

STONE COUNTY, MISSISSIPPI

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

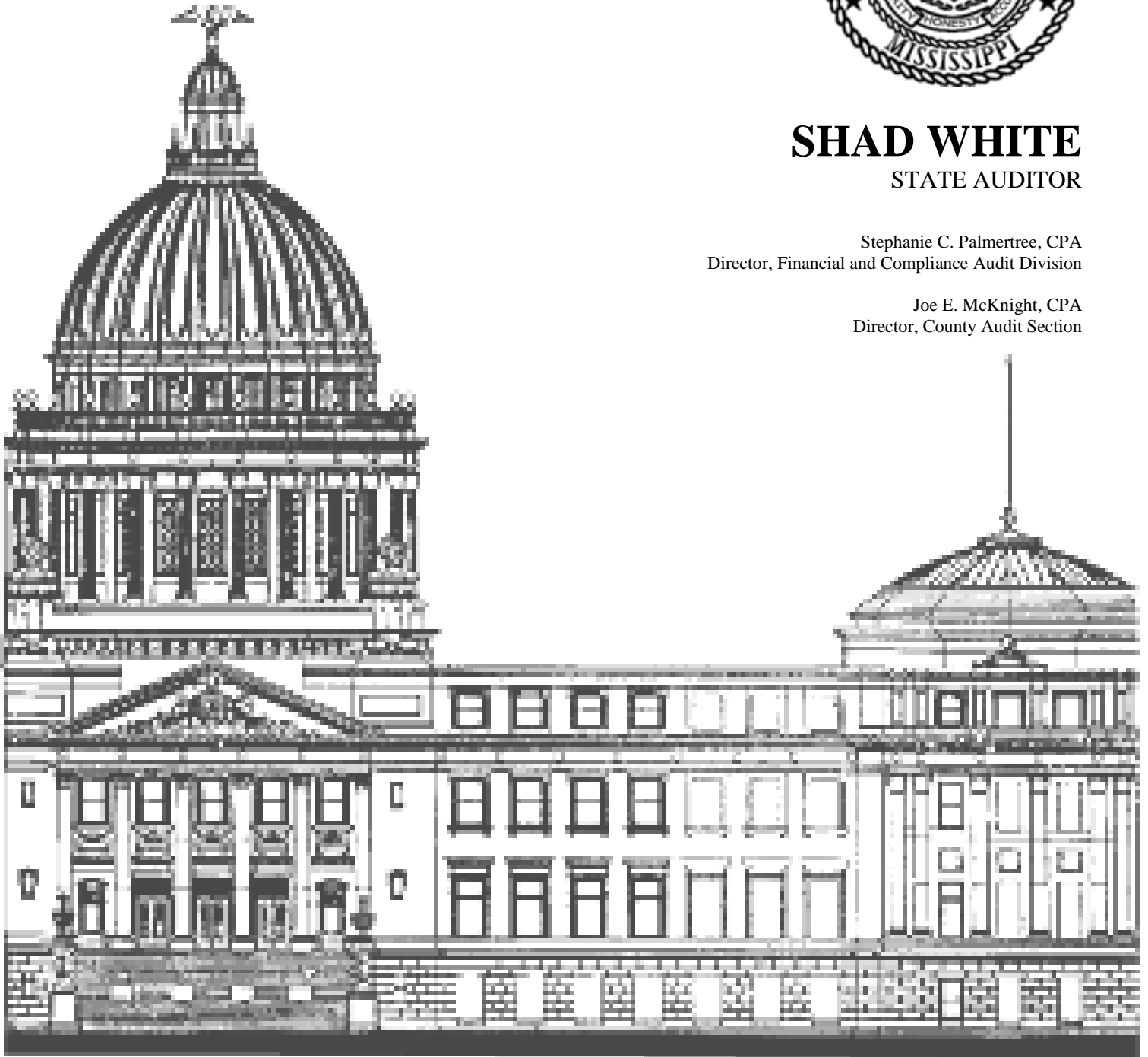


SHAD WHITE

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



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

Shad White
AUDITOR

April 24, 2020

Members of the Board of Supervisors
Stone County, Mississippi

Dear Board Members:

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

STONE COUNTY

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STONE COUNTY

FINANCIAL SECTION

STONE 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
Stone County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Stone 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion on Governmental Activities, Business-type Activities and Correctional Facility Fund

As discussed in Note 13 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities, the business-type activities and the Correctional Facility Fund and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities, the business-type activities and the Correctional Facility Fund. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities, the business-type activities and the Correctional Facility Fund is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities, Business-type Activities and Correctional Facility Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and the Correctional Facility Fund of Stone 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.

Basis for Qualified Opinion on the General Fund

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Circuit Court or the aging of these fines receivable. Adequate subsidiary records were not maintained and preserved for the Circuit Court fines receivable aging schedules at September 30, 2018. Due to the nature of the County’s records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported in the General Fund at \$397,418, as of September 30, 2018. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

Also, the County was unable to provide reconciled bank statements for the Circuit Clerk’s operational accounts for the fiscal year ended September 30, 2018. Numerous requests were made to the Circuit Clerk for the criminal account, civil account and cash bond account for September 2018. During the fiscal year 2018, only one settlement was made to the County by the Circuit Clerk. This issue affects the total cash presented in the General Fund on the financial statements.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined had we been able to examine evidence to determine the net realizable value of the fines receivable and the Circuit Clerk’s cash reported in the General Fund, the financial statements referred to previously present fairly, in all material respects, the financial position of the General Fund in Stone County, Mississippi, as of September 30, 2018, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Road and Bridge Fund, the Countywide Bridge and Culvert Fund and the aggregate remaining fund information of Stone County, Mississippi, as of September 30, 2018, and the respective changes in financial 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 Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical

context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

Stone County, Mississippi, has omitted the Management's Discussion and Analysis and the Schedule of Funding Progress – Other Postemployment Benefits 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 Stone County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the accompanying Reconciliation of the Operating Costs of Solid Waste are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Reconciliation of Operating Costs of Solid Waste are the responsibility of management and were 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 Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste are 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 April 24, 2020 on our consideration of Stone 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 Stone 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 Stone County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 24, 2020

STONE COUNTY

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STONE COUNTY

FINANCIAL STATEMENTS

STONE COUNTY

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STONE COUNTY
Statement of Net Position
September 30, 2018

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 1,597,150		1,597,150
Restricted assets - investments		1,884,279	1,884,279
Property tax receivable	5,212,610		5,212,610
Fines receivable (net of allowance for uncollectibles of \$921,569)	397,418		397,418
Intergovernmental receivables	244,392	246,051	490,443
Other receivables	4,452		4,452
Internal balances	(3,109)	3,109	
Capital assets:			
Land and construction in progress	1,669,141	12,957	1,682,098
Other capital assets, net	11,442,154	4,050,616	15,492,770
Total Assets	20,564,208	6,197,012	26,761,220
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	934,185	401,751	1,335,936
Deferred amount on refunding		7,780	7,780
Total Deferred Outflows of Resources	934,185	409,531	1,343,716
LIABILITIES			
Claims payable	243,862	93,366	337,228
Intergovernmental payables	413,029		413,029
Accrued interest payable		13,083	13,083
Long-term liabilities			
Net pension liability	8,616,509	3,702,867	12,319,376
Due within one year:			
Capital debt	590,978	507,110	1,098,088
Due in more than one year:			
Capital debt	1,073,572	355,547	1,429,119
Non-capital debt	78,023	43,603	121,626
Total Liabilities	11,015,973	4,715,576	15,731,549
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	773,281	332,490	1,105,771
Deferred revenues - property taxes	5,212,610		5,212,610
Total Deferred Inflows of Resources	5,985,891	332,490	6,318,381
NET POSITION			
Net investment in capital assets	11,446,745	3,208,696	14,655,441
Restricted for:			
Expendable:			
General government	132,509		132,509
Public safety	359,849		359,849
Public works	1,586,528		1,586,528
Culture and recreation	36,701		36,701
Economic development and assistance	165,936		165,936
Debt service	51,349	78,938	130,287
Unemployment compensation	24,865		24,865
Unrestricted	(9,307,953)	(1,729,157)	(11,037,110)
Total Net Position	\$ 4,496,529	1,558,477	6,055,006

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,473,320	387,545	22,806		(3,062,969)		(3,062,969)
Public safety	2,645,563	329,346	176,141		(2,140,076)		(2,140,076)
Public works	2,471,754		625,542	592,842	(1,253,370)		(1,253,370)
Health and welfare	190,154		64,209		(125,945)		(125,945)
Culture and recreation	280,066				(280,066)		(280,066)
Conservation of natural resources	58,608				(58,608)		(58,608)
Economic development and assistance	34,981			576,115	541,134		541,134
Interest on long-term debt	34,674				(34,674)		(34,674)
Pension expense	1,030,989				(1,030,989)		(1,030,989)
Total Governmental Activities	<u>10,220,109</u>	<u>716,891</u>	<u>888,698</u>	<u>1,168,957</u>	<u>(7,445,563)</u>		<u>(7,445,563)</u>
Business-type activities:							
Correctional Facility	<u>4,355,108</u>	<u>4,249,380</u>				(105,728)	(105,728)
Total Business-type Activities	<u>4,355,108</u>	<u>4,249,380</u>	<u>0</u>	<u>0</u>		(105,728)	(105,728)
Total Primary Government	<u>\$ 14,575,217</u>	<u>4,966,271</u>	<u>888,698</u>	<u>1,168,957</u>	<u>(7,445,563)</u>	<u>(105,728)</u>	<u>(7,551,291)</u>
General revenues:							
Property taxes					\$ 7,108,623		7,108,623
Road & bridge privilege taxes					240,073		240,073
Grants and contributions not restricted to specific programs					445,356		445,356
Unrestricted interest income					27,862	23,537	51,399
Miscellaneous					294,297	23,598	317,895
Total General Revenues					<u>8,116,211</u>	<u>47,135</u>	<u>8,163,346</u>
Changes in Net Position					<u>670,648</u>	<u>(58,593)</u>	<u>612,055</u>
Net Position - Beginning, as previously reported					4,620,705	1,656,315	6,277,020
Prior period adjustments					(794,824)	(39,245)	(834,069)
Net Position - Beginning, as restated					<u>3,825,881</u>	<u>1,617,070</u>	<u>5,442,951</u>
Net Position - Ending					<u>\$ 4,496,529</u>	<u>1,558,477</u>	<u>6,055,006</u>

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

STONE COUNTY
Balance Sheet - Governmental Funds
September 30, 2018

Exhibit 3

	Major Funds			Other	Total
	General	Road and Bridge	Countywide Bridge & Culvert	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
ASSETS					
Cash	\$ 288,288	82,275	57,900	1,168,687	1,597,150
Property tax receivable	3,283,608	223,088	838,750	867,164	5,212,610
Fines receivable (net of allowance for uncollectibles of \$921,569)	397,418				397,418
Intergovernmental receivables	159,792			84,600	244,392
Other receivables	4,452				4,452
Due from other funds	14,963	634,563	448,889	71,039	1,169,454
Advances to other funds	22,212	98,823	89,699	5,925	216,659
Total Assets	\$ 4,170,733	1,038,749	1,435,238	2,197,415	8,842,135
LIABILITIES					
Liabilities:					
Claims payable	\$ 87,233	38,776	8,278	109,575	243,862
Intergovernmental payables	186,246				186,246
Due to other funds	1,132,303	12,785			1,145,088
Advances from other funds	255,668	20,027		195,222	470,917
Total Liabilities	1,661,450	71,588	8,278	304,797	2,046,113
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	3,283,608	223,088	838,750	867,164	5,212,610
Unavailable revenue - fines	397,418				397,418
Total Deferred Inflows of Resources	3,681,026	223,088	838,750	867,164	5,610,028
Fund balances:					
Nonspendable:					
Advances	22,212				22,212
Restricted for:					
General government				132,509	132,509
Public safety				359,849	359,849
Public works		744,073	588,210	254,245	1,586,528
Culture and recreation				36,701	36,701
Economic development and assistance				165,936	165,936
Debt service				51,349	51,349
Unemployment compensation				24,865	24,865
Unassigned	(1,193,955)				(1,193,955)
Total Fund Balances	(1,171,743)	744,073	588,210	1,025,454	1,185,994
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,170,733	1,038,749	1,435,238	2,197,415	8,842,135

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

STONE COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2018

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,185,994
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 \$8,484,034.	13,111,295
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	397,418
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,742,573)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,616,509)
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	934,185
Deferred inflows of resources related to pensions	<u>(773,281)</u>
Total Net Position - Governmental Activities	\$ <u><u>4,496,529</u></u>

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

STONE COUNTY

Exhibit 4

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

	Major Funds			Other	Total
	General	Road and Bridge	Countywide	Governmental	Governmental
	Fund	Fund	Bridge & Culvert	Funds	Funds
	Fund	Fund	Fund	Funds	Funds
REVENUES					
Property taxes	\$ 4,709,288	292,909	1,010,547	1,095,879	7,108,623
Road and bridge privilege taxes		240,073			240,073
Licenses, commissions and other revenue	237,719			5,424	243,143
Fines and forfeitures	192,057			8,615	200,672
Intergovernmental revenues	539,530	1,088,447	143,062	731,972	2,503,011
Charges for services	129,807			144,250	274,057
Interest income	9,116	4,318	5,488	8,940	27,862
Miscellaneous revenues	25,378			268,919	294,297
Total Revenues	5,842,895	1,625,747	1,159,097	2,263,999	10,891,738
EXPENDITURES					
Current:					
General government	3,378,184			14,640	3,392,824
Public safety	2,115,317			700,935	2,816,252
Public works	2,000	1,263,850	1,101,606	463,357	2,830,813
Health and welfare	161,654				161,654
Culture and recreation	216,159			9,775	225,934
Conservation of natural resources	58,608				58,608
Economic development and assistance	9,505			549,215	558,720
Debt service:					
Principal	30,888	388,018		344,138	763,044
Interest	2,325	18,158		14,746	35,229
Total Expenditures	5,974,640	1,670,026	1,101,606	2,096,806	10,843,078
Excess of Revenues over (under) Expenditures	(131,745)	(44,279)	57,491	167,193	48,660
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	79,758	200,000		10,900	290,658
Proceeds from sale of capital assets		6,470			6,470
Compensation for loss of capital assets	740				740
Transfers in	431,627	81,464		185,763	698,854
Transfers out	(267,227)			(431,627)	(698,854)
Lease principal payments				23,323	23,323
Total Other Financing Sources and Uses	244,898	287,934	0	(211,641)	321,191
Net Changes in Fund Balances	113,153	243,655	57,491	(44,448)	369,851
Fund Balances - Beginning, as previously reported	(1,264,541)	500,418	530,719	1,049,547	816,143
Fund reclassification	(20,355)			20,355	0
Fund Balances - Beginning, as restated	(1,284,896)	500,418	530,719	1,069,902	816,143
Fund Balances - Ending	\$ (1,171,743)	744,073	588,210	1,025,454	1,185,994

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

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	\$ 369,851
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,264,608 exceeded depreciation of \$722,649 in the current period.	541,959
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$178,506 and the proceeds from the sale of \$6,470 and the compensation for loss of \$740 in the current period.	(185,716)
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.	(981)
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 \$763,044 exceeded debt proceeds of \$290,658.	472,386
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 decrease in compensated absences liability.	6,880
The amount of decrease in accrued interest payable.	555
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.	(23,323)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,030,989)
Recording of contributions made during the year	<u>520,026</u>
Change in Net Position of Governmental Activities	\$ <u><u>670,648</u></u>

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

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

Exhibit 5

	Business-type Activities - Enterprise Fund
	Correctional Facility Fund
ASSETS	
Current assets:	
Restricted assets - investments	\$ 1,884,279
Intergovernmental receivables	246,051
Due from other funds	718
Advances to other funds	55,668
Total Current Assets	<u>2,186,716</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	12,957
Other capital assets, net	4,050,616
Total Noncurrent Assets	<u>4,063,573</u>
Total Assets	<u>6,250,289</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	401,751
Deferred amount on refunding	7,780
Total Deferred Outflows of Resources	<u>409,531</u>
LIABILITIES	
Current liabilities:	
Claims payable	93,366
Due to other funds	51,867
Advances from other funds	1,410
Accrued interest payable	13,083
Capital debt:	
Capital leases payable	34,836
Other long-term liabilities	472,274
Total Current Liabilities	<u>666,836</u>
Noncurrent liabilities:	
Net pension liability	3,702,867
Capital debt:	
Capital leases payable	45,547
Other long-term liabilities	310,000
Non-capital debt:	
Compensated absences payable	43,603
Total Noncurrent Liabilities	<u>4,102,017</u>
Total Liabilities	<u>4,768,853</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	332,490
Total Deferred Inflows of Resources	<u>332,490</u>
NET POSITION	
Net investment in capital assets	3,208,696
Restricted for:	
Debt service	78,938
Unrestricted	(1,729,157)
Total Net Position	<u>\$ 1,558,477</u>

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

STONE COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Fund
	Correctional Facility Fund
Operating Revenues	
Charges for services	\$ 4,249,380
Miscellaneous	23,598
Total Operating Revenues	<u>4,272,978</u>
Operating Expenses	
Personal services	2,103,306
Contractual services	696,457
Materials and supplies	885,602
Depreciation expense	175,394
Pension expense	442,170
Total Operating Expenses	<u>4,302,929</u>
Operating Income (Loss)	<u>(29,951)</u>
Nonoperating Revenues (Expenses)	
Interest income	23,537
Interest expense	(52,179)
Net Nonoperating Revenues (Expenses)	<u>(28,642)</u>
Changes in Net Position	<u>(58,593)</u>
Net Position - Beginning, as previously reported	1,656,315
Prior period adjustment	(39,245)
Net Position - Beginning, as restated	<u>1,617,070</u>
Net Position - Ending	<u>\$ 1,558,477</u>

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

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

Exhibit 7

	Business-type Activities - Enterprise Fund
	Correctional Facility Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 4,649,872
Payments to suppliers	(1,543,414)
Payments to employees	(2,328,115)
Other operating cash receipts	23,598
Net Cash Provided (Used) by Operating Activities	<u>801,941</u>
Cash Flows From Noncapital Financing Activities	
Cash received from other funds:	
Loans from other funds	51,867
Cash paid to other funds:	
Loans made to other funds	(718)
Interfund loan repayments	(371,777)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(320,628)</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	87,066
Acquisition and construction of capital assets	(94,966)
Principal paid on long-term debt	(491,371)
Interest paid on debt	(49,339)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(548,610)</u>
Cash Flows From Investing Activities	
Interest on deposits	23,537
Net Cash Provided (Used) by Investing Activities	<u>23,537</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(43,760)
Cash and Cash Equivalents at Beginning of Year	<u>1,928,039</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,884,279</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (29,951)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	175,394
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	400,492
Increase (decrease) in claims payable	38,645
Increase (decrease) in compensated absences liability	(1,780)
Increase (decrease) in net pension liability, deferred outflows/inflows, net	219,141
Total Adjustments	<u>831,892</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 801,941</u>
Noncash Capital Financing Activity:	
Stone County lease purchased mobile equipment for \$52,208 for 3 years at 3.17% interest.	
Principal payments of \$8,361 were made on the lease during the year.	
Stone County lease purchased mobile equipment for \$34,858 for 3 years at 3.29% interest.	
Principal payments of \$4,639 were made on the lease during the year.	

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

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

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 716,150
Due from other funds	26,783
Advances to other funds	200,000
Total Assets	\$ <u>942,933</u>
LIABILITIES	
Intergovernmental payables	\$ 942,933
Total Liabilities	\$ <u>942,933</u>

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

STONE COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Stone 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 Stone County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

STONE COUNTY

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

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

C. Measurement Focus and Basis of Accounting.

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

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

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

The County reports the following major Governmental Funds:

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

Road and Bridge Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Countywide Bridge and Culvert Fund - This fund is used to account for monies from specific revenue sources that are restricted for bridge maintenance.

The County reports the following major Enterprise Fund:

Correctional Facility 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.

STONE COUNTY

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

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

F. Receivables.

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

G. Interfund Transactions and Balances.

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

STONE COUNTY

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

H. Restricted Assets.

Proprietary Fund assets required to be held and used as specified in bond indentures have been reported as restricted assets. Certain resources set aside for the repayment of the County's enterprise fund revenue bonds 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" account 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" account is used to pay the costs of major repairs and replacements to the correctional facility, the costs of which are such that they should be spread over a number of years rather than charged as a current expense in a single year. The "excess revenue" account is used to pay the maintenance expense when other funds are insufficient to pay these expenses within established limitations. The "debt service reserve" account is used to segregate resources set aside to subsidize potential deficiencies from the County's operation of the correctional facility that could adversely affect debt service payments. The "general" account is used to accumulate funds to pay the principal and interest payments due on the County's enterprise fund revenue bonds. When both restricted and nonrestricted assets are available for use, the policy is to use the restricted assets first.

I. 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. 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.

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

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

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

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

STONE COUNTY

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

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

J. 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 14 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.

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

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

Deferred inflows related to pensions - This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 14 for additional details.

K. 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.

L. 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.

STONE COUNTY

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

Bonds payable are reported net of the applicable bond premium or discount.

M. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

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

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

STONE COUNTY

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

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.

N. 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 collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

O. 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.

P. 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. The County's policy caps the amount of accumulated unpaid employee personal leave at 30 days.

(2) Fund Reclassification (Accounting Change).

The Emergency Communication Fund's beginning fund balance of \$20,355 was reclassified from a General Fund to a Special Revenue Fund because the activity of the fund is restricted in nature. This fund was misclassified in the prior year.

STONE COUNTY

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

(3) Prior Period Adjustments.

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

Exhibit 2 – Statement of Activities – Governmental Activities.

Explanation	Amount
To correct prior year errors in capital assets, net.	\$ (814,488)
To correct prior year errors in long-term debt.	21,996
To correct beginning balance of capital lease receivable.	(2,332)
Total prior period adjustments	\$ (794,824)

Exhibit 2 – Statement of Activities – Business-type Activities.

Explanation	Amount
To correct prior year errors in capital assets, net.	\$ (39,245)

Exhibit 6 – Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund.

Explanation	Amount
To correct prior year errors in capital assets, net.	\$ (39,245)

(4) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$2,313,300, and the bank balance was \$2,958,927. 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.

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the County are handled through a trust indenture between the County and the trustee related to the operations of the Stone County Regional Correctional Facility.

STONE COUNTY

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

Investments balances at September 30, 2018, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value Level</u>	<u>Fair Value</u>	<u>Rating</u>
SEI Daily Income Trust Mutual Fund	Less than one year	2	\$ <u>1,884,279</u>	AAA

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. Of the County's investments, all of the underlying securities were uninsured, unregistered, and held in trust accounts by the investment's counterparty on behalf of the County, not in the name of the County.

(5) 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>
General Fund	Road and Bridge Fund	\$ 12,785
General Fund	Regional Correctional Facility Fund	2,178
Road and Bridge Fund	General Fund	634,563
Countywide Bridge and Culvert Fund	General Fund	448,889
Other Governmental Funds	General Fund	21,350
Other Governmental Funds	Regional Correctional Facility Fund	49,689
Regional Correctional Facility Fund	General Fund	718
Agency Funds	General Fund	<u>26,783</u>
Total		\$ <u>1,196,955</u>

The majority of the receivables represent amounts received from various funds to cover deficit cash balances, errors in posting revenues and debt service expenditures. All other receivables represent either tax revenues 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.

STONE COUNTY

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

Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Road and Bridge Fund	\$ 15,512
General Fund	Other Governmental Funds	6,700
Road and Bridge Fund	Other Governmental Funds	98,823
Countywide Bridge and Culvert Fund	Other Governmental Funds	89,699
Other Governmental Funds	Road and Bridge Fund	4,515
Other Governmental Funds	Regional Correctional Facility Fund	1,410
Regional Correctional Facility Fund	General Fund	55,668
Agency Funds	General Fund	<u>200,000</u>
Total		<u>\$ 472,327</u>

The advances represent errors in posting revenues, debt proceeds, and debt service expenditures in prior years.

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 431,627
Road and Bridge Fund	General Fund	81,464
Other Governmental Funds	General Fund	<u>185,763</u>
Total		<u>\$ 698,854</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.

(6) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 97,936
DUI grant reimbursement	30,564
DHS reimbursement	9,889
Reimbursement resource officers	20,047
Litter grant reimbursement	1,356
CDBG grant reimbursement	<u>84,600</u>
Total Governmental Activities	<u>\$ 244,392</u>
Business-type Activities:	
Reimbursement for housing prisoners	<u>\$ 246,051</u>

STONE COUNTY

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

(7) Loans Receivable.

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

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
Emergency Medical Services District	June, 1987	N/A	N/A	\$ 22,439
Less: Allowance for doubtful accounts*				<u>(22,439)</u>
Total				<u>\$ 0</u>

*The Emergency Medical Services District loan receivable was determined to be uncollectible in fiscal year 1997.

(8) Restricted Assets.

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

Revenue fund	\$ 113,382
Depreciation and operating reserve fund	390,908
Excess revenue fund	513,345
Debt service reserve fund	415,080
Mandatory redemption fund	130
General account	<u>451,434</u>
Total restricted assets	<u>\$ 1,884,279</u>

(9) Capital Assets.

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

STONE COUNTY

Notes to Financial Statements
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	\$ 432,756	20,000			452,756
Construction in progress	2,368,791	1,072,340		(2,224,746)	1,216,385
Total non-depreciable capital assets	2,801,547	1,092,340	0	(2,224,746)	1,669,141
<u>Depreciable capital assets:</u>					
Infrastructure	914,623			1,902,445	2,817,068
Buildings	9,078,043				9,078,043
Improvements other than buildings				918,306	918,306
Mobile equipment	5,213,789	77,675	228,759	(94,325)	4,968,380
Furniture and equipment	1,657,832	14,539	9,870	(836,849)	825,652
Leased property under capital leases	1,563,084	80,054	215,718	(108,681)	1,318,739
Total depreciable capital assets	18,427,371	172,268	454,347	1,780,896	19,926,188
<u>Less accumulated depreciation for:</u>					
Infrastructure	48,500	72,872		131,481	252,853
Buildings	2,496,006	169,585			2,665,591
Improvements other than buildings				330,588	330,588
Mobile equipment	3,932,921	176,743	204,798	203,524	4,108,390
Furniture and equipment	491,442	93,952	9,771	58,251	633,874
Leased property under capital leases	690,509	209,497	54,062	(353,206)	492,738
Total accumulated depreciation	7,659,378	722,649	268,631	370,638	8,484,034
Total depreciable capital assets, net	10,767,993	(550,381)	185,716	1,410,258	11,442,154
Governmental activities capital assets, net	\$ 13,569,540	541,959	185,716	(814,488)	13,111,295

STONE COUNTY

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

Business-type activities:

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments*	Balance Sept. 30, 2018
<u>Non-depreciable capital assets:</u>					
Land	\$ 12,957				12,957
Total non-depreciable capital assets	12,957	0	0	0	12,957
<u>Depreciable capital assets:</u>					
Buildings	5,857,503				5,857,503
Mobile equipment	89,643	7,900		125,508	223,051
Furniture and equipment	213,656				213,656
Leased property under capital leases	125,508	87,066		(97,519)	115,055
Total depreciable capital assets	6,286,310	94,966	0	27,989	6,409,265
<u>Less accumulated depreciation for:</u>					
Buildings	1,851,071	117,156			1,968,227
Mobile equipment	62,229	24,009		97,212	183,450
Furniture and equipment	146,555	13,518		16,112	176,185
Leased property under capital leases	56,166	20,711		(46,090)	30,787
Total accumulated depreciation	2,116,021	175,394	0	67,234	2,358,649
Total depreciable capital assets, net	4,170,289	(80,428)	0	(39,245)	4,050,616
Business-type activities capital assets, net	\$ 4,183,246	(80,428)	0	(39,245)	4,063,573

*Adjustments are to correct errors in the capital asset records and to reflect certain routine reclassifications of completed construction in progress and paid-off capital leases.

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 171,541
Public safety	131,677
Public works	331,849
Health and welfare	28,500
Culture and recreation	56,706
Economic development and assistance	2,376
Total governmental activities depreciation expense	\$ 722,649
Business-type activities:	
Correctional facility	\$ 175,394

STONE COUNTY

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

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

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
East McHenry Road and bridge improvements - Phase I	\$ 35,746	December, 2019
Beaver Dam Road - bridge replacement	10,265	November, 2019
East McHenry Road and bridge improvements - Phase II	2,616,117	October, 2020

(10) 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.

(11) Operating Leases.

As Lessee:

On July 30, 2013, Stone County entered into a non-cancellable operating lease agreement with Carolyn D. Brooks for the purpose of leasing a building and land to the Stone County Department of Human Services. The operating lease stipulated that the lessee would pay approximately \$3,459 per month in lease payments commencing August 1, 2013 for a term of 10 years.

The County has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$41,508 for the year ended September 30, 2018. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2019	\$ 41,508
2020	41,508
2021	41,508
2022	41,508
2023	34,590
Total Minimum Payments Required	\$ <u>200,622</u>

STONE COUNTY

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

(12) Capital Leases.

As Lessee:

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

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 1,282,142	115,055
Furniture and equipment	36,597	
Total	1,318,739	115,055
Less: Accumulated depreciation	(492,738)	(30,787)
Leased Property Under Capital Leases	\$ 826,001	84,268

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

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 299,361	12,323	34,836	1,990
2020	191,681	6,763	29,449	1,035
2021	159,728	2,792	16,098	162
2022	47,694	325		
Total	\$ 698,464	22,203	80,383	3,187

(13) Other Postemployment Benefits.

Plan Description

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

(14) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Stone 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

STONE COUNTY

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

publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

Contributions. At September 30, 2018, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2018, 2017 and 2016 were \$743,053, \$725,426 and \$741,866, 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 \$12,319,376 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 0.074066 percent, which was based on a measurement date of June 30, 2018. This was an increase of 0.003336 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 \$1,473,159. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

STONE 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	\$ 52,849	36,199
Net difference between projected and actual earnings on pension plan investments		963,210
Changes of assumptions	322,026	
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	764,559	106,362
County contributions subsequent to the measurement date	196,502	
Total	\$ 1,335,936	1,105,771

\$196,502 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	\$ 162,255
2020	79,846
2021	(153,036)
2022	(55,402)
Total	\$ 33,663

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.

STONE COUNTY

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	-
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	\$ 16,221,084	12,319,376	9,076,542

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

STONE COUNTY

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

(15) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. Capital Leases:			
JCB JS190 excavator	\$ 47,893	1.66%	07/2019
2016 Kubota M6101 tractor	38,386	1.87%	10/2019
(2) Mack rear load garbage trucks	51,569	2.24%	11/2019
2017 Ford Explorer - Sheriff's department	7,198	2.39%	03/2020
IBM Series I Power 8 server	32,709	2.69%	04/2022
2016 Ford F-150 - road department	15,757	2.24%	01/2020
(2) 2017 Mack garbage trucks	263,898	2.04%	12/2021
Freightliner M2106 tanker truck	160,604	2.14%	12/2021
(3) 2018 Ford Taurus - Sheriff's department	71,296	3.44%	05/2021
200 gallon skid unit	9,154	3.17%	03/2019
Total Capital Leases	\$ 698,464		
B. Other Loans:			
2016 road repair note	\$ 670,962	1.35%	05/2021
2017 road equipment note	95,124	2.45%	08/2022
2018 road equipment/repair note	200,000	3.25%	08/2023
Total Other Loans	\$ 966,086		
Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-type Activities:			
A. Limited Obligation Bonds:			
Regional Correctional Facility	\$ 785,000	3.10-4.00%	11/2019
B. Capital Leases:			
Ford F350 XL truck	\$ 6,317	1.92%	03/2019
2017 Ford F150 truck - SCRCF	43,847	3.17%	03/2021
2018 Ford F350 - SCRCF	30,219	3.29%	04/2021
Total Capital Leases	\$ 80,383		

Pledge of Future Revenues - The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$4,105,000 in limited obligation urban renewal revenue bonds issued in September 2009, which were used for the construction of the Stone 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

STONE COUNTY

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

Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through November 2019. Annual principal and interest payments on the bonds are expected to require less than 24 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$813,100. Principal and interest paid for the current year and total inmate housing net revenues were \$460,000 and \$4,249,380, respectively.

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

Governmental Activities:

Year Ending September 30	Other Loans	
	Principal	Interest
2019	\$ 291,617	17,889
2020	296,519	12,986
2021	269,628	7,988
2022	65,974	3,323
2023	42,348	1,376
Total	\$ <u>966,086</u>	<u>43,562</u>

Business-type Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2019	\$ 475,000	21,900
2020	<u>310,000</u>	<u>6,200</u>
Total	\$ <u>785,000</u>	<u>28,100</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased 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 0.00% 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:

	Balance Oct. 1, 2017	Additions	Reductions	Adjustments *	Balance Sept. 30, 2018	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 84,903		6,880		78,023	
General obligation bonds	180,000		180,000			
Capital leases	948,583	90,658	318,781	(21,996)	698,464	299,361
Other loans	<u>1,030,349</u>	<u>200,000</u>	<u>264,263</u>		<u>966,086</u>	<u>291,617</u>
Total	\$ <u>2,243,835</u>	<u>290,658</u>	<u>769,924</u>	<u>(21,996)</u>	<u>1,742,573</u>	<u>590,978</u>

*Adjustments are to correct prior year errors in beginning balance of capital leases.

STONE COUNTY

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

	Balance			Balance	Amount due
	Oct. 1, 2017	Additions	Reductions	Sept. 30, 2018	within one
					year
Business-type Activities:					
Compensated absences	\$ 45,383		1,780	43,603	
Limited obligation bonds	1,245,000		460,000	785,000	475,000
Less:					
Discounts	(5,453)		(2,727)	(2,726)	(2,726)
Capital leases	24,688	87,066	31,371	80,383	34,836
Total	\$ 1,309,618	87,066	490,424	906,260	507,110

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Road and Bridge Fund, Garbage and Solid Waste Fund and Correctional Facility Fund.

(16) Deficit Fund Balances of Individual Funds.

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

Fund	Deficit Amount
General County Fund	\$ 1,544,911
Emergency Communications Fund	3,109
Perkinson Elementary Shelter Fund	57,495
Stone Elementary Shelter Fund	57,496
Stone High School Shelter Fund	57,495
Storm Shelters Debt Fund	12,580

(17) 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.

(18) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of \$(9,307,953) 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 \$137,521 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 \$796,664 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 \$773,281 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 \$(1,729,157) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to

STONE COUNTY

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

pensions in the amount of \$58,981 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 \$342,770 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 \$332,490 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 \$3,208,696 includes the effect of deferring the recognition of expenditures resulting for an advance refunding of County debt. The \$7,780 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 net position over the next year.

(19) Joint Ventures.

The County participates in the following joint ventures:

Stone County is a participant with the counties of Greene and Perry in a joint venture authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library System. This joint venture was created to provide free library service for the citizens of the respective counties and is governed by a five-member board of trustees. Each County appoints at least one board member and may appoint two at the discretion of the County. By contractual agreement, the County's appropriation to the joint venture was \$59,583 in fiscal year 2018. Complete financial statements for the Pine Forest Regional Library can be obtained at P.O. Box 1208, Richton, Mississippi 39476.

Stone County is a participant with the City of Wiggins in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Stone-Wiggins Airport Board. The joint venture was created to provide an airport for the citizens of Stone County and is governed by a board of commissioners consisting of five members, with Stone County and the City of Wiggins appointing two members each and one member appointed jointly by the City and County. By contractual agreement, the County's appropriation to the joint venture was \$2,000 in fiscal year 2018. Complete financial statements for the Stone-Wiggins Airport Board can be obtained from 2017 Big Four Road, Wiggins, Mississippi 39577.

(20) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

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 Stone County Board of Supervisors appoints one of the 27 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County appropriated \$18,447 for support of the district in fiscal year 2018.

Region XIII Commission for Mental Health and Mental Retardation operates in a district composed of the Counties of Hancock, Harrison, Pearl River and Stone. The governing body is a four-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties. The County appropriated \$27,500 for support of the agency 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.

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 \$777,791 for maintenance and support of the college in fiscal year 2018.

STONE COUNTY

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

Stone County Economic Development Partnership is governed by a 15-member board consisting of the President of the Board of Supervisors; five members appointed by the Board of Supervisors; three members appointed by the City of Wiggins; one member appointed by the Mississippi Gulf Coast Community College; and five members appointed at large by the Partnership. The organization is supported primarily by a sales tax collected by the County and remitted to the Partnership. The amount remitted in the 2018 fiscal year was \$416,366.

Southeast Mississippi Air Ambulance District operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Stone County Board of Supervisors appoints one of the nine members of the board of directors. The County contributed \$51,032 for support of the District in fiscal year 2018.

(21) Tax Abatements.

As of September 30, 2018, Stone County provides tax exempt status to a paper manufacturing company and a lumber manufacturing company subject to the requirements of GASB Statement No. 77. These companies are exempt from real property taxes and personal property taxes except for the levies involving the school, community college, mandatory mill, garbage and rubbish, roads, bridges and culverts, fire protection, reforestation, Pat Harrison Waterway District and twenty-five percent of the General Fund tax levy. These exemptions are authorized under Section 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 totaled \$23,435 for the paper manufacturing company and \$8,152 for the lumber manufacturing company.

(22) 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 Stone County evaluated the activity of the County through April 24, 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:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
01/15/2019	5.24%	\$ 104,640	Capital lease	Ad valorem taxes
01/23/2019	4.10%	395,906	Capital lease	Ad valorem taxes
07/01/2019	3.25%	250,000	Promissory note	Ad valorem taxes
11/01/2019	2.58%	107,257	Capital lease	Ad valorem taxes
03/25/2020	3.16%	121,628	Capital lease	Ad valorem taxes
04/09/2020	2.65%	450,000	Revenue bond/note	Ad valorem taxes
04/20/2020	2.34%	86,500	Capital lease	Ad valorem taxes
04/20/2020	2.34%	152,900	Capital lease	Ad valorem taxes

STONE COUNTY

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STONE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

STONE COUNTY

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STONE 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)
REVENUES				
Property taxes	\$ 4,559,521	4,729,199	4,729,199	
Licenses, commissions and other revenue	291,500	325,962	325,962	
Fines and forfeitures	375,000	189,934	189,934	
Intergovernmental revenues	454,194	522,553	522,553	
Interest income	3,000	9,107	9,107	
Miscellaneous revenues	32,150	8,362	8,362	
Total Revenues	<u>5,715,365</u>	<u>5,785,117</u>	<u>5,785,117</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,432,459	3,323,077	3,324,577	(1,500)
Public safety	1,860,024	2,004,924	2,005,845	(921)
Public works	4,000	2,000	2,000	
Health and welfare	171,262	161,435	161,435	
Culture and recreation	234,086	213,020	213,020	
Conservation of natural resources	57,616	58,334	58,334	
Economic development and assistance	5,000	5,975	5,975	
Debt service:				
Principal		30,888	30,888	
Interest		2,325	2,325	
Total Expenditures	<u>5,764,447</u>	<u>5,801,978</u>	<u>5,804,399</u>	<u>(2,421)</u>
Excess of Revenues over (under) Expenditures	<u>(49,082)</u>	<u>(16,861)</u>	<u>(19,282)</u>	<u>(2,421)</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	482,728	961,954	948,705	(13,249)
Other financing uses	<u>(329,021)</u>	<u>(778,990)</u>	<u>(778,990)</u>	
Total Other Financing Sources and Uses	<u>153,707</u>	<u>182,964</u>	<u>169,715</u>	<u>(13,249)</u>
Net Change in Fund Balance	104,625	166,103	150,433	(15,670)
Fund Balances - Beginning	<u>(1,026,350)</u>	<u>(1,195,498)</u>	<u>(1,195,498)</u>	
Fund Balances - Ending	<u>\$ (921,725)</u>	<u>(1,029,395)</u>	<u>(1,045,065)</u>	<u>(15,670)</u>

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

STONE COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Road and Bridge 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	\$ 286,105	292,897	292,897	
Road and bridge privilege taxes	210,000	224,104	224,104	
Licenses, commissions and other revenue	2,500	5,213	5,213	
Intergovernmental revenues	649,000	619,829	619,829	
Interest income	2,750	4,318	4,318	
Miscellaneous revenues	6,100	19,110	19,110	
Total Revenues	<u>1,156,455</u>	<u>1,165,471</u>	<u>1,165,471</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,087,237	782,388	782,388	
Debt service:				
Principal		388,018	388,018	
Interest		18,158	18,158	
Total Expenditures	<u>1,087,237</u>	<u>1,188,564</u>	<u>1,188,564</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>69,218</u>	<u>(23,093)</u>	<u>(23,093)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	18,968	296,520	296,520	
Other financing uses		(8,710)	(8,710)	
Total Other Financing Sources and Uses	<u>18,968</u>	<u>287,810</u>	<u>287,810</u>	<u>0</u>
Net Change in Fund Balance	88,186	264,717	264,717	
Fund Balances - Beginning	<u>425,000</u>	<u>430,683</u>	<u>430,683</u>	
Fund Balances - Ending	<u>\$ 513,186</u>	<u>695,400</u>	<u>695,400</u>	<u>0</u>

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

STONE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Bridge and Culvert 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	\$ 977,635	1,009,256	1,009,256	
Licenses, commissions and other revenue	1,500	2,897	2,897	
Intergovernmental revenues	100,000	140,165	140,165	
Interest income	2,750	5,489	5,489	
Total Revenues	<u>1,081,885</u>	<u>1,157,807</u>	<u>1,157,807</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	996,300	1,093,328	1,093,328	
Total Expenditures	<u>996,300</u>	<u>1,093,328</u>	<u>1,093,328</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>85,585</u>	<u>64,479</u>	<u>64,479</u>	<u>0</u>
Net Change in Fund Balance	85,585	64,479	64,479	
Fund Balances - Beginning	<u>465,000</u>	<u>425,363</u>	<u>425,363</u>	
Fund Balances - Ending	<u>\$ 550,585</u>	<u>489,842</u>	<u>489,842</u>	<u>0</u>

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

STONE 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)	0.074066%	0.070730%	0.071942%	0.073598%
County's proportionate share of the net pension liability (asset)	\$ 12,319,376	11,757,727	12,850,638	11,376,799
Covered payroll	\$ 4,729,811	4,605,868	4,710,260	4,647,435
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	260.46%	255.28%	272.82%	244.80%
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.

STONE 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	\$ 743,053	725,426	741,866	731,971
Contributions in relation to the contractually required contribution	<u>743,053</u>	<u>725,426</u>	<u>741,866</u>	<u>731,971</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 4,717,796	4,605,868	4,710,260	4,647,435
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.

STONE COUNTY

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STONE COUNTY

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

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 each major Special Revenue Fund:

	Governmental Fund Types		
	General Fund	Road and Bridge Fund	Countywide Bridge & Culvert Fund
Budget (Cash Basis)	\$ 150,433	264,717	64,479
Increase (Decrease)			
Net adjustments for revenue accruals	(378,802)	451,690	1,290
Net adjustments for expenditure accruals	341,522	(472,752)	(8,278)
GAAP Basis	\$ 113,153	243,655	57,491

STONE COUNTY

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

D. Excess of Actual Expenditures Over Budget in Individual Funds.

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2018:

<u>Fund</u>	<u>Excess</u>
General Fund	\$ 2,421

The General Fund is in violation of Section 19-11-17, Miss. Code Ann. (1972)). However, the County has no liability associated with these violations.

Pension Schedules

A. Changes of assumptions.

2015

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

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

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

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

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

2016

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

2017

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

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

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

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

B. Changes in benefit provisions.

2016

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

STONE COUNTY

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

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

STONE COUNTY

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STONE COUNTY

SUPPLEMENTARY INFORMATION

STONE COUNTY

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STONE COUNTY

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Forest Service/ Passed-through the Mississippi State Treasurer's Office Forest service schools and roads cluster: Schools and roads - grants to states	10.665	N/A	\$ <u>216,601</u>
U.S. Department of Housing and Urban Development Passed-through the Mississippi Development Authority Community development block grants/state's program and non-entitlement grants in Hawaii*	14.228	R-109-066-02-KCR	<u>526,115</u>
U.S. Department of Justice - Bureau of Justice Assistance/ Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	16LB1661	<u>4,186</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction cluster: Highway planning and construction	20.205	BR NBIS 089B	7,830
Highway planning and construction	20.205	BR NBIS 092B	<u>3,270</u>
Subtotal			<u>11,100</u>
U.S. Department of Transportation Passed-through the Mississippi Office of Highway Safety Highway safety cluster: National priority safety programs	20.616	M5X-2018-MD-16-61	<u>36,568</u>
Total U.S. Department of Transportation			<u>47,668</u>
U.S. Department of Homeland Security Passed-through the Mississippi Emergency Management Agency Hazard mitigation grant	97.039	FEMA-4350-DR-MS	<u>6,419</u>
Emergency management performance grants	97.042	EMA-2018-EP-00005	<u>21,229</u>
Total Expenditures of Federal Awards			\$ <u><u>822,218</u></u>

STONE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Stone County under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Stone County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Stone County.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note C - Indirect Cost Rate

Stone County has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D - Schools and roads - grants to states

Of the federal expenditures presented in the Schedule, the County provided federal awards totaling \$93,834 to subrecipients during the year ended September 30, 2018.

* Denotes major federal award program

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

Operating Expenditures, Cash Basis:

Salaries	\$	136,495
Contractual services		27,688
Expendable Commodities:		
Gasoline and petroleum products		61,508
Repair parts		20,385
Clothing		873
Maintenance		3,640
Professional fees, legal advertising and other fees		166,557
Insurance on equipment		2,774
Supplies		
Interest on capital leases		<u>6,701</u>

Solid Waste Cash Basis Operating Expenditures		426,621
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Full Cost Expenses:

Indirect administrative costs		2,268
Depreciation on equipment		15,248

Solid Waste Full Cost Operating Expenses	\$	<u><u>444,137</u></u>
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STONE COUNTY

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STONE COUNTY

OTHER INFORMATION

STONE COUNTY

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

Name	Position	Company	Bond
Clark Byrd	Supervisor District 1	RLI Surety	\$100,000
Daniel Harris	Supervisor District 2	RLI Surety	\$100,000
Lance Pearson	Supervisor District 3	RLI Surety	\$100,000
Scott Strickland	Supervisor District 4	RLI Surety	\$100,000
Dale Bond	Supervisor District 5	RLI Surety	\$100,000
Gerald Bond	County Administrator	RLI Surety	\$100,000
Gerald Bond	Chancery Clerk	RLI Surety	\$100,000
Shella Lott	Purchase Clerk	RLI Surety	\$75,000
Cynthia Rogers	Assistant Purchase Clerk	RLI Surety	\$50,000
Lori Redmond	Receiving Clerk	RLI Surety	\$75,000
Lynn Stokes	Assistant Receiving Clerk	RLI Surety	\$50,000
Linda Sumrall	Assistant Receiving Clerk	RLI Surety	\$50,000
Twyla Garner	Assistant Receiving Clerk	RLI Surety	\$50,000
Chris Walters	Assistant Receiving Clerk	RLI Surety	\$50,000
Micholyn Harris Ramsey	Inventory Control Clerk	Western Surety	\$75,000
Florian L. Hickman	Road Manager	RLI Surety	\$50,000
Louis Simmons	Constable	RLI Surety	\$50,000
Everett Compston	Constable	RLI Surety	\$50,000
Jeffrey L. O'Neal	Circuit Clerk	Western Surety	\$100,000
Susan D. Kellogg	Deputy Circuit Clerk	RLI Surety	\$50,000
June O'Neal	Deputy Circuit Clerk	Western Surety	\$50,000
Mike Farmer	Sheriff	RLI Surety	\$100,000
Ricky Farmer	Justice Court Judge	RLI Surety	\$50,000
Justin Miles	Justice Court Judge	RLI Surety	\$50,000
Sonya M. Warren	Justice Court Clerk	RLI Surety	\$50,000
Aletha Parker	Deputy Justice Court Clerk	RLI Surety	\$50,000
Charles Williams, Jr.	Tax Assessor-Collector	RLI Surety	\$100,000
Tom Smith	Deputy Tax Assessor	RLI Surety	\$10,000
Kenneth Shelton	Deputy Tax Assessor	RLI Surety	\$10,000
Lola Marie Bond	Deputy Tax Collector	RLI Surety	\$50,000
Taryn Racine Breland	Deputy Tax Collector	RLI Surety	\$50,000
Charlotte Taylor	Deputy Tax Collector	RLI Surety	\$50,000

STONE COUNTY

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STONE COUNTY

SPECIAL REPORTS

STONE 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
Stone County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Stone 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 April 24, 2020. Our report includes a qualified opinion on the governmental activities, business-type activities and Correctional Facility Fund because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America. Our report also includes a qualified opinion on the General Fund because the County did not maintain and preserve adequate subsidiary records documenting the existence and valuation of the Circuit Court fines receivable, net, and the aging of these receivables at September 30, 2018, and due to the lack of reconciled bank statements for the Circuit Clerk's operational accounts.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stone 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 Stone 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 Questioned Costs, 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 Questioned Costs as 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, 2018-007, 2018-008 and 2018-009 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 Questioned Costs as 2018-006 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stone 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 Questioned Costs as items 2018-001, 2018-002 and 2018-007.

We also noted certain matters which we have reported to the management of Stone 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 April 24, 2020, included within this document.

Stone County's Responses to Findings

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

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 24, 2020



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Members of the Board of Supervisors
Stone County, Mississippi

Report on Compliance for the Major Federal Program

We have audited Stone County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Stone County, Mississippi's major federal program for the year ended September 30, 2018. Stone County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Stone County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Stone County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Stone County, Mississippi's compliance.

Basis for Qualified Opinion on CFDA 14.228, Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

As described in the accompanying Schedule of Findings and Questioned Costs, Stone County, Mississippi did not comply with requirements regarding CFDA 14.228, Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii and as described in finding number 2018-010 for equipment and real property management. Compliance with such requirements is necessary, in our opinion, for Stone County, Mississippi to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 14.228, Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Stone County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 14.228, Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of Stone County, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Stone County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-010 that we consider to be a material weakness.

Stone County, Mississippi's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Stone County, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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

April 24, 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
Stone County, Mississippi

We have examined Stone 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 Stone 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 Stone 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. Inventory Control Clerk should maintain an inventory control system.

Repeat Finding Yes

Criteria Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, costs, locations, acquisition dates, disposition dates, methods 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. The information is also very important to the financial reporting process.

Condition

As reported in the prior two years' audit reports, deficiencies were noted in the capital asset records:

Governmental Activities:

- a. Improvements Other Than Buildings was understated by \$918,306 due to the misclassification of an asset.
- b. Mobile Equipment was understated by the net amount of \$9,106 due to the misclassification of assets and other inventory errors.
- c. Furniture and Equipment was overstated by the net amount of \$829,170 due to the misclassification of assets and the failure to record purchased assets on the capital asset listing.
- d. Leased Property was overstated by the net amount of \$97,310 due to the misclassification of assets.
- e. Infrastructure was understated by \$1,902,445 due to the County's failure to record completed State Aid bridge projects.
- f. Accumulated Depreciation as of September 30, 2018, was understated by the net amount of \$630,172 due to the County not recording the correct depreciable base for assets, not recording current year additions, recording incorrect salvage values, and the misclassification of assets.
- g. Current year depreciation expense was understated by the net amount of \$133,091 due to the County not recording the correct depreciable base for assets, not recording current year additions, recording incorrect salvage values, and the misclassification of assets.

Business-type Activities:

- a. Mobile Equipment was overstated by \$60,956 due to undeterminable errors in prior years.
- b. Leased Property was overstated by the net amount of \$32,967 due to the County misclassifying an asset, as well as, other prior year errors in the beginning balance.
- c. Accumulated Depreciation as of September 30, 2018, was understated by the net amount of \$56,160 due to the County misclassifying an asset, as well as, other prior year errors in the beginning balance.
- d. Current year depreciation expense was understated by \$5,038 due to the misclassification of an asset purchased by and assigned to the Regional Correctional Facility.

Cause

The Inventory Control Clerk lacked the necessary internal control procedures required to ensure that all items are recorded, properly valued, and properly classified in the County's capital asset records.

Effect

Failure to properly maintain the 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 implement appropriate control procedures to ensure that all assets are recorded, properly valued and properly classified in the County's capital asset records. The information in the County's capital asset records should be reconciled by all department heads through an annual inventory to ensure records are accurate and complete.

Views of Responsible

Inventory Control Clerk will work with financial statement preparer to make corrections prior to preparation of fiscal 2019 financial statements.

Official(s)

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Stone 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.

Stone 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 Stone 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.

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

April 24, 2020

STONE COUNTY

Schedule 1Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2018

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
1/22/2018	Jail management software system	\$ 117,600	Magnolia Corrections Management d/b/a Tiger Correctional Service, Inc.	\$ 76,200	Did not meet specifications.

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

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/11/2017	Emergency bridge repairs	\$ 20,500	Ryals Construction, LLC	Inspection revealed bad pilings under bridge.

STONE COUTY

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.



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
Stone County, Mississippi

In planning and performing our audit of the financial statements of Stone County, Mississippi for the year ended September 30, 2018, we considered Stone 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 Stone 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 April 24, 2020, on the financial statements of Stone County, Mississippi.

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

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

Board of Supervisors.

1. 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 in the General Fund by \$1,500 for general government expenditures and \$921 for public safety expenditures.

Cause The County did not have the necessary controls in place to ensure actual expenditures did not exceed budgeted amounts.

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

Recommendation	The Board of Supervisors should not make expenditures in excess of budgeted amounts.
Views of Responsible Official(s)	This condition was unknown to Comptroller. Comptroller assumes some entries may have been posted after budget was amended.
2.	<u>The County should apportion railcar ad valorem taxes to the appropriate taxing districts.</u>
Repeat Finding	No
Criteria	Section 27-35-519, Miss. Code Ann. (1972), requires the Clerk of the Board of Supervisors to apportion the county payment of railcar ad valorem taxes to the municipalities and other taxing districts in proportion to the number of miles of railroad in the municipality or other taxing districts to the number of miles of railroad in the entire county.
Condition	During the audit, it was noted that the County did not apportion railcar ad valorem taxes received to the City of Wiggins or the Stone County School District as required.
Cause	The County lacked the necessary controls to ensure that railcar ad valorem taxes were apportioned in accordance with state law.
Effect	Failure to apportion and settle railcar taxes as required by law could result in the misappropriation of public funds.
Recommendation	The County should implement policies and procedures to ensure that railcar ad valorem taxes are apportioned to other taxing districts.
Views of Responsible Official(s)	Comptroller was unaware of this requirement and the County has never been cited before for this finding. Comptroller will comply.
Circuit Clerk.	
3.	<u>The Circuit Clerk should settle any amount in excess of the fee cap to the County and establish and maintain a fee journal and submit an Annual Financial Report as required by state statute.</u>
Repeat Finding	No
Criteria	Section 9-1-43(1), Miss. Code Ann. (9172), limits the compensation of the Circuit Clerk to \$90,000 after making deductions for employees' salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be deposited by the Circuit Clerk into the County's General Fund on or before April 15 th for the preceding calendar year. Section 9-1-43(6), Miss. Code Ann. (1972), states a Circuit Clerk shall establish and maintain a cash journal for recording cash receipts from private or government sources for furnishing copies of any papers of record or on file, or for rendering services as a notary publish, or other fees wherein the total fee for the transaction is ten dollars (\$10.00) or less. Additionally, Section 91-1-45, Miss. Code Ann. (1972), states a Circuit Clerk shall file, not later than April 15 of each year, with the State Auditor of Public Accounts immediately after January 1 of each year. The form shall include the following information: (a) revenues subject to the salary cap, including fees; (b) revenues not subject to the salary cap; and (c) expenses of office, including any salary paid to a clerk's spouse or children. Each Circuit Clerk shall provide any additional information requested by the Public Employees' Retirement System for the purpose of retirement calculations.

Condition	During test work, the following deficiencies were noted: <ul style="list-style-type: none"> a. A fee journal was not established or maintained throughout the year. b. An Annual Financial Report for the calendar year 2018 was not prepared or filed with the Office of the State Auditor or the Public Employees' Retirement System (PERS) on or before April 15, 2019. Therefore, it could not be determined if the Circuit Clerk was over the \$90,000 fee cap after making deductions for allowable expenses.
Cause	The Circuit Clerk did not comply with state laws.
Effect	The failure to prepare and submit an Annual Financial Report to the Office of the State Auditor and to PERS, and to establish and maintain a fee journal could result in the loss or misappropriation of public funds, understatement of income and inaccurate settlements of over the cap fee income to the County's General Fund.
Recommendation	The Circuit Clerk should establish and maintain a fee journal, prepare an Annual Financial Report for calendar year 2018 and submit to the Office of the State Auditor and to PERS, as required by law.
Views of Responsible Official(s)	No responses were provided by the Circuit Clerk for this finding.

4. The Circuit Clerk did not settle accounts in a timely manner.

Repeat Finding	Yes
Criteria	The Circuit Clerk is required to settle collections for the criminal and civil accounts monthly to the County.
Condition	As reported in the prior two years' audit reports, it was noted that only one settlement was made by the Circuit Clerk to the County during the fiscal year.
Cause	The Circuit Clerk lacked the necessary controls over the settlement of cash collections.
Effect	Irregular settlement activity can potentially result in the loss or misappropriation of public funds.
Recommendation	The Circuit Clerk should accurately make monthly settlements with the County by the 20 th of the following month.
Views of Responsible Official(s)	No responses were provided by the Circuit Clerk for this finding.

Stone 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

April 24, 2020

STONE COUNTY

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STONE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STONE COUNTY

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STONE COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Qualified
Business-type activities	Qualified
General Fund	Qualified
Road and Bridge Fund	Unmodified
Countywide Bridge and Culvert Fund	Unmodified
Aggregate remaining fund information	Unmodified
Correctional Facility Fund	Qualified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiency identified? Yes
3. Noncompliance material to the financial statements noted? Yes

Federal Awards:

4. Internal control over major federal programs:
 - a. Material weakness identified? Yes
 - b. Significant deficiency identified? None Reported
5. Type of auditor's report issued on compliance for major federal programs: Qualified
6. Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes
7. Identification of major federal programs:
 - a. CFDA 14.228, Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.516(b)? No

STONE COUNTY

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

Section 2: Financial Statement Findings

Board of Supervisors.

**Material Weakness
Material Noncompliance**

2018-001. County signed warrants without sufficient 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 eleven years' audit reports, warrants were issued on funds which did not have sufficient money to pay the warrants. As of September 30, 2018, the following funds had negative cash balances:

- a. General County Fund - \$1,416,413
- b. Stone County Regional Correctional Facility Revenue Fund - \$49,689

Cause The County did not comply with state laws.

Effect
warrants Failure to have sufficient cash balances in County funds prior to the signing and delivery of on these funds resulted in the use of the cash balances of other funds for purposes other than the intended purpose. These types of transactions could result in the Board of Supervisors being held personally liable for such amounts.

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

**Views of Responsible
Official(s)** See Auditee's Corrective Action Plan.

**Material Weakness
Material Noncompliance**

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

Repeat Finding No

Criteria The Mississippi Code is silent regarding the authority to make interfund loans.

Condition The County has interfund loans that have been outstanding for over one year. These loans were made to cover errors in posting revenues, debt proceeds and debt service expenditures in prior years. However, these loans were not repaid as of September 30, 2018.

Cause The County failed to repay outstanding interfund loans.

Effect Failure of the Board of Supervisors to ensure payment of these loans is an illegal diversion of legally restricted funds.

STONE COUNTY

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

Recommendation For any interfund loans made, the Board of Supervisors should approve and record in the board minutes the reason for the loan, when the loan will be repaid and the source of funds for repayment. The Board of Supervisors should ensure these old loans are repaid by approving and recording in the board minutes a repayment schedule and complying with the repayment schedule.

Views of Responsible Official(s) See Auditee's Corrective Action Plan.

Material Weakness

2018-003. Cash collections and general ledger maintenance functions are not adequately segregated.

Repeat Finding Yes

Criteria An effective system of internal controls should include an adequate segregation of duties.

Condition As reported in the prior ten years' audit reports, cash collections and general ledger maintenance functions are not adequately segregated for effective internal control. The Comptroller receipts funds, prepares all deposits, reconciles the County's bank statements and posts the receipts to the general ledger.

Cause The County lacks the necessary internal controls over cash collections and general ledger maintenance functions.

Effect Failure to have adequate segregation of duties could result in the loss of public funds.

Recommendation The Board of Supervisors should implement effective internal control policies that allow for the proper segregation of duties for the cash collections and general ledger maintenance functions.

Views of Responsible Official(s) See Auditee's Corrective Action Plan.

Material Weakness

2018-004. The County should comply with GASB Statement 75 and report on postemployment healthcare benefits.

Repeat Finding Yes

Criteria Stone County purchases health insurance coverage from a commercial health insurance company and offers health insurance benefit coverage through the County's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 75 as a single employer defined health care plan. GASB Statement 75 requires the County to report on an accrual basis the liability associated with other postemployment benefits.

Condition As reported in the prior four years' audit reports, the County does not issue a publicly available financial report for its health insurance plan. The County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

Cause The County chooses to not receive an actuarial valuation.

STONE COUNTY

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

Effect	The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities, business-type activities and the Correctional Facility Fund.
Recommendation	The Board of Supervisors should have an actuarial valuation annual so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.
Views of Responsible Official(s)	See Auditee's Corrective Action Plan.
Material Weakness	
2018-005.	<u>Processing of payroll and other payroll duties not adequately segregated.</u>
Repeat Finding	Yes
Criteria	An effective system of internal control should include an adequate segregation of duties.
Condition	<p>As reported in the prior ten years' audit reports, the maintenance of the general ledger, processing payroll and other payroll duties are not adequately segregated for effective internal control. Based upon our test work, we noted the following internal control weaknesses in the payroll function:</p> <ul style="list-style-type: none">a. The Comptroller, who maintains the general ledger, also prepares the payroll.b. Time cards/attendance records are not checked for computations of payroll period hours.c. Unclaimed W-2s are returned directly to the Comptroller.
Cause	The County lacks the necessary controls over the processing of payroll and other payroll duties.
Effect	Failure to have an adequate segregation of duties could result in the loss of public funds.
Recommendation	The Board of Supervisors should implement a system of internal control that will ensure that proper segregation of duties exists with respect to control of the general ledger, the processing of payroll and other payroll duties.
Views of Responsible Official(s)	See Auditee's Corrective Action Plan.
Significant Deficiency	
2018-006.	<u>Stone County has inadequate controls over billing and receipt of revenues for housing prisoners.</u>
Repeat Finding	No
Criteria	An effective system of internal control over the recording of transactions for housing prisoners should include timely billing of invoices, the proper classification of revenues and expenditures/expenses, and adequate segregation of duties.
Condition	Some invoices for housing prisoners were not billed in a timely manner.
Cause	The County lacked the necessary controls over billing and receipt of revenues for housing prisoners.

STONE COUNTY

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

Effect	Failure to bill invoices in a timely manner and reconcile recorded transactions could result in the incorrect classification of revenues and expenditures/expenses in the County's accounting records, as well as the misappropriation or loss of public funds. The lack of adequate segregation of duties for the billing and cash receipt functions could also result in the loss of public funds.
Recommendation	The Board of Supervisors should implement a system of internal control that will ensure that all transactions are recorded and correctly classified in the County's accounting records, that all invoices for housing prisoners are billed in a timely manner, and that there is an adequate segregation of duties at the correctional facility.
Views of Responsible Official(s)	See Auditee's Corrective Action Plan.
Circuit Clerk.	
Material Weakness Material Noncompliance	
2018-007.	<u>Reconciled cash amounts were not provided for inclusion in the financial statements by the Circuit Clerk.</u>
Repeat Finding	Yes
Criteria	Reconciled amounts for the Criminal, Civil and Bond accounts of the Circuit Clerk's office are to be included as cash and payable amounts in the financial statements.
Condition	<p>As reported in the prior two years' audit reports, reconciled bank statements were not provided as of September 30, 2018. Public depositor annual reports determined that the following bank statements are known:</p> <ul style="list-style-type: none">a. Criminal - \$150,914b. Civil - \$41,008c. Criminal Bond - \$6,585 <p>In total, \$198,507 in unreconciled cash is known for the Circuit Clerk's office. Also, the auditor was not afforded an opportunity to verify actual cash.</p>
Cause	Reconciled bank statements were not provided for the relevant bank accounts for September 30, 2018.
Effect	Unrecorded cash translates into actual cash being undetermined. Without adequate records and supporting documentation provided, the cash position of the Circuit Clerk's office cannot be determined with reliability for inclusion in the financial statements. Cash withheld from financial statement inclusion can cause material misstatements to the financial statements. This material exclusion resulted in a qualified opinion on the General Fund opinion unit.
Recommendation	The Circuit Clerk should provide reconciled cash information for relevant bank accounts as of September 30, 2018 for inclusion in the financial statements.
Views of Responsible Official(s)	See Auditee's Corrective Action Plan.

STONE COUNTY

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

Material Weakness

2018-008.	<u>The Circuit Court Clerk should ensure effective controls over fines receivable.</u>
Repeat Finding	No
Criteria	An effective system of internal control over fines receivable records should include maintaining adequate subsidiary records to substantiate the total fines receivable balance.
Condition	Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for the Circuit Court fines and aging of fines receivable as of September 30, 2018.
Cause	The Circuit Clerk lacked the necessary internal controls over fines receivable.
Effect	The Independent Auditor's Report includes a qualified opinion on the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Circuit Court fines receivable.
Recommendation	The Circuit Clerk should establish procedures documenting the existence and valuation of Circuit Court fines receivable, including the aging schedule of fines receivable.
Views of Responsible Official(s)	See Auditee's Corrective Action Plan.

Inventory Control Clerk.

Material Weakness

2018-009.	<u>The Inventory Control Clerk should maintain an accurate inventory control system.</u>
Repeat Finding	Yes
Criteria	An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, costs, locations, acquisition dates, disposition dates, methods 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. The information is also very important to the financial reporting process.
Condition	<p>As reported in the prior two years' audit reports, deficiencies were noted in the capital asset records:</p> <p>Governmental Activities:</p> <ol style="list-style-type: none">Improvements Other Than Buildings was understated by \$918,306 due to the misclassification of an asset.Mobile Equipment was understated by the net amount of \$9,106 due to the misclassification of assets and other inventory errors.Furniture and Equipment was overstated by the net amount of \$829,170 due to the misclassification of assets and the failure to record purchased assets on the capital asset listing.Leased Property was overstated by the net amount of \$97,310 due to the misclassification of assets.Infrastructure was understated by \$1,902,445 due to the County's failure to record completed State Aid bridge projects.

STONE COUNTY

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

- f. Accumulated Depreciation as of September 30, 2018, was understated by the net amount of \$630,172 due to the County not recording the correct depreciable base for assets, not recording current year additions, recording incorrect salvage values, and the misclassification of assets.
- g. Current year depreciation expense was understated by the net amount of \$133,091 due to the County not recording the correct depreciable base for assets, not recording current year additions, recording incorrect salvage values, and the misclassification of assets.

Business-type Activities:

- a. Mobile Equipment was overstated by \$60,956 due to undeterminable errors in prior years.
- b. Leased Property was overstated by the net amount of \$32,967 due to the County misclassifying an asset, as well as, other prior year errors in the beginning balance.
- c. Accumulated Depreciation as of September 30, 2018, was understated by the net amount of \$56,160 due to the County misclassifying an asset, as well as, other prior year errors in the beginning balance.
- d. Current year depreciation expense was understated by \$5,038 due to the misclassification of an asset purchased by and assigned to the Regional Correctional Facility.

Cause The Inventory Control Clerk lacked the necessary internal control procedures required to ensure that all items are recorded, properly valued, and properly classified in the County's capital asset records.

Effect Failure to properly maintain the 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 implement appropriate control procedures to ensure that all assets are recorded, properly valued and properly classified in the County's capital asset records. The information in the County's capital asset records should be reconciled by all department heads through an annual inventory to ensure records are accurate and complete.

Views of Responsible Official(s) See Auditee's Corrective Action Plan.

Section 3: Federal Award Findings and Questioned Costs

Compliance Requirement Equipment and Real Property Management

Material Weakness

2018-010. The County should establish controls to ensure that all assets purchased or constructed with federal funds are recorded in the County's capital asset records.

CFDA Number 14.228

Federal Award Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Pass-through Mississippi Development Authority

Questioned Costs None

Repeat Finding No

STONE COUNTY

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

Criteria	<i>U.S. Code, Title 2, Section 200.313(d)(1)</i> , states that all property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.
Condition	The road being constructed with the federal grant was not recorded in the County's capital asset records.
Cause	This was caused by a lack of controls over the equipment and real property management compliance requirement.
Effect	Failure to include the road under construction in the County's capital asset records could result in a demand for the repayment of funds and could potentially affect the County's ability to receive federal funds in the future.
Recommendation	The County should implement procedures to ensure that all assets purchased or constructed with federal funds are recorded in the County's capital asset records.
Views of Responsible Official(s)	See Auditee's Corrective Action Plan.

STONE COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

STONE COUNTY

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STONE COUNTY

BOARD OF SUPERVISORS

P. O. DRAWER 7 • WIGGINS, MISSISSIPPI 39577
PHONE: (601) 928-5266 • FAX: (601) 928-6464



CORRECTIVE ACTION PLAN

April 9, 2020

Office of the State Auditor
501 N. West Street, Suite 801
Jackson, Mississippi 39201

Gentlemen:

Stone County respectfully submits the following corrective action plan for the year ended September 30, 2018.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

SECTION 2: FINANCIAL STATEMENT FINDINGS

2018-001. Corrective Action Planned: Correctional Facility is a timing issue. Funds were received on 10/25/2018. Balance of the General Fund as of 9/30/2019 was \$394,788.04.

Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective Action: Brian Ross, Comptroller

2018-002. Corrective Action Planned: Management will comply.

Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective Action: Brian Ross, Comptroller

2018-003. Corrective Action Planned: Management will attempt to comply but is limited in funds to hire additional personnel.

Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective Action: Brian Ross, Comptroller

2018-004. Corrective Action Planned: Management accepts this finding with no plans for corrective action due to the high cost of hiring an actuary to perform the necessary calculations.

Anticipated Completion Date: Unknown

Clark G. Byrd
District 1

Daniel Harris
District 2

Lance D. Pearson
District 3
Vice-President

Scott Strickland
District 4
President

Dale T. Bond
District 5

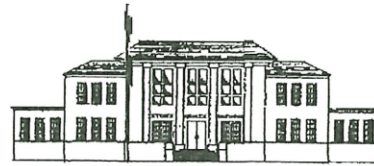
Gerald W. Bond
Chancery Clerk

D. Scott Gibson
Attorney

STONE COUNTY

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Name of Contact Person Responsible for Corrective Action: Brian Ross, Comptroller

2018-005. Corrective Action Planned: Management will attempt to comply but is limited in funds to hire additional personnel.

Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective Action: Brian Ross, Comptroller

2018-006. Corrective Action Planned: Comptroller and Correctional Facility Administrative Assistant will comply with recommendations.

Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective Action: Brian Ross, Comptroller

2018-007. Corrective Action Planned: No responses were provided by the Circuit Clerk for this finding.

Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective Action: Jeffrey L. O'Neal, Previous Circuit Clerk

2018-008. Corrective Action Planned: No responses were provided by the Circuit Clerk for this finding.

Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective Action: Jeffrey L. O'Neal, Previous Circuit Clerk

2018-009. Corrective Action Planned: Inventory Control Clerk will work with financial statement preparer to make corrections prior to preparation of fiscal year 2019 financial statements.

Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective Action: Micholyn Ramsey, Inventory Control Clerk

SECTION 3: FEDERAL AWARD FINDINGS

2018-010. Corrective Action Planned: Inventory Control Clerk will work with County Engineer to ensure road construction is properly recorded in the capital asset records.

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PHONE: (601) 928-5266 • FAX: (601) 928-6464



Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective Action: Micholyn Ramsey, Inventory Control Clerk

Sincerely yours,

A blue ink handwritten signature, appearing to read "Lance Pearson", written over a horizontal line.

President, Board of Supervisors

Clark C. Byrd
District 1

Daniel Harris
District 2

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