1,514,165</u>

	Balance Oct. 1, 2017	Additions	Reductions	Balance Sept. 30, 2018	Amount due within one year
<b>Business-type Activities:</b>					
Compensated absences	\$ 89,479		12,878	76,601	
General obligation bonds	1,680,000		105,000	1,575,000	110,000
Limited obligation bonds	1,800,000		430,000	1,370,000	445,000
Add:					
Premiums	5,956		1,920	4,036	
Total	<u>\$ 3,575,435</u>	<u>0</u>	<u>549,798</u>	<u>3,025,637</u>	<u>555,000</u>

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

(13) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balance at September 30, 2018:

Fund	Deficit Amount
Countywide Road Construction and Maintenance Fund	\$ 3,918

(14) 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.

## GEORGE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

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

#### (15) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of (\$4,174,749) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$122,274 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 \$139,534 balance of the deferred outflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next three years. The \$395,059 balance of the deferred inflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next four years.

The business-type activities' unrestricted net position amount of (\$1,728,660) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$41,122 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 \$59,166 balance of the deferred outflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next three years. The \$140,725 balance of the deferred inflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next four years.

The business-type activities' net investment in capital assets net position of \$2,417,959 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of county debt. The \$29,292 balance of deferred outflows of resources at September 30, 2018, will be recognized as an expense and will decrease the net investment in capital assets over the next two years.

#### (16) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Region 14 Singing River Mental Health/Mental Retardation Center operates in a district composed of the Counties of George and Jackson. The George County Board of Supervisors appoints one of the two members of the board of commissioners. The County appropriated \$53,000 for support of the center in fiscal year 2018.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The George County Board of Supervisors appoints one of the 27 members of the board of directors. The County appropriated \$18,000 for support of the district in fiscal year 2018.

Mississippi Gulf Coast Community College operates in a district composed of the Counties of George, Harrison, Jackson and Stone. The college's board of trustees is composed of 23 members; three each appointed by George and Stone Counties, eight each appointed by Harrison and Jackson Counties, and one appointed at large. The County appropriated \$656,826 for maintenance and support of the college in fiscal year 2018.

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

Regional Railroad Authority of East Mississippi was created in September 2009, jointly, with George County, Clarke County, Greene County, Jackson County, Lauderdale County, and Wayne County to compliment and support the existing railroads presently operating in East Mississippi. Each County appoints five commissioners to the Board of

# GEORGE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

Commissioners of the Authority. Additionally, each municipality in any of these Counties through which a railroad runs shall appoint one commissioner. The Counties generally provide no financial support to the organization.

### (17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of George County evaluated the activity of the County through February 11, 2020, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

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

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/29/2018	3.89%	\$ 154,000	Capital lease	Ad valorem taxes
11/29/2018	3.89%	154,000	Capital lease	Ad valorem taxes
12/07/2018	3.84%	500,000	Negotiable note	Ad valorem taxes
12/07/2018	3.39%	239,400	Capital lease	Ad valorem taxes
12/07/2018	3.39%	167,200	Capital lease	Ad valorem taxes
12/07/2018	3.39%	159,600	Capital lease	Ad valorem taxes
12/07/2018	3.39%	167,200	Capital lease	Ad valorem taxes
07/09/2019	2.98%	1,513,000	G.O. refunding bond	Ad valorem taxes
09/17/2019	3.19%	243,300	Capital lease	Ad valorem taxes
09/17/2019	3.19%	169,800	Capital lease	Ad valorem taxes
09/17/2019	3.19%	162,200	Capital lease	Ad valorem taxes
09/17/2019	3.19%	169,800	Capital lease	Ad valorem taxes

GEORGE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

## GEORGE COUNTY

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,336,190	4,526,524	4,526,524	
Licenses, commissions and other revenue	370,800	376,356	376,356	
Fines and forfeitures	485,400	417,738	417,738	
Intergovernmental revenues	398,600	450,521	450,521	
Charges for services	245,200	290,688	290,688	
Interest income	15,700	26,227	26,123	(104)
Miscellaneous revenues	53,650	122,277	122,277	
Total Revenues	<u>5,905,540</u>	<u>6,210,331</u>	<u>6,210,227</u>	<u>(104)</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,326,065	3,098,353	3,098,634	(281)
Public safety	2,421,750	2,443,274	2,443,660	(386)
Health and welfare	247,500	237,208	237,208	
Culture and recreation	36,000	26,329	26,329	
Conservation of natural resources	59,200	42,566	42,566	
Economic development and assistance	97,750	87,407	87,421	(14)
Debt service:				
Principal		66,291	66,291	
Interest		505	505	
Total Expenditures	<u>8,188,265</u>	<u>6,001,933</u>	<u>6,002,614</u>	<u>(681)</u>
Excess of Revenues over (under) Expenditures	<u>(2,282,725)</u>	<u>208,398</u>	<u>207,613</u>	<u>(785)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets		32,600	32,600	
Compensation for loss of capital assets		13,830	13,830	
Transfers in		13,748	13,748	
Transfers out	(267,725)	(239,652)	(239,652)	
Lease Principal Payments	25,000	153,125	153,125	
Total Other Financing Sources and Uses	<u>(242,725)</u>	<u>(26,349)</u>	<u>(26,349)</u>	<u>0</u>
Net Change in Fund Balance	(2,525,450)	182,049	181,264	(785)
Fund Balances - Beginning	<u>0</u>	<u>3,190,157</u>	<u>3,190,157</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (2,525,450)</u>	<u>3,372,206</u>	<u>3,371,421</u>	<u>(785)</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 462,500	474,437	474,437	
Intergovernmental revenues	3,100	14,094	14,094	
Charges for services	577,000	595,000	595,000	
Interest income	10,000	16,221	16,221	
Miscellaneous revenues	600	1,620	1,620	
Total Revenues	<u>1,053,200</u>	<u>1,101,372</u>	<u>1,101,372</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,453,200	821,814	821,884	(70)
Total Expenditures	<u>2,453,200</u>	<u>821,814</u>	<u>821,884</u>	<u>(70)</u>
Excess of Revenues over (under) Expenditures	<u>(1,400,000)</u>	<u>279,558</u>	<u>279,488</u>	<u>(70)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		99,985	99,985	
Transfers in		5,339	5,339	
Other financing sources				
Total Other Financing Sources and Uses	<u>0</u>	<u>105,324</u>	<u>105,324</u>	<u>0</u>
Net Change in Fund Balance	(1,400,000)	384,882	384,812	(70)
Fund Balances - Beginning	<u>0</u>	<u>1,917,997</u>	<u>1,917,997</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (1,400,000)</u>	<u>2,302,879</u>	<u>2,302,809</u>	<u>(70)</u>

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

GEORGE COUNTY  
Schedule of the County's Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2018  
UNAUDITED

		2018	2017	2016	2015
County's proportion of the net pension liability (asset)		0.070200%	0.071715%	0.069044%	0.070113%
County's proportionate share of the net pension liability (asset)	\$	11,676,346	11,921,468	12,332,983	10,838,087
Covered payroll	\$	4,483,447	4,600,590	4,416,895	4,385,485
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		260.43%	259.13%	279.22%	247.14%
Plan fiduciary net position as a percentage of the total pension liability		62.54%	61.49%	57.47%	61.70%

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

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

GEORGE COUNTY  
 Schedule of County Contributions  
 Last 10 Fiscal Years\*  
 For the Year Ended September 30, 2018  
 UNAUDITED

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 704,655	706,905	692,493	690,714
Contributions in relation to the contractually required contribution	<u>704,655</u>	<u>706,905</u>	<u>692,493</u>	<u>690,714</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 4,474,000	4,488,288	4,396,782	4,385,485
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 Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

# GEORGE COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2018

### UNAUDITED

#### A. Budgetary Information.

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

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

#### B. Basis of Presentation.

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

	Governmental Fund Types	
	General Fund	Garbage & Solid Waste Fund
Budget (Cash Basis)	\$ 181,264	384,812
Increase (Decrease)		
Net adjustments for revenue accruals	81,951	(1,000)
Net adjustments for expenditure accruals	(8,515)	12,501
GAAP Basis	\$ 254,700	396,313

## GEORGE COUNTY

### Notes to the Required Supplementary Information For the Year Ended September 30, 2018

#### UNAUDITED

##### Pension Schedules

##### A. Changes of assumptions.

###### 2015

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

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

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

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

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

###### 2016

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

###### 2017

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

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

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

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

##### B. Changes in benefit provisions.

###### 2016

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

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

GEORGE COUNTY

SUPPLEMENTARY INFORMATION

GEORGE COUNTY

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GEORGE COUNTY  
Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2018

Operating Expenditures, Cash Basis:

Salaries	\$	353,384
Expendable Commodities:		
Gasoline and petroleum products		82,058
Repair parts		64,973
Office, field and shop supplies		18,794
Tires		22,490
Food for prisoners		10,385
Professional fees, legal advertising and other fees		230,260
Telephone and utilities		3,898
Postage and box rent		9,271
Purchase of equipment		<u>26,371</u>
Solid Waste Cash Basis Operating Expenditures		821,884
Full Cost Expenses:		
Indirect administrative costs		10,052
Depreciation on equipment		<u>92,655</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>924,591</u></u>

GEORGE COUNTY

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GEORGE COUNTY

OTHER INFORMATION

GEORGE COUNTY

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

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

GEORGE COUNTY

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## GEORGE COUNTY

## SPECIAL REPORTS

GEORGE COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**SHAD WHITE**  
AUDITOR

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

Members of the Board of Supervisors  
George County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of George County, Mississippi (the County), as of and for the year ended September 30, 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 11, 2020. Our report includes a reference to other auditors. Other auditors audited the financial statements of the George Regional Health System, as described in our report on George County, Mississippi's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by other auditors.

**Internal Control Over Financial Reporting**

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

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 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 a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as 2018-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

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

We noted certain matters that we reported to the management of George County, Mississippi, in the 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 11, 2020, included within this document.

## **George County Responses to Findings**

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

## **Purpose of this Report**

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



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

February 11, 2020



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**SHAD WHITE**  
AUDITOR

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

Members of the Board of Supervisors  
George County, Mississippi

We have examined George County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2018. The Board of Supervisors of George County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

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

**Inventory Control Clerk.**

1. The Inventory Control Clerk should maintain an inventory control system.

**Repeat Finding** No

**Criteria** Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory control system. Adequate controls over capital assets require that certain data elements be captured in capital asset records for all capital assets. Required data elements include a description of assets, cost, locations, acquisition dates, disposition dates, method of disposition, and other relevant information.

The presence of these data elements in capital asset records helps identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation.

<b>Condition</b>	During the audit, we noted that some assets were included in the inventory listing which were previously disposed of. Additionally, the disposals were not approved in the Board of Supervisors' minutes.
<b>Cause</b>	The Inventory Control Clerk lacks the necessary control procedures to accurately maintain an inventory control system and adequate subsidiary records, which caused the County to not be in compliance with state laws.
<b>Effect</b>	The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increases the possibility of loss or misappropriation of public funds.
<b>Recommendation</b>	The Inventory Control Clerk should implement control procedures to maintain accurate inventory records which document the existence, valuation, and completeness of capital assets, and the Board of Supervisors should approve all disposals in the minutes.
<b>Views of Responsible Official(s)</b>	I concur with the auditor's finding concerning the assets which were sold back to the John Deere dealership in September, 2017. I did not see documentation in the Board of Supervisor minutes for the Inventory Control Clerk to remove these assets from inventory.

In our opinion, except for the noncompliance referred to in the preceding paragraph, George 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 and, in our opinion, is fairly presented in relation to that examination.

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



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

February 11, 2020

GEORGE COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder  
For the Year Ended September 30, 2018

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

GEORGE COUNTY

Schedule 2

Schedule of Emergency Purchases

For the Year Ended September 30, 2018

Our tests did not identify any emergency purchases.

GEORGE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetively From a Sole Source  
For the Year Ended September 30, 2018

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

GEORGE COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**SHAD WHITE**  
AUDITOR

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
George County, Mississippi

In planning and performing our audit of the financial statements of George County, Mississippi for the year ended September 30, 2018, we considered George County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to George County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated February 11, 2020, on the financial statements of George County, Mississippi.

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

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

**Board of Supervisors.**

1. Actual expenditures exceeded final budget amounts.

**Repeat Finding** No

**Criteria** Section 19-11-17, Miss. Code Ann (1972), prohibits the incurring of expenditures in excess of the final budget as approved by the Board of Supervisors.

**Condition** Actual expenditures exceeded budgeted amounts by \$680 in the General Fund and \$70 in the Garbage and Solid Waste Fund.

**Cause** The Board of Supervisors did not have the necessary controls to ensure actual expenditures were not in excess of budgeted amounts.

**Effect** Failure to limit actual expenditures to budgeted amounts could result in the County having insufficient funds to pay expenditures.

<b>Recommendation</b>	The Board of Supervisors should not make expenditures in excess of budgeted amounts.
<b>Views of Responsible Official(s)</b>	I concur with the auditor's finding.
<b>2.</b>	<u>Inter-fund transfers were not approved by the Board of Supervisors.</u>
<b>Repeat Finding</b>	Yes
<b>Criteria</b>	Section 19-3-27, Miss. Code Ann. (1972), requires a complete and correct record be maintained for all proceedings of the Board of Supervisors.
<b>Condition</b>	As reported in the prior year's audit report, inter-fund transfers were made without board orders being spread on the minutes.
<b>Cause</b>	The Board of Supervisors did not comply with state law.
<b>Effect</b>	The failure to obtain board approval for inter-fund transfers could result in erroneous amounts reported and increases the possibility of the loss or misuse of public funds.
<b>Recommendation</b>	The Board of Supervisors should spread complete orders on the minutes relative to inter-fund transfers.
<b>Views of Responsible Official(s)</b>	I concur with auditor's finding.

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

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



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

February 11, 2020

GEORGE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

GEORGE COUNTY

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## GEORGE COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2018

#### Section 1: Summary of Auditor's Results

##### ***Financial Statements:***

- |   |               |
|---|---------------|
| 1. Type of auditor's report issued on the financial statements: | Unmodified    |
| 2. Internal control over financial reporting:                   |               |
| a. Material weakness identified?                                | Yes           |
| b. Significant deficiency identified?                           | None Reported |
| 3. Noncompliance material to the financial statements noted?    | No            |

#### Section 2: Financial Statement Findings

##### **Inventory Control Clerk.**

##### **Material Weakness**

**2018-001.**                    The Inventory Control Clerk should maintain an inventory control system.

**Repeat Finding**            No

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

**Condition**                During the audit, we noted that some assets were included in the inventory listing which were previously disposed of. Additionally, the disposals were not approved in the Board of Supervisors' minutes.

**Cause**                    The Inventory Control Clerk lacks the necessary control procedures to accurately maintain an inventory control system and adequate subsidiary records.

**Effect**                    The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increases the possibility of loss or misappropriation of public funds.

**Recommendation**        The Inventory Control Clerk should implement control procedures to maintain accurate inventory records which document the existence, valuation, completeness of capital assets, and the Board of Supervisors should approve all disposals in the minutes.

##### **Views of Responsible Official(s)**

I concur with the auditor's finding concerning the assets which were sold back to the John Deere dealership in September, 2017. I did not see documentation in the Board of Supervisors' minutes for the Inventory Control Clerk to remove these assets from inventory.