

NEWTON COUNTY, MISSISSIPPI

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

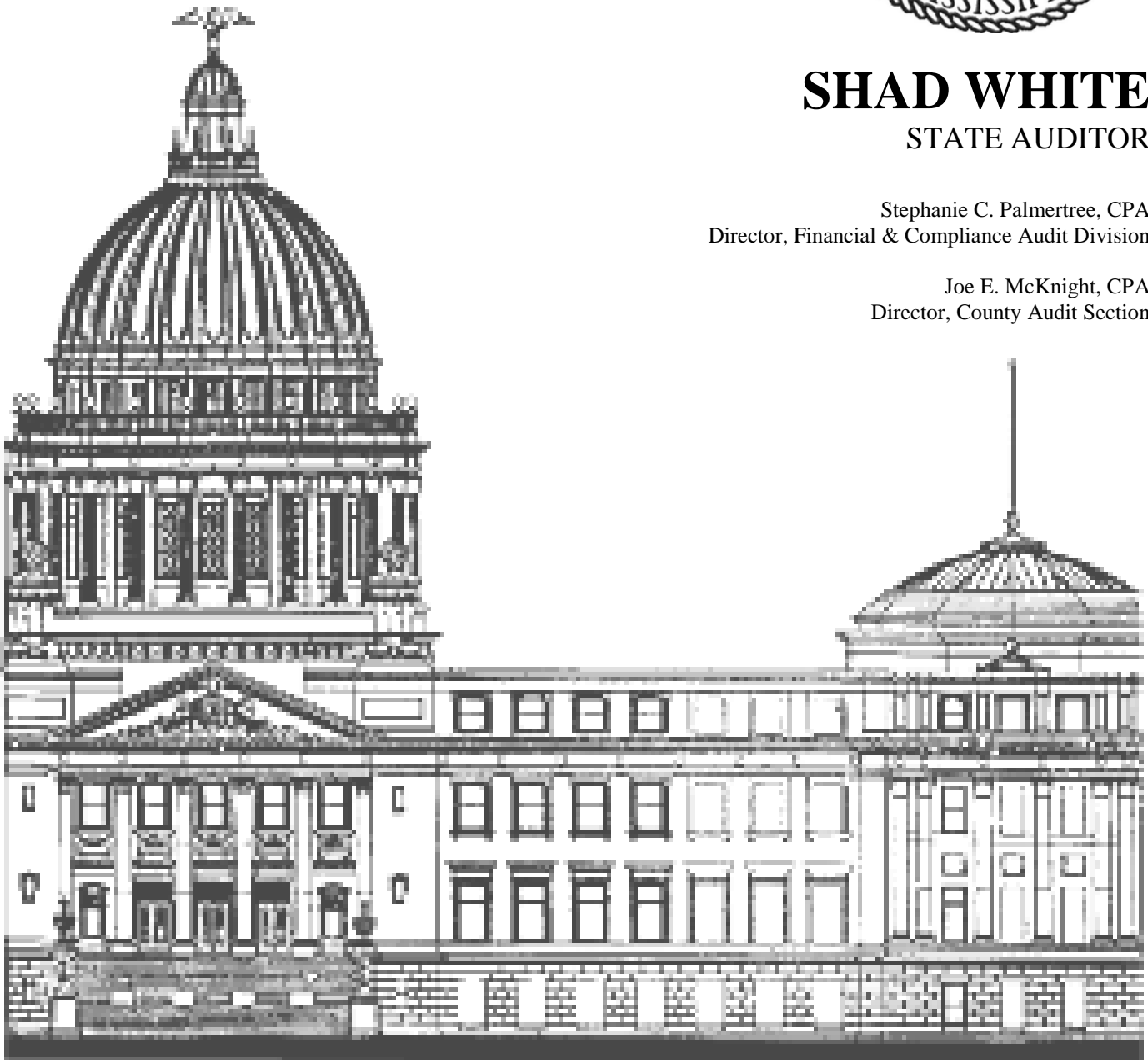


SHAD WHITE

STATE AUDITOR

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

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



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

Shad White
AUDITOR

May 26, 2020

Members of the Board of Supervisors
Newton County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2018 financial and compliance audit report for Newton 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 Newton County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Newton 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

NEWTON COUNTY
TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS	5
Statement of Net Position – Cash Basis.....	7
Statement of Activities – Cash Basis.....	8
Statement of Cash Basis Assets and Fund Balances – Governmental Funds	9
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds	10
Statement of Net Position – Cash Basis – Proprietary Fund.....	11
Statement of Cash Receipts, Disbursements and Changes in Net Position – Proprietary Fund	12
Statement of Fiduciary Assets and Liabilities – Cash Basis	13
Notes to Financial Statements	15
OTHER INFORMATION	23
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) - General Fund.....	25
Schedule of Interfund Loans and Advances	26
Schedule of Capital Assets	27
Schedule of Changes in Long-term Debt.....	28
Schedule of Surety Bonds for County Officials	30
Notes to the Other Information.....	33
SPECIAL REPORTS.....	35
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 <i>Government Auditing Standards</i>	37
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)).....	39
Limited Internal Control and Compliance Review Management Report	45
SCHEDULE OF FINDINGS AND RESPONSES	49

NEWTON COUNTY

FINANCIAL SECTION

NEWTON 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
Newton County, Mississippi

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Newton 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 the cash basis of accounting, as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Newton County, Mississippi, as of September 30, 2018, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that Newton County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplementary and Other Information

The Budgetary Comparison Schedule, Schedule of Interfund Loans and Advances, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2020 on our consideration of Newton 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 Newton 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 Newton County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 26, 2020

NEWTON COUNTY

FINANCIAL STATEMENTS

NEWTON COUNTY

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NEWTON COUNTY
Statement of Net Position - Cash Basis
September 30, 2018

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 4,568,616	174,925	4,743,541
Total Assets	<u>4,568,616</u>	<u>174,925</u>	<u>4,743,541</u>
NET POSITION			
Restricted:			
Expendable:			
General government	425,699		425,699
Public safety	335,391		335,391
Public works	1,557,391	174,925	1,732,316
Culture and Recreation	23,179		23,179
Debt service	90,869		90,869
Unrestricted	2,136,087		2,136,087
Total Net Position	<u>\$ 4,568,616</u>	<u>174,925</u>	<u>4,743,541</u>

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

NEWTON COUNTY
Statement of Activities - Cash Basis
For the Year Ended September 30, 2018

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 3,835,109	395,252	13,957		(3,425,900)		(3,425,900)
Public safety	2,494,349	448,995	78,990	35,219	(1,931,145)		(1,931,145)
Public works	3,203,274		771,095	382,821	(2,049,358)		(2,049,358)
Health and welfare	103,419		22,934	15,148	(65,337)		(65,337)
Culture and recreation	96,622				(96,622)		(96,622)
Education	280,490				(280,490)		(280,490)
Conservation of natural resources	161,800				(161,800)		(161,800)
Economic development and assistance	43,489				(43,489)		(43,489)
Debt service:							
Principal	743,264				(743,264)		(743,264)
Interest	64,910				(64,910)		(64,910)
Total Governmental Activities	<u>11,026,726</u>	<u>844,247</u>	<u>886,976</u>	<u>433,188</u>	<u>(8,862,315)</u>	<u>0</u>	<u>(8,862,315)</u>
Business-type activities:							
Solid Waste	1,011,679	795,765				(215,914)	(215,914)
Total Business-type Activities	<u>1,011,679</u>	<u>795,765</u>	<u>0</u>	<u>0</u>		<u>(215,914)</u>	<u>(215,914)</u>
Total Primary Government	<u>\$ 12,038,405</u>	<u>1,640,012</u>	<u>886,976</u>	<u>433,188</u>	<u>(8,862,315)</u>	<u>(215,914)</u>	<u>(9,078,229)</u>
General receipts:							
Property taxes					\$ 6,719,690		6,719,690
Road & bridge privilege taxes					265,493		265,493
Grants and contributions not restricted to specific programs					769,562	14,238	783,800
Unrestricted gifts and donations					30,100		30,100
Unrestricted interest income					70,803	3,047	73,850
Miscellaneous					689,364	43,995	733,359
Proceeds from debt issuance					186,202	152,232	338,434
Sale of county property					66,908	19,873	86,781
Compensation for loss of county property					92,909		92,909
Total General Receipts and other cash sources					<u>8,891,031</u>	<u>233,385</u>	<u>9,124,416</u>
Changes in Net Position					28,716	17,471	46,187
Net Position - Beginning					<u>4,539,900</u>	<u>157,454</u>	<u>4,697,354</u>
Net Position - Ending					<u>\$ 4,568,616</u>	<u>174,925</u>	<u>4,743,541</u>

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

NEWTON COUNTY
 Statement of Cash Basis Assets and Fund Balances
 Governmental Funds
 September 30, 2018

Exhibit 3

	Major Fund		
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
ASSETS			
Cash	\$ 2,670,944	1,897,672	4,568,616
Total Assets	<u>\$ 2,670,944</u>	<u>1,897,672</u>	<u>4,568,616</u>
FUND BALANCES			
Restricted for:			
General government	234,563	191,136	425,699
Public safety	300,294	35,097	335,391
Public works		1,557,391	1,557,391
Culture and recreation		23,179	23,179
Debt service		90,869	90,869
Unassigned	<u>2,136,087</u>		<u>2,136,087</u>
Total Fund Balances	<u>\$ 2,670,944</u>	<u>1,897,672</u>	<u>4,568,616</u>

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

NEWTON COUNTY

Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
Governmental Funds
For the Year Ended September 30, 2018

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
RECEIPTS			
Property taxes	\$ 4,205,210	2,514,480	6,719,690
Road and bridge privilege taxes		265,493	265,493
Licenses, commissions and other receipts	228,260	5,436	233,696
Fines and forfeitures	348,092		348,092
Intergovernmental receipts	993,620	1,126,206	2,119,826
Charges for services	262,459		262,459
Interest income	48,427	22,376	70,803
Miscellaneous receipts	465,289	224,075	689,364
Total Receipts	6,551,357	4,158,066	10,709,423
DISBURSEMENTS			
General government	3,835,109		3,835,109
Public safety	2,147,796	346,553	2,494,349
Public works	300	3,202,974	3,203,274
Health and welfare	103,419		103,419
Culture and recreation	90,000	6,622	96,622
Education	280,490		280,490
Conservation of natural resources	161,800		161,800
Economic development and assistance	43,489		43,489
Debt service:			
Principal	117,604	625,660	743,264
Interest	2,190	62,720	64,910
Total Disbursements	6,782,197	4,244,529	11,026,726
Excess (Deficiency) of Receipts over (under) Disbursements	(230,840)	(86,463)	(317,303)
OTHER CASH SOURCES (USES)			
Proceeds from long-term debt issuance	42,124	144,078	186,202
Sale of county property	41,291	25,617	66,908
Compensation for loss of county property	16,645	76,264	92,909
Transfers in	134,424		134,424
Transfers out		(134,424)	(134,424)
Total Other Cash Sources and Uses	234,484	111,535	346,019
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	3,644	25,072	28,716
Cash Basis Fund Balances - Beginning	2,667,300	1,872,600	4,539,900
Cash Basis Fund Balances - Ending	\$ 2,670,944	1,897,672	4,568,616

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

NEWTON COUNTY
 Statement of Net Position - Cash Basis - Proprietary Fund
 September 30, 2018

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Services Fund</u>
ASSETS	
Cash	\$ 174,925
Total Assets	<u>174,925</u>
NET POSITION	
Restricted for:	
Public works	174,925
Total Net Position	<u>\$ 174,925</u>

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

NEWTON COUNTY

Exhibit 6

Statement of Cash Receipts, Disbursements and Changes in Net Position - Proprietary
Fund
For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Services Fund</u>
Operating Receipts	
Charges for services	\$ 795,765
Miscellaneous	43,995
Total Operating Receipts	<u>839,760</u>
Operating Disbursements	
Personal services	501,433
Contractual services	51,552
Materials and supplies	346,928
Indirect administrative cost	27,299
Total Operating Disbursements	<u>927,212</u>
Operating Income (Loss)	<u>(87,452)</u>
Nonoperating Receipts (Disbursements)	
Interest income	3,047
Intergovernmental grants	14,238
Sale of county property	19,873
Proceeds from debt	152,232
Principal paid	(78,027)
Interest expense	(6,440)
Net Nonoperating Receipts (Disbursements)	<u>104,923</u>
Changes in Net Position	17,471
Net Position - Beginning	<u>157,454</u>
Net Position - Ending	<u>\$ 174,925</u>

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

NEWTON COUNTY
 Statement of Fiduciary Assets and Liabilities - Cash Basis
 September 30, 2018

Exhibit 7

	Agency Funds
ASSETS	
Cash	\$ 66,971
Total Assets	\$ 66,971
LIABILITIES	
Amounts held in custody for others	\$ 66,971
Total Liabilities	\$ 66,971

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

NEWTON COUNTY

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NEWTON COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Newton 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. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Newton County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

There are no outside organizations that should be included as component units of the County's reporting entity.

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

NEWTON COUNTY

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

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

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds, Proprietary Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The County reports the following major Governmental Fund:

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

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement 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 receipts collected, disbursements paid and/or net income is necessary for management accountability.

NEWTON COUNTY

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits.

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).

F. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in two components:

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

Unrestricted net position - All other net position not meeting the definition of "restricted."

Net Position Flow Assumption:

When a disbursement is paid 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 disbursements are paid 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.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned 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.

NEWTON COUNTY

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

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 disbursements paid 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 a disbursement is paid 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 disbursements are paid 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.

G. Property Tax Receipts.

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. All property taxes are recognized as receipts when collected.

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$4,810,512, and the bank balance was \$5,126,565. 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.

NEWTON COUNTY

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

(3) Interfund Transfers.

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

Transfers In/Out:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 134,424
Total		\$ 134,424

The principal purpose of interfund transfers was to provide funds for grant matches and to pay for employee raises.

(4) Deficit Fund Balances of Individual Funds.

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

Fund	Deficit Amount
County Road Project	\$ 17,919
County Ambulance Grant	4,681
Fire Protection - Truck Note	5,114

(5) 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.

(6) 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 disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

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.

NEWTON COUNTY

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

(7) Joint Ventures.

The County participates in the following joint ventures:

Newton County is a participant with Kemper County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Kemper-Newton Regional Library System. The joint venture was created to provide free public library service to the citizens of the respective counties. The Newton County Board of Supervisors alternately appoints two or three of the five members of the board of directors. By contractual agreement, the County's contribution to the joint venture was \$90,000 in fiscal year 2018. Complete financial statements for the Kemper-Newton Regional Library System can be obtained from 101 Peachtree Street, Union, MS 39365.

(8) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Mid-Mississippi Development District operates in a district composed of the counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was organized to foster, encourage and facilitate economic development in the member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The County contributed \$30,300 for support of the district in fiscal year 2018.

East Central Mississippi Planning and Development District operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Newton County Board of Supervisors appoints one of the 15 members of the board of directors. The County contributed \$13,189 for support of the district in fiscal year 2018.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Newton County Board of Supervisors appoints one of the nine members of the board of commissioners. The County contributed \$29,500 for support of the commission in fiscal year 2018.

The Multi-County Community Service Agency operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Newton County Board of Supervisors appoints one of the 24 members of the board of directors. Most of the funding for the entity is derived from federal funds. Each County provides a modest amount of financial support when matching funds are required for federal grants. The County contributed \$6,000 for support of the agency in the fiscal year 2018.

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott and Winston. The Newton County Board of Supervisors appoints one of the 30 members of the college board of trustees. The County contributed \$536,781 for maintenance and support of the college in fiscal year 2018.

(9) Defined Benefit Pension Plan.

Plan Description. Newton 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.

Funding Policy. 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 rate at September 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for

NEWTON COUNTY

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

the years ending September 30, 2018, 2017 and 2016 were \$532,083, \$518,914 and \$495,494, respectively, equal to the required contributions for each year.

(10) Tax Abatements.

As of September 30, 2018, Newton County provides tax exempt status to one manufacturing company, two chicken feed mills, and one sawmill subject to the requirements of GASB Statement No. 77. These companies are exempt from real property taxes and personal property taxes except for levies involving the school; the mandatory mill, and community college tax levies; however, the one sawmill is a 25% exemption. These exemptions are authorized under Sections 27-31-101 and 27-31-105 of the Miss. Code Ann. (1972). These exemptions encourage businesses to locate or expand operations in the County and to create jobs. The amount of taxes abated during fiscal year 2018 total \$361,991.

NEWTON COUNTY

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NEWTON COUNTY

OTHER INFORMATION

NEWTON COUNTY

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NEWTON 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)
RECEIPTS				
Property taxes	\$ 3,963,127	4,205,210	4,205,210	
Licenses, commissions and other receipts	148,700	228,260	228,260	
Fines and forfeitures	214,000	193,920	348,092	154,172
Intergovernmental receipts	879,200	1,167,265	993,620	(173,645)
Charges for services	234,500	227,759	262,459	34,700
Interest income	17,575	48,427	48,427	
Miscellaneous receipts	326,900	285,569	465,289	179,720
Total Receipts	<u>5,784,002</u>	<u>6,356,410</u>	<u>6,551,357</u>	<u>194,947</u>
DISBURSEMENTS				
Current:				
General government	3,193,642	3,380,901	3,835,109	(454,208)
Public safety	2,228,470	2,195,532	2,147,796	47,736
Public works	300	300	300	
Health and welfare	116,565	103,419	103,419	
Culture and recreation	91,000	90,000	90,000	
Education	122,741	280,490	280,490	
Conservation of natural resources	163,821	161,800	161,800	
Economic development and assistance	43,989	43,489	43,489	
Debt service:				
Principal	266,130	117,604	117,604	
Interest	18,000	2,190	2,190	
Total Disbursements	<u>6,244,658</u>	<u>6,375,725</u>	<u>6,782,197</u>	<u>(406,472)</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(460,656)</u>	<u>(19,315)</u>	<u>(230,840)</u>	<u>(211,525)</u>
OTHER CASH SOURCES (USES)				
Proceeds from debt			42,124	42,124
Sale of county property		41,291	41,291	
Compensation for loss of county property		16,645	16,645	
Transfers in		269,441	134,424	(135,017)
Transfers out		(270,956)		270,956
Other financing sources	689,224			
Other financing uses	(80,000)	(93,390)		93,390
Total Other Cash Sources and Uses	<u>609,224</u>	<u>(36,969)</u>	<u>234,484</u>	<u>271,453</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>148,568</u>	<u>(56,284)</u>	<u>3,644</u>	<u>59,928</u>
Cash Basis Fund Balances - Beginning	<u>1,325,173</u>	<u>735,925</u>	<u>2,667,300</u>	<u>1,931,375</u>
Cash Basis Fund Balances - Ending	<u>\$ 1,473,741</u>	<u>679,641</u>	<u>2,670,944</u>	<u>1,991,303</u>

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

NEWTON COUNTY
 Schedule of Interfund Loans and Advances
 For the Year Ended September 30, 2018
 UNAUDITED

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>Balance at Sept. 30, 2018</u>
General Fund	Other Governmental Funds	\$ 76,007
General Fund	Solid Waste Services Fund	23,940
		<u>99,947</u>
Total		<u>99,947</u>

The receivables represent solid waste indirect costs and to provide funds for a road project. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Balance at Sept. 30, 2018</u>
Other Governmental Funds	Other Governmental Funds	\$ <u>334,916</u>

Advances were made to provide funds for bond payments and also for operating purposes.

NEWTON COUNTY
 Schedule of Capital Assets
 For the Year Ended September 30, 2018
 UNAUDITED

Governmental activities:

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments	Balance Sept. 30, 2018
Land	\$ 351,502		16,700	(89,441)	245,361
Infrastructure	1,153,854			3,437	1,157,291
Buildings	5,088,090		89,750	177,735	5,176,075
Mobile equipment	6,546,315	365,985	246,830	276,565	6,942,035
Furniture and equipment	1,960,939	45,131	37,266	(16,266)	1,952,538
Leased property under capital leases	2,658,850	69,372		(1,148,508)	1,579,714
Total capital assets	\$ 17,759,550	480,488	390,546	(796,478)	17,053,014

* Adjustments were for paid off leases moved to mobile equipment and furniture and equipment and the removal of assets that were under the \$5,000 threshold.

Business-type activities:

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments	Balance Sept. 30, 2018
Land	\$ 102,005				102,005
Buildings	59,495			12,414	71,909
Mobile equipment	749,463	8,600	238,339	(25,747)	493,977
Furniture and equipment	127,577	3,005		1,556	132,138
Leased property under capital leases	392,510	152,002			544,512
Total capital assets	\$ 1,431,050	163,607	238,339	(11,777)	1,344,541

*Adjustments were made to add buildings that were not put on inventory and adjust mobile equipment and furniture and equipment to correct amounts.

NEWTON COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2018
UNAUDITED

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

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2017	Issued	Principal Payments	Balance Sept. 30, 2018
Governmental Activities:							
A. General Obligation Bonds:							
District 4 Road & Bridge Bond 2012	10/2012	10/2027	1.90/2.70%	\$ 447,500		35,500	412,000
G.O. Refunding Bond	03/2012	11/2021	2.43%	855,000		160,000	695,000
District 4 Road & Bridge Bond 2009	11/2008	10/2023	3.80%	247,000		37,000	210,000
District 1 Road & Bridge Bond 2009	11/2009	11/2025	3.90%	245,000		25,000	220,000
							-
B. Capital Leases:							
2016 Dodge Charger	10/2016	11/2019	1.89%	20,109		9,196	10,913
2017 Dodge Charger	01/2017	02/2020	2.49%	17,176		6,975	10,201
Samsung AC/Heater	11/2014	10/2019	1.94%	138,311		65,693	72,618
2015 Chevy Tahoe	03/2015	03/2018	1.84%	4,941		4,941	-
2015 Chevy Tahoe	03/2015	03/2018	1.84%	4,941		4,941	-
2015 Ford F250	03/2015	04/2020	1.94%	16,310		6,217	10,093
2016 Chevy Tahoe	01/2016	01/2019	1.64%	15,687		11,733	3,954
(2) 2018 Dodge Chargers	02/2018	02/2021	2.96%		42,124	7,908	34,216
2015 Ambulance	10/2015	10/2020	1.85%	62,042		19,758	42,284
Fire Truck	02/2013	03/2019	1.49%	39,275		26,084	13,191
Fire Truck	01/2016	01/2020	1.89%	171,169		40,611	130,558
District 1 Cat 420f backhoe	08/2013	09/2018	2.09%	62,179		62,179	-
District 1 Kubota tractor	08/2013	08/2018	1.99%	7,675		7,675	-
District 1 2018 Dodge 1500 pickup	11/2017	11/2022	2.58%		27,248	4,301	22,947
District 1 Cat 420f backhoe	06/2018	06/2021	3.48%		58,415	4,622	53,793
District 2 Sany SY75C mini excavator	09/2017	09/2021	2.32%	69,950		16,884	53,066
District 3 Cat 320 DL excavator	02/2013	03/2018	1.49%	9,478		9,478	-
District 3 Ford F150 Pickup	02/2017	02/2020	2.59%	17,809		7,233	10,576
District 3 John Deere tractor	03/2015	03/2020	1.92%	55,836		22,011	33,825
District 3 Cat 420f backhoe	08/2016	08/2019	1.79%	41,687		21,569	20,118
District 4 Cat 420f backhoe	08/2013	09/2018	2.09%	62,179		62,179	-
District 4 Cat 420f backhoe	06/2018	06/2021	3.48%		58,415	4,622	53,793
District 5 John Deere tractor	03/2015	04/2020	1.94%	57,650		21,974	35,676
District 5 motor grader	08/2016	08/2018	1.70%	36,980		36,980	-
Total				\$ 2,705,884	186,202	743,264	2,148,822

NEWTON COUNTY
 Schedule of Changes in Long-term Debt
 For the Year Ended September 30, 2018
 UNAUDITED

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

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2017	Issued	Principal Payments	Balance Sept. 30, 2018
Business-type Activities:							
A. Capital Leases:							
2018 Western Star garbage truck	06/2017	07/2022	2.89%	\$ 79,881		15,614	64,267
2015 Freightliner garbage truck	02/2015	02/2020	1.94%	62,887		25,665	37,222
Cat D6K LC HD dozer	06/2015	06/2020	1.89%	66,404		23,749	42,655
2019 Travis Walking Floor	04/2018	04/2023	3.39%		69,670	5,355	64,315
2019 Western Star garbage truck	03/2018	03/2023	3.10%		82,562	7,644	74,918
Total				\$ 209,172	152,232	78,027	283,377

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

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

Name	Position	Company	Bond
Kenneth Harris	Supervisor District 1	Travelers Casualty & Surety of America	\$100,000
Joe Alexander	Supervisor District 2	Travelers Casualty & Surety of America	\$100,000
Charles Moulds	Supervisor District 3	Travelers Casualty & Surety of America	\$100,000
Charles Godwin	Supervisor District 4	State Farm Fire and Casualty Company	\$100,000
Glenn Hollingsworth, Jr.	Supervisor District 5	Travelers Casualty & Surety of America	\$100,000
Steve Seale	County Administrator	Travelers Casualty & Surety of America	\$100,000
George Hayes	Chancery Clerk	Western Surety Company	\$100,000
Stephanie McMullan	Purchase Clerk	Travelers Casualty & Surety of America	\$75,000
Pam Upton	Assistant Purchase Clerk	Travelers Casualty & Surety of America	\$50,000
Deborah Parker	Receiving Clerk	Travelers Casualty & Surety of America	\$75,000
Angela Anderson	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Bridget Cater	Assistant Receiving Clerk	Western Surety Company	\$50,000
Charles Odell Stagg	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Suzanne Gresset	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Lolita Jordan	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Charles Chaney	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Lee Anne McGee	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Willie Earl Curry	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Billy Joe Everett	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Robert Wilkinson	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
John Logan	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Thelma Evans	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Austin Kelly	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Eddie McMullen	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Ashley Hasenmueller	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Amanda Skinner	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Wayne Loper	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Jeffery Cater	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Carl Walters	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Steve Seale	Inventory Control Clerk	Travelers Casualty & Surety of America	\$75,000
George Hayes	Inventory Control Clerk	Western Surety Company	\$75,000
Mark Spence	Constable	Travelers Casualty & Surety of America	\$50,000
William D. Collins	Constable	Travelers Casualty & Surety of America	\$50,000
Michael Butler	Circuit Clerk	Travelers Casualty & Surety of America	\$100,000
Donna Hutchins	Deputy Circuit Clerk	Travelers Casualty & Surety of America	\$50,000
Penny Ford	Deputy Circuit Clerk	Travelers Casualty & Surety of America	\$50,000
Jackie Knight	Sheriff	Travelers Casualty & Surety of America	\$100,000
Matthew Lott	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Ronald Robinson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Andrew Dellapenna	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000

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

Name	Position	Company	Bond
Benjamin Kelly	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Peter Pierman	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Christopher Arthur	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Kris Edward Hollingsworth	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Fredrick Hardy	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Joedy Pennington	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Johnathon Ferguson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Freddie Gentry	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Joseph Haralson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Ryan Myers	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Matt Addkison	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Mark A. Spence	Sheriff's Deputy (hired under Section 45-5-9)	Travelers Casualty & Surety of America	\$50,000
Mark McDonald	Justice Court Judge	Travelers Casualty & Surety of America	\$50,000
Scott Round	Justice Court Judge	Travelers Casualty & Surety of America	\$50,000
Sue Graham	Justice Court Clerk	Travelers Casualty & Surety of America	\$50,000
Lolita Jordan	Deputy Justice Court Clerk	Travelers Casualty & Surety of America	\$50,000
May Bender	Tax Assessor-Collector	Travelers Casualty & Surety of America	\$100,000
Debra Comans	Deputy Tax Collector	Travelers Casualty & Surety of America	\$50,000
Gina Brand	Deputy Tax Collector	Travelers Casualty & Surety of America	\$50,000
Joyce Amos	Deputy Tax Collector	Travelers Casualty & Surety of America	\$50,000
Joyce Amos	Deputy Tax Assessor	Travelers Casualty & Surety of America	\$10,000

NEWTON COUNTY

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NEWTON COUNTY

Notes to Other Information For the Year Ended September 30, 2018

UNAUDITED

(1) Budgetary Comparison Information.

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 receipt, each general item of disbursement, 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 presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund.

(2) Long-term Debt Information:

A. 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 1.06% of the latest property assessments.

C. Subsequent Events.

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>
10/18/2018	3.68%	\$ 371,753	Capital Lease	Ad Valorem Taxes
02/04/2019	3.75%	116,571	Capital Lease	Ad Valorem Taxes
02/04/2019	3.75%	58,768	Capital Lease	Ad Valorem Taxes
02/04/2019	3.60%	23,501	Capital Lease	Ad Valorem Taxes
03/20/2019	3.48%	36,510	Capital Lease	Ad Valorem Taxes
04/01/2019	3.74%	125,326	Capital Lease	Ad Valorem Taxes
07/01/2019	3.59%	30,460	Capital Lease	Ad Valorem Taxes
09/03/2019	3.44%	270,004	Capital Lease	Ad Valorem Taxes
12/01/2019	3.19%	34,241	Capital Lease	Ad Valorem Taxes
01/01/2020	3.17%	22,712	Capital Lease	Ad Valorem Taxes

NEWTON COUNTY

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NEWTON COUNTY

SPECIAL REPORTS

NEWTON 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
Newton County, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Newton 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 May 26, 2020.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2018-001, 2018-003, 2018-004 and 2018-005 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2018-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newton County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement

amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2018-001 and 2018-003.

We also noted certain matters which we have reported to the management of Newton 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 May 26, 2020, included within this document.

Newton County's Responses to Findings

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Joe E. Mcknight". The signature is fluid and cursive, with a long horizontal stroke at the end.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 26, 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
(AS REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors
Newton County, Mississippi

We have examined Newton County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2018. The Board of Supervisors of Newton 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 Newton 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 system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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

Inventory Control Clerk.

1. Inventory reports should be filed with the Office of the State Auditor each fiscal year.

Repeat Finding Yes

Criteria Section 31-7-107, Miss. Code Ann. (1972), requires inventory reports to be filed with the Board of Supervisors, in triplicate with copies forwarded to the Office of the State Auditor no later than October 15th of each fiscal year.

Condition As reported in the prior two years' audit reports, the required inventory reports prepared by the Inventory Control Clerk were not filed timely with the Office of the State Auditor for fiscal year 2018 until October 26, 2018.

Cause	Failure to prepare and file annual report in a timely manner.
Effect	Failure to submit the annual reports timely increases the possibility of the loss or misappropriation of public funds and could result in the reporting of inaccurate amounts.
Recommendation	The Inventory Control Clerk should prepare inventory reports and file with the Board of Supervisors and forward copies to the Office of the State Auditor no later than October 15 th of each fiscal year.
Views of Responsible Official	Reporting will be done in a timely fashion from now on.

2. Controls over capital assets should be strengthened.

Repeat Finding	Yes
Criteria	An effective system of internal control over capital assets ensures that capital assets are reported in the correct categories at the correct amounts.
Condition	As reported in the prior eight years' audit reports, weak internal controls existed over capital assets. We noted that the beginning balances on the capital asset listing provided by the Inventory Control Clerk for Governmental Activities did not agree to the prior year ending amounts included in the audit report.
Cause	County failed to maintain an effective inventory control system.
Effect	The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.
Recommendation	The Inventory Control Clerk should ensure that all capital asset additions and deletions are accurately managed each year.
Views of Responsible Official	This will be corrected for the FY 2019 audit.

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

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

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Newton County, Mississippi, 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

May 26, 2020

NEWTON 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.

NEWTON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2018

Schedule 2

Our test did not identify any emergency purchases.

NEWTON 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.

NEWTON 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
Newton County, Mississippi

In planning and performing our audit of the cash basis financial statements of Newton County, Mississippi (the County) for the year ended September 30, 2018, we considered Newton 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 Newton 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 May 26, 2020, on the financial statements of Newton County, Mississippi.

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

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

Tax Assessor/Collector.

1. Controls over motor vehicle receipts should be strengthened.

Repeat Finding Yes

Criteria An effective system of internal controls should include adequate verification of taxpayer addresses.

Condition As reported in the prior six years' audit reports, during our test work performed in the Tax Collector's Office, we noted six (6) instances of people getting their tags from an address other than where they claim homestead.

Cause Weak internal controls.

Effect Weak internal controls as well as incorrect information on taxpayer receipts could lead to loss of public funds.

Recommendation	The Tax Collector should take steps to ensure that there are proper controls put in place for all vehicle information to be listed properly on receipts to taxpayers.
Views of Responsible Official	We will try and pay closer attention to tags and addresses.
Sheriff.	
2.	<u>Sheriff's Department should make daily deposits.</u>
Repeat Finding	No
Criteria	An effective system of internal control over the collection, recording, and deposit of cash in the Sheriff's office should be made on a timely basis.
Condition	During testing performed in the Sheriff Department's office, it was noted that the bookkeeper was not depositing money daily or on a timely basis.
Cause	Weak internal controls.
Effect	Failure to deposit money on a timely basis could result in the loss or misappropriation of public funds.
Recommendation	The Sheriff should ensure deposits are being made daily.
Views of Responsible Official	Other administration caused the problems and they have been fixed.
Board of Supervisors.	
3.	<u>The County had an excess of actual disbursements over budgeted in the general fund.</u>
Repeat Finding	No
Criteria	Section 19-11-17, Miss. Code Ann. (1972), states that no expenditures shall be made, or liabilities incurred, or warrants issued, in excess of the budget estimates as finally determined by the board of supervisors.
Condition	The County's actual disbursements exceeded the budgeted amount of the general fund by \$131,067.
Cause	Oversight by County management.
Effect	Failure to comply could result in a loss or misappropriation of public funds.
Recommendation	The Board of Supervisors should not make disbursements in excess of budgeted amounts as it is prohibited by law.
Views of Responsible Officials	This will be corrected for the FY 2019 audit.

Newton 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.

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 26, 2020

NEWTON COUNTY

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NEWTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

NEWTON COUNTY

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NEWTON 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 weaknesses identified? Yes
 - b. Significant deficiencies identified? Yes
3. Noncompliance material to the financial statements noted? Yes

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

Material Non-compliance

2018-001. Warrants should not be signed without sufficient money in the funds.

Repeat Finding Yes

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

Condition As reported in the prior ten years' audit reports, warrants were issued on funds which did not have sufficient money available. At September 30, 2018, the Countywide Road Fund had a negative cash balance of \$17,919, the County Ambulance Grant Fund had a negative cash balance of \$4,681, and the Fire Protection Truck Note Fund had a negative cash balance of \$5,114.

Cause The Board of Supervisors lacks the necessary controls to ensure sufficient balances are maintained in each fund before issuing warrants.

Effect Failure to maintain sufficient cash balances in county funds prior to writing checks on these funds results in other funds' cash being used for purposes other than their intended purpose.

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

Views of Responsible Officials We will work to correct these problems.

Significant Deficiency

2018-002. Controls over repayment of interfund advances should be strengthened.

Repeat Finding No

Criteria A effective system of internal control over interfund advances should include a timely repayment plan.

NEWTON COUNTY

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

Condition	The County has interfund loans outstanding that are more than one year old. These loans were made when the County experienced a need for cash flows in some funds. However, the loans were not repaid as of September 30, 2018.
Cause	The County does not have a plan to repay these advances timely.
Effect	Failure to ensure repayment of these loans is an illegal diversion of legally restricted funds.
Recommendation	The Board of Supervisors should approve and record in the board minutes the reason for the loans, when the loans will be repaid and the source of funds for the repayment. The Board of Supervisors should ensure these old loans are repaid by approving and recording in the minutes a repayment schedule and complying with the repayment schedule.
Views of Responsible Officials	The Board will develop a schedule & start repaying these advances.

Material Weakness
Material Non-compliance

2018-003.	<u>Controls over Mississippi Code citations in the tax levy should be strengthened.</u>
Repeat Finding	Yes
Criteria	An effective system of internal control over the tax levy should ensure the Mississippi Code Section citations are correct in the board order authorizing the tax levy.
Condition	As reported in prior three year's audit reports, our audit procedures revealed the following errors in the levy for fiscal year 2017-2018: One Code Section (27-39-327) was repealed effective October 1, 1983, and two others (37-57-123 and 37-7-741) were repealed as of July 1, 1987. Also, two of the Code Sections cited (83-1-392 and 37-7-141) don't exist. Lastly, three of the Code Sections cited (19-9-11, 37-27-3 and 17-21-51) address issues other than the authority to levy taxes for the described purpose.
Cause	Failed to use proper code sections.
Effect	The use of incorrect Code Sections could result in improper or unauthorized tax levies.
Recommendation	The Board of Supervisors should establish adequate control procedures to ensure the proper Code Sections are used in the order establishing the tax levy.
Views of Responsible Officials	This has been corrected for the 2018-2019 tax levy. This will also correct for the future tax levies.

Tax Assessor/Collector.

Material Weakness

2018-004.	<u>Tax Collector should perform monthly bank reconciliations.</u>
Repeat Finding	Yes
Criteria	An effective system of internal control over the collection, recording, and disbursement of cash in the Tax Collector's office should include a reconciliation of the bank account to the cash journal monthly.

NEWTON COUNTY

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

Condition	As reported in the prior two years' audit reports, during testing performed in the Tax Collector's office, it was noted that the Tax Collector was not reconciling the bank account to the cash journal. A January 2020 cash count revealed a net cash overage of \$86,887.
Cause	Failure to reconcile to bank account.
Effect	Failure to reconcile to the bank account could result in the loss or misuse of public funds.
Recommendation	The Tax Collector should properly maintain a cash journal, ensuring that it reconciles to the bank account monthly.
Views of Responsible Official	After talking it over, we're going to go back to check to see what else we need settle.
Sheriff.	
Material Weakness	
2018-005.	<u>Sheriff's Department should perform monthly bank reconciliations.</u>
Repeat Finding	Yes
Criteria	An effective system of internal control over the collection, recording, and disbursement of cash in the Sheriff's office should include a reconciliation of the bank account to the cash journal monthly.
Condition	As reported in the prior year's audit report, testing performed in the Sheriff Department's office revealed that the bookkeeper was not reconciling the bank account to the cash journal.
Cause	Failure to reconcile to bank account.
Effect	Failure to reconcile the bank account could result in the inability to make timely settlements due to the insufficient funds in the bank account and the loss or misuse of public funds.
Recommendation	The Sheriff should perform monthly bank reconciliations.
Views of Responsible Official	Other administration caused the problem and it has been fixed.