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

**UNION COUNTY
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SEPTEMBER 30, 2018**

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Union County, Mississippi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Union County, Mississippi, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's and Component Unit's Proportionate Share of the Net Pension Liability, the Schedule of the County's and Component Unit's Contributions - PERS, the Schedule of the Component Unit's Proportionate Share of the Net OPEB Liability, and the Schedule of the Component Unit's Contributions - OPEB, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2020, on our consideration of Union County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Union County'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 Union County, Mississippi's internal control over financial reporting and compliance.



J. E. Vance & Company, P.A.
August 14, 2020

Union County Board of Supervisors

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MANAGEMENT'S DISCUSSION AND ANALYSIS UNAUDITED

INTRODUCTION

The discussion and analysis of Union County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2018. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Union County is located in Northeastern Mississippi along Hwy. 78 (the Future Interstate I-22). The population, according to the 2010 census, is 27,134. The local economic base is driven mainly by manufacturing.

FINANCIAL HIGHLIGHTS

Union County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Union County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase.

Total net position decreased \$259,346, including prior period adjustments of \$215,155, which represents a 0.46% decrease from the prior fiscal year. The County's ending cash balance decreased by \$29,915.

The County had \$17,048,119 in total revenues. Property tax revenues account for \$8,021,954 or 47% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$5,270,543, or 31% of total revenues. Charges for services account for \$2,150,564 or 13% of total revenue. Ad valorem tax in lieu fees account for \$556,324 or 3% of total revenue. Other revenues such as road and bridge privilege taxes, fines, fees, interest income etc. account for the remaining 6% of total revenues.

The County had \$17,092,310 in total expenses, which represents an increase of \$1,169,686 or 7% from the prior fiscal year. Expenses in the amount of \$6,811,610 were offset by charges for services, grants or outside contributions. General revenues of \$10,236,509 were not adequate to cover the remaining amount of expenses, \$10,280,700. However, the County had adequate cash reserves to cover these expenses.

Among major funds, the General Fund had \$8,282,298 in revenues and \$7,473,395 in expenditures. The General Fund also had net other financing uses of \$214,988. The General Fund's fund balance increased \$593,915 from the prior year.

Among major funds, the Countywide Road Maintenance Fund had \$4,151,031 in revenues and \$4,718,136 in expenditures. The Countywide Road Maintenance Fund also had net other financing sources of \$134,066. The Countywide Road Maintenance Fund's fund balance decreased \$433,039 from the prior year.

Among major funds, the Countywide Bridge Fund had \$1,784,325 in revenues and \$2,112,394 in expenditures. The Countywide Bridge Fund also had net other financing sources of \$92,500. The Countywide Bridge Fund's fund balance decreased \$235,569 from the prior year.

Among major funds, the Health Foundation Fund had \$124,973 in revenues and \$63,453 in expenditures. The Health Foundation Fund's fund balance increased \$61,520 from the prior year.

Capital Assets, net of accumulated depreciation, increased by \$497,533. This represents a 1% increase.

Long-term debt decreased by \$889,119 or 11%. Toyota bonds outstanding in the amount of \$5,200,000 account for 75% of all long-term debt. This bond issue will be repaid from the in-lieu of ad valorem tax fee.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 – Required Components of the County's Annual Report

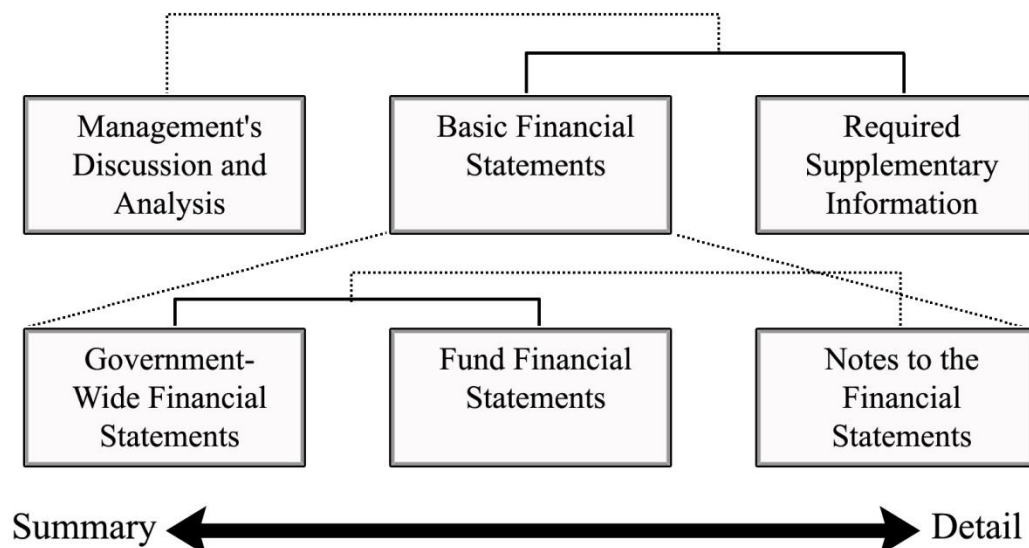


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County’s financial statements, including the portion of the County’s government they cover and the types of information they contain. The remainder of this section of Management’s Discussion and Analysis explains the structure and content of each of the statements.

Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements

	Government -Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net position** presents information on all County assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; education; culture and recreation; conservation of natural resources; economic development; interest on long-term debt, and pension expense. The business-type activities of the County include the County's Solid Waste Fund.

The Government-wide Financial Statements can be found on pages 16 and 17 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, capital projects, and permanent funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 19 and 21, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 18 and 20 of this report.

Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County uses an enterprise fund to account for the Solid Waste Fund.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Solid Waste Fund is considered to be a major fund of the County. The proprietary funds financial statements can be found on pages 22-24 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 25 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 26-59 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, pension data, and OPEB data as required supplementary information.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 61-63 of this report.

This report also presents a schedule of the County's and Component Unit's proportionate share of the net pension liability of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. This schedule is presented to show trending data over the most recent ten fiscal year period as required by the Governmental Accounting Standards Board. This required supplementary information can be found on page 64 of this report.

This report also presents a schedule of County's and Component Unit's contributions to PERS over the most recent ten fiscal year period as required by the Governmental Accounting Standards Board. This required supplementary information can be found on page 65 of this report.

A schedule of the Component Unit's proportionate share of the net other post-employment benefits liability of the State and School Employees' Life and Health Insurance Plan is provided. This schedule is presented to show trending data over the most recent ten fiscal year period as required by the Governmental Accounting Standards Board. This required supplementary information can be found on page 66 of this report.

This report also presents a schedule of the Component Unit's contributions to the OPEB plan over the most recent ten fiscal year period as required by the Governmental Accounting Standards Board. This required supplementary information can be found on page 67 of this report.

Other Information

Although not a required part of the basic financial statements, the Schedule of Surety Bonds for County Officials is presented for purposes of additional analysis. This schedule can be found on page 72 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position – Net position may serve over time as a useful indicator of government's financial position. In the case of Union County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$56,204,033 as of September 30, 2018.

By far, the largest portion of the County's net position (87%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net position at September 30, 2018 and 2017.

	Governmental Activities		Change
	2018	2017	
Current assets	\$ 31,910,272	\$ 32,246,015	-1%
Capital assets, net	48,883,443	48,389,281	1%
Total assets	80,793,715	80,635,296	0%
Deferred outflows of resources	898,407	1,215,732	-26%
Current liabilities	1,736,230	1,519,741	14%
Long-term debt outstanding	6,940,101	7,828,553	-11%
Net pension liability	9,996,778	9,782,126	2%
Total liabilities	18,673,109	19,130,420	-2%
Deferred inflows of resources	6,916,087	6,365,737	9%
Net position:			
Net investment in capital assets	48,813,408	48,291,682	1%
Restricted	13,398,380	13,923,789	-4%
Unrestricted	(6,108,862)	(5,860,600)	-4%
Total net position	\$ 56,102,926	\$ 56,354,871	0%
	Business-type Activities		Change
	2018	2017	
Current assets	\$ 788,597	\$ 745,314	6%
Capital assets, net	139,657	136,286	2%
Total assets	928,254	881,600	5%
Deferred outflows of resources	60,005	49,062	22%
Current liabilities	101,889	106,663	-4%
Long-term debt outstanding	10,136	10,803	-6%
Net pension liability	752,446	690,612	9%
Total liabilities	864,471	808,078	7%
Deferred inflows of resources	22,681	14,076	61%
Net position:			
Net investment in capital assets	139,657	136,286	2%
Restricted	676,572	627,848	8%
Unrestricted	(715,122)	(655,626)	-9%
Total net position	\$ 101,107	\$ 108,508	-7%

Note: The business-type activities consist of the collection and disposal of household garbage financed by a monthly fee charged on each home & various charges for commercial garbage service based on the service provided such as dumpster size and number of pickups per week. The monthly fee for residential garbage pickup is \$10.00.

Additional information on net position:

In connection with the implementation of standards on accounting and financial reporting for pensions, management presents the following additional information:

Governmental Activities:	2018	2017
Total unrestricted net position - governmental activities	\$ (6,108,862)	\$ (5,860,600)
Unrestricted decrease in net position resulting from recognition of the net pension liability	9,944,908	9,329,252
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 3,836,046</u>	<u>\$ 3,468,652</u>
Business-type Activities:		
Total unrestricted net position - business-type activities	\$ (715,122)	\$ (655,626)
Unrestricted decrease in net position resulting from recognition of the net pension liability	715,122	655,626
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ -0-</u>	<u>\$ -0-</u>

Changes in Net Position – Union County’s total revenues for the fiscal year ended September 30, 2018 were \$17,048,119. The total cost for all services provided was \$17,092,310. The decrease in net position was \$259,346.

The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2018 and 2017.

	2018	2017	Change
Revenues:			
Program revenues			
Charges for services	\$ 2,150,564	\$ 2,076,351	4%
Operating grants	3,794,514	1,297,787	192%
Capital grants	866,532	546,056	59%
General revenues			
Property taxes	8,021,954	7,566,756	6%
Road and bridge privilege taxes	320,409	320,300	0%
Unrestricted grants and contributions	609,497	570,012	7%
Advalorem tax in-lieu fee	556,324	604,611	-8%
Unrestricted interest income	264,499	146,881	80%
Miscellaneous	463,826	257,853	80%
Total Revenues	<u>17,048,119</u>	<u>13,386,607</u>	27%
Expenses:			
General government	2,715,637	2,872,042	-5%
Public safety	3,669,148	3,563,291	3%
Public works	6,063,323	5,576,205	9%
Health and welfare	422,924	428,724	-1%
Culture and recreation	266,642	267,000	0%
Education	300,000	300,000	0%
Conservation of natural resources	118,269	113,907	4%
Economic development	1,092,237	204,500	434%
Interest on long-term debt	268,510	252,370	6%
Pension expense	1,229,666	1,371,887	-10%
Garbage disposal (Business type)	945,954	972,698	-3%
Total Expense	<u>17,092,310</u>	<u>15,922,624</u>	7%
Prior Period Adjustments	<u>(215,155)</u>	<u>1,541</u>	-14062%
Changes in Net Position	<u>\$ (259,346)</u>	<u>\$ (2,534,476)</u>	90%

Governmental Activities – The following table presents the cost of ten major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Economic Development, Culture & Recreation, Education, Conservation of Natural Resources, Interest on Debt, and Pension Expense.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Union County's taxpayers by each of these functions.

	Total Costs	Net Costs
General Government	\$ 2,715,637	\$ 1,786,630
Public Safety	3,669,148	2,763,505
Public Works	6,063,323	2,623,785
Health and Welfare	422,924	331,882
Culture and Recreation	266,642	266,642
Education	300,000	300,000
Conservation of Natural Resources	118,269	118,269
Economic Development and Assistance	1,092,237	576,714
Interest on Long-term Debt	268,510	268,510
Pension Expense	1,229,666	1,229,666

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Union County's governmental funds reported a combined fund balance of \$16,297,023 a decrease of \$229,983, or 1% from the previous year.

Business-type fund – Operating revenue from the County's Garbage Collection Fund increased by approximately 1% to \$930,857 and operating expenses decreased approximately 3% to \$944,486. Nonoperating revenues in the form of interest income and other miscellaneous revenue totaled \$7,696. Nonoperating expenses in the form of loss on sale of capital assets totaled \$1,468.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major special revenue funds is provided in this report as required supplementary information after the notes to the Financial Statements.

The Original Budget was amended to actual at year end. The only significant variances from the original Budget in regard to total Revenues and Expenditures occurred in the Countywide Road Maintenance & Countywide Bridge Funds. These variances resulted from the timing of Federal Grant Construction projects as well as State Aid Road and Bridge projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2018, Union County's total capital assets was \$121,567,572. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$1,484,024 or 1%.

Total accumulated depreciation as of September 30, 2018 was \$72,544,472, including \$1,312,418 of depreciation expense for the year. The balance in total net capital assets was \$49,023,100 at year-end.

Additional information on Union County's capital assets can be found in note 8 on page 39 of this report.

Debt Administration – At September 30, 2018, Union County had \$6,950,237 in long-term debt outstanding. This includes general obligation bonds, Mississippi Business Investment Act notes, a note payable, and compensated absences. Of this debt, \$898,876 is due within one year.

Additional information on Union County's long-term debt can be found in note 12 on page 43 of this report.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Union County Administrator or Chancery Clerk's office at P.O. Box 847, New Albany, MS 38652.

FINANCIAL STATEMENTS

Union County
Statement of Net Position
September 30, 2018

Exhibit 1

	Primary Government			Component
	Governmental	Business-type		Unit
	Activities	Activities	Total	Union County Library System
ASSETS				
Cash	\$ 8,809,919	564,234	9,374,153	307,941
Investments	8,694,186		8,694,186	91,041
Accrued interest receivable	79,760		79,760	312
Property tax receivable	6,459,247		6,459,247	
Accounts receivable (net of allowance for uncollectibles of \$347,434)		167,698	167,698	
Fines receivable (net of allowance for uncollectibles of \$528,452)	129,435		129,435	
Capital leases receivable	1,062,914		1,062,914	
Intergovernmental receivables	643,426		643,426	21,333
Prepaid items				3,925
Other receivables	59,410	68,690	128,100	
Internal balances	12,025	(12,025)		
Ad Valorem tax fee in-lieu receivable	5,959,950		5,959,950	
Restricted assets				70,229
Capital assets:				
Land and construction in progress	2,304,945		2,304,945	12,000
Other capital assets, net	46,578,498	139,657	46,718,155	49,472
Total Assets	80,793,715	928,254	81,721,969	556,253
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	514,127		514,127	
Deferred outflows related to pensions	384,280	60,005	444,285	26,196
Deferred outflows related to other postemployment benefits				5,011
Total Deferred Outflows of Resources	898,407	60,005	958,412	31,207
LIABILITIES				
Claims payable	790,519	34,948	825,467	5,732
Intergovernmental payables	783,634		783,634	5,673
Accrued interest payable	40,385		40,385	
Unearned revenue		66,941	66,941	
Amounts held in custody for others	121,692		121,692	
Long-term liabilities				
Due within one year:				
Capital debt	28,341		28,341	
Non-capital debt	870,535		870,535	
Net OPEB liability				1,841
Due in more than one year:				
Capital debt	41,694		41,694	
Non-capital debt	5,999,531	10,136	6,009,667	5,093
Net pension liability	9,996,778	752,446	10,749,224	359,106
Net OPEB liability				28,839
Total Liabilities	18,673,109	864,471	19,537,580	406,284
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	332,410	22,681	355,091	8,851
Deferred inflows related to other postemployment benefits				2,186
Property tax for future reporting period	6,459,247		6,459,247	
Unavailable revenue - interest on capital leases	124,430		124,430	
Total Deferred Inflows of Resources	6,916,087	22,681	6,938,768	11,037
NET POSITION				
Net investment in capital assets	48,813,408	139,657	48,953,065	61,472
Restricted:				
Expendable:				
General government	119,124		119,124	
Public safety	530,682		530,682	
Public works	3,848,589	676,572	4,525,161	
Health and welfare	1,703,905		1,703,905	
Culture and recreation	10,199		10,199	
Economic development and assistance	37,611		37,611	
Unemployment compensation				1,229
Debt service	3,552		3,552	
Nonexpendable	7,144,718		7,144,718	69,000
Unrestricted	(6,108,862)	(715,122)	(6,823,984)	38,438
Total Net Position	\$ 56,102,926	101,107	56,204,033	170,139

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

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

Exhibit 2

Program Revenues					Net (Expense) Revenue and Changes in Net Position			Component
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Unit
					Governmental Activities	Business-type Activities	Total	Union County Library System
Primary government:								
Governmental activities:								
General government	\$ 2,715,637	674,702	254,305		(1,786,630)		(1,786,630)	
Public safety	3,669,148	545,005	220,638	140,000	(2,763,505)		(2,763,505)	
Public works	6,063,323		2,713,006	726,532	(2,623,785)		(2,623,785)	
Health and welfare	422,924		91,042		(331,882)		(331,882)	
Culture and recreation	266,642				(266,642)		(266,642)	
Education	300,000				(300,000)		(300,000)	
Conservation of natural resources	118,269				(118,269)		(118,269)	
Economic development and assistance	1,092,237		515,523		(576,714)		(576,714)	
Interest on long-term debt	268,510				(268,510)		(268,510)	
Pension expense	1,229,666				(1,229,666)		(1,229,666)	
Total Governmental Activities	16,146,356	1,219,707	3,794,514	866,532	(10,265,603)		(10,265,603)	
Business-type activities:								
Solid Waste	945,954	930,857				(15,097)	(15,097)	
Total Business-type Activities	945,954	930,857	-0-	-0-		(15,097)	(15,097)	
Total Primary Government	\$ 17,092,310	2,150,564	3,794,514	866,532	(10,265,603)	(15,097)	(10,280,700)	
Component unit:								
Union County Library System	374,771	17,545	305,963					(51,263)
Total Component Units	\$ 374,771	17,545	305,963	-0-				(51,263)
General revenues:								
Property taxes					\$ 8,021,954		8,021,954	
Road & bridge privilege taxes					320,409		320,409	
Grants and contributions not restricted to specific programs					609,497		609,497	
Ad valorem fee in lieu					556,324		556,324	
Unrestricted interest income					259,113	5,386	264,499	1,126
Miscellaneous					461,516	2,310	463,826	
Total General Revenues					10,228,813	7,696	10,236,509	1,126
Changes in Net Position					(36,790)	(7,401)	(44,191)	(50,137)
Net Position - Beginning, as previously reported					56,354,871	108,508	56,463,379	245,835
Prior period adjustments					(215,155)		(215,155)	(25,559)
Net Position - Beginning, as restated					56,139,716	108,508	56,248,224	220,276
Net Position - Ending					\$ 56,102,926	101,107	56,204,033	170,139

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

Union County
Balance Sheet - Governmental Funds
September 30, 2018

Exhibit 3

	Major Funds					
	General Fund	County-Wide Road Maint. Fund	County-Wide Bridge Fund	Health Foundation Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 3,881,397	2,519,127	1,684,306	76,312	648,777	8,809,919
Investments				8,694,186		8,694,186
Accrued interest receivable				79,760		79,760
Property tax receivable	4,379,992	1,033,328	842,006		203,921	6,459,247
Fines receivable (net of allowance for uncollectibles of \$528,452)	129,435					129,435
Capital lease receivable					1,062,914	1,062,914
Intergovernmental receivables	281,245	56,323				337,568
Other receivables	10,880		372		48,158	59,410
Due from other funds	228,525	71,533	39,166		16,755	355,979
Total Assets	\$ 8,911,474	3,680,311	2,565,850	8,850,258	1,980,525	25,988,418
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 192,282	406,694	115,544	3,795	72,204	790,519
Intergovernmental payables	783,634					783,634
Due to other funds	127,454				216,500	343,954
Amounts held in custody for others	121,692					121,692
Total Liabilities	1,225,062	406,694	115,544	3,795	288,704	2,039,799
Deferred Inflows of Resources:						
Unavailable revenue - property taxes	4,379,992	1,033,328	842,006		203,921	6,459,247
Unavailable revenue - fines	129,435					129,435
Unavailable revenue - principal and interest on capital leases					1,062,914	1,062,914
Total Deferred Inflows of Resources	4,509,427	1,033,328	842,006	-0-	1,266,835	7,651,596
Fund Balances:						
Nonspendable:						
Permanent fund principal				7,144,718		7,144,718
Restricted to:						
General government					119,124	119,124
Public safety					530,682	530,682
Public works		2,240,289	1,608,300			3,848,589
Health and welfare				1,701,745	2,160	1,703,905
Culture and recreation					10,199	10,199
Economic development and assistance					37,611	37,611
Debt service					3,552	3,552
Unassigned	3,176,985				(278,342)	2,898,643
Total Fund Balances	3,176,985	2,240,289	1,608,300	8,846,463	424,986	16,297,023
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,911,474	3,680,311	2,565,850	8,850,258	1,980,525	25,988,418

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

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

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 16,297,023
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 \$71,669,993.	48,883,443
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Advalorem tax-fee in lieu	5,959,950
Intergovernmental receivables	305,858
Fines receivable	129,435
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(6,940,101)
Net Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(9,996,778)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(40,385)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	938,484
Deferred amount on refunding	514,127
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	384,280
Deferred inflows of resources related to pensions	<u>(332,410)</u>
Total Net Position - Governmental Activities	\$ <u>56,102,926</u>

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

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

Exhibit 4

	Major Funds					
	General Fund	County-Wide Road Maint. Fund	County-Wide Bridge Fund	Health Foundation Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 5,623,028	1,169,364	982,372		247,190	8,021,954
Road and bridge privilege taxes		320,409				320,409
Licenses, commissions and other revenue	507,317				33,820	541,137
Fines and forfeitures	182,003				55,905	237,908
Intergovernmental revenues	1,341,655	2,595,906	744,392		535,419	5,217,372
Tax fee in lieu - Toyota	366,032				840,975	1,207,007
Charges for services	134,570				312,441	447,011
Interest income	49,844	26,707	19,462	124,973	38,127	259,113
Miscellaneous revenues	77,849	38,645	38,099		8,853	163,446
Total Revenues	<u>8,282,298</u>	<u>4,151,031</u>	<u>1,784,325</u>	<u>124,973</u>	<u>2,072,730</u>	<u>16,415,357</u>
EXPENDITURES						
Current:						
General government	3,172,726					3,172,726
Public safety	3,215,666			63,453	568,011	3,847,130
Public works	17,748	4,718,136	2,112,394			6,848,278
Health and welfare	239,383				4,158	243,541
Culture and recreation	91,555				158,052	249,607
Education	300,000					300,000
Conservation of natural resources	152,839					152,839
Economic development and assistance	209,891				882,346	1,092,237
Debt service:						
Principal	68,302				800,116	868,418
Interest	5,285				220,352	225,637
Total Expenditures	<u>7,473,395</u>	<u>4,718,136</u>	<u>2,112,394</u>	<u>63,453</u>	<u>2,633,035</u>	<u>17,000,413</u>
Excess of Revenues over (under) Expenditures	<u>808,903</u>	<u>(567,105)</u>	<u>(328,069)</u>	<u>61,520</u>	<u>(560,305)</u>	<u>(585,056)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets		134,066	92,500		4,850	231,416
Transfers in					221,244	221,244
Transfers out	(214,988)				(6,256)	(221,244)
Lease principal payments					123,657	123,657
Total Other Financing Sources and Uses	<u>(214,988)</u>	<u>134,066</u>	<u>92,500</u>	<u>-0-</u>	<u>343,495</u>	<u>355,073</u>
Net Changes in Fund Balances	<u>593,915</u>	<u>(433,039)</u>	<u>(235,569)</u>	<u>61,520</u>	<u>(216,810)</u>	<u>(229,983)</u>
Fund Balances - Beginning	<u>2,583,070</u>	<u>2,673,328</u>	<u>1,843,869</u>	<u>8,784,943</u>	<u>641,796</u>	<u>16,527,006</u>
Fund Balances - Ending	<u>\$ 3,176,985</u>	<u>2,240,289</u>	<u>1,608,300</u>	<u>8,846,463</u>	<u>424,986</u>	<u>16,297,023</u>

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

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

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (229,983)
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 \$2,213,490, including donated assets of \$260,400, exceeded depreciation of \$1,296,952 in the current period.	916,538
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$24,195 and the proceeds from the sale of \$231,416 in the current period.	(207,221)
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.	(1,292)
In lieu tax - Toyota 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.	(840,975)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:	
Advalorem tax fee in-lieu change in net present value	190,292
Change in other long-term receivables:	
Intergovernmental revenues	53,171
Charges for services	(5,057)
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 following items:	
Debt repayments	868,418
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:	
Decrease in compensated absences	1,505
Decrease in accrued interest payable	4,937
Amortization of deferred amount on refunding	(66,339)
Amortization of premium on bonds	20,567
Amortization of discount on bonds	(2,038)
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of principal collections.	(123,657)
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	(1,229,666)
Recording of contributions made to defined benefit pension plan	<u>614,010</u>
Change in Net Position of Governmental Activities	\$ <u><u>(36,790)</u></u>

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

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

Exhibit 5

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 564,234
Accounts receivable (net of allowance for uncollectibles of \$347,434)	167,698
Other receivables	68,690
Total Current Assets	<u>800,622</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	139,657
Total Noncurrent Assets	<u>139,657</u>
Total Assets	<u>940,279</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	60,005
Total Deferred Outflows of Resources	<u>60,005</u>
LIABILITIES	
Current liabilities:	
Claims payable	34,948
Due to other funds	12,025
Unearned revenue	66,941
Total Current Liabilities	<u>113,914</u>
Noncurrent Liabilities:	
Net Pension Liability	752,446
Compensated Absences payable	10,136
Total Noncurrent Liabilities	<u>762,582</u>
Total Liabilities	<u>876,496</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	22,681
Total Deferred Inflows of Resources	<u>22,681</u>
NET POSITION	
Net investment in capital assets	139,657
Restricted for:	
Public works	676,572
Unrestricted	(715,122)
Total Net Position	<u>\$ 101,107</u>

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

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

Exhibit 6

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 930,857
Total Operating Revenues	<u>930,857</u>
Operating Expenses	
Personal services	402,852
Pension expense	105,383
Contractual services	279,973
Materials and supplies	128,787
Depreciation expense	15,466
Indirect administrative cost	12,025
Total Operating Expenses	<u>944,486</u>
Operating Income (Loss)	<u>(13,629)</u>
Nonoperating Revenues (Expenses)	
Interest income	5,386
Loss on sale of capital assets	(1,468)
Other income	2,310
Net Nonoperating Revenue (Expenses)	<u>6,228</u>
Change in Net Position	<u>(7,401)</u>
Net Position - Beginning	<u>108,508</u>
Net Position - Ending	<u>\$ 101,107</u>

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

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

Exhibit 7

Business-type Activities - Enterprise Fund

	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 928,518
Payments to suppliers	(416,020)
Payments to employees	(449,406)
Payments to General Fund for indirect costs	(25,667)
Net Cash Provided by Operating Activities	<u>37,425</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(20,305)
Net Cash Used by Capital and Related Financing Activities	<u>(20,305)</u>
Cash Flows From Investing Activities	
Interest on deposits	5,386
Other Receipts	2,310
Net Cash Provided by Investing Activities	<u>7,696</u>
Net Increase in Cash and Cash Equivalents	24,816
Cash and Cash Equivalents at Beginning of Year	539,418
Cash and Cash Equivalents at End of Year	\$ <u><u>564,234</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	\$ (13,629)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	15,466
Pension expense	105,383
Contributions made to retirement plan	(45,887)
Provision for uncollectible accounts	8,465
Changes in assets and liabilities:	
Increase in accounts receivable	(12,977)
Increase in other receivables	(313)
Decrease in claims payable	(7,260)
Decrease in compensated absences liability	(667)
Increase in unearned revenue	2,486
Decrease in interfund payables	(13,642)
Total Adjustments	<u>51,054</u>
Net Cash Provided by Operating Activities	\$ <u><u>37,425</u></u>

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

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

Exhibit 8

	Agency Funds
	<u> </u>
ASSETS	
Cash and investments	\$ <u> 95,778 </u>
Total Assets	\$ <u><u> 95,778 </u></u>
 LIABILITIES	
Intergovernmental payables	\$ <u> 95,778 </u>
Total Liabilities	\$ <u><u> 95,778 </u></u>

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

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

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

B. Individual Component Unit Disclosures

Discretely Presented Component Unit

The component unit's columns in the financial statements include the financial data of the component unit of the County. It is reported in a separate column to emphasize that it is legally separate from the County.

The Union County Library System is the only component unit of Union County. The System operates two libraries in the County, under authority granted to it by the board of supervisors. The County Board of Supervisors appoints all System board members. The County provides funding for System programs through an annual property tax levy. The County is also responsible for the maintenance and upkeep of the facilities, which are owned by the County.

C. Basis of Presentation

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

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

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

C. Basis of Presentation (Continued)

Government-wide Financial Statements

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

Fund Financial Statements

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

D. Measurement Focus and Basis of Accounting (Continued)

The County reports the following major governmental funds:

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

Countywide Road Maintenance Fund – This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

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

Health Foundation Fund – This fund is used to account for the supplementing of indigent care and health, education and welfare services.

The County reports the following major Proprietary Fund:

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

Additionally, the County reports the following fund types:

Governmental Fund Types

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

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

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

Permanent Funds – These funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the County's programs.

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.

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

E. Account Classifications

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

F. 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.

G. Receivables

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

H. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements, and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as “due to/from other funds.” 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.”

I. Restricted Assets

Component unit assets required to be held and/or used according to donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

J. Capital Assets

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

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

J. Capital Assets (Continued)

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Union County elected to report general infrastructure assets acquired after September 30, 1980, on the government wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

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

The following schedule details those thresholds and estimated useful lives:

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

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

The component unit depreciates assets on the straight-line basis over the following estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Library materials	\$ 0	5 years
Machinery and equipment	0	5-10 years
Furnitures and fixtures	0	7-40 years
Improvements other than buildings	0	15-40 years

K. Deferred Outflows/Inflows of Resources

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

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

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

K. Deferred Outflows/Inflows of Resources (Continued)

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.

Deferred outflows related to OPEB – This amount represents the Component Unit's proportionate share of the deferred outflows of resources reported by the OPEB plan in which the Component Unit participates.

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

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

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

Unavailable revenue – interest on capital leases / unavailable revenue – principal and interest on capital leases – 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 Notes 13 and 16 for additional details.

Deferred inflows related to OPEB – This amount represents the Component Unit's proportionate share of the deferred inflows of resources reported by the OPEB plan in which the Component Unit participates. See Notes 14 and 16 for additional details.

L. Pensions

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

M. Other Post-Employment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

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

N. Long-Term Liabilities

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

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

O. Equity Classifications

Government-wide Financial Statements:

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

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

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

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

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 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.

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

O. Equity Classifications (Continued)

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

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (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 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.

P. Property Tax Revenues

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

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

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

Q. 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.

R. 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 the Proprietary Fund 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.

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

S. Changes in Accounting Standards.

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

(2) Prior Period Adjustments

A summary of significant net position adjustments is as follows:

Exhibit 2 – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
<i>Governmental Activities:</i>	
To correct prior year capital assets	\$ (215,155)
Total Governmental Activities	<u>\$ (215,155)</u>

Discretely Presented Component Unit – Union County Library System

A summary of significant net position adjustments is as follows:

Exhibit 2 – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
<i>Component Unit - Union County Library System:</i>	
To correct beginning balance of reported cash	\$ 249
To record the net effect of implementation of GASB Statement No. 75 to record OPEB Liability	<u>(25,808)</u>
Total Union County Library System	<u>\$ (25,559)</u>

(3) Deposits and Investments

Primary Government

Deposits

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$9,469,931 (including deposits of \$95,778 in fiduciary accounts), and the bank balance was \$9,740,119. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk – 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. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above the FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

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

(3) Deposits and Investments (Continued)

Investments

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

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Governmental activities:			
Certificates of deposit	One year	\$ 8,694,186	N/A

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 Section 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 investment 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.

Discretely Presented Component Unit – Union County Library System

Deposits

The following summarizes the various types of deposits included in the System's statement of assets, liabilities, and fund balance:

	<u>Amount</u>
<u>General</u>	
Demand deposit, interest bearing, variable rate	\$ 307,941
<u>Restricted</u>	
Demand deposit, interest bearing, variable rate	1,229
	<u>\$ 309,170</u>

The carrying amount of the System's total deposits with financial institutions at September 30, 2018 was \$309,170, and the bank balance was \$310,047. 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 system will not be able to recover deposits or collateral securities that are in the possession of an outside party. The system does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the system. 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 System.

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

(3) Deposits and Investments (Continued)

Investments:

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

	<u>Amount</u>
<u>General</u>	
Certificate of Deposit	\$ 65,877
Certificate of Deposit	<u>25,164</u>
	91,041
<u>Restricted</u>	
Certificate of Deposit	<u>69,000</u>
	<u>\$ 160,041</u>

Interest Rate Risk. The System 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 system 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 system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The system does not have a formal policy for custodial credit risk. All of the system's investments were insured and held by the investment's counterparty on behalf of the system, in the name of the system.

(4) Restricted Assets

The balances of restricted assets at September 30, 2018 consisted of the following:

Discretely Presented Component Unit – Union County Library System	<u>Amount</u>
Restricted Cash	\$ 1,229
Restricted Investments	<u>69,000</u>
Total Union County Library System	<u>\$ 70,229</u>

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

(5) Ad Valorem Tax Fee-In-Lieu Receivable

Union County, Pontotoc County, and Lee County, collectively acting through the PUL Alliance, entered into an Ad Valorem Tax Fee-In-Lieu Agreement with the Mississippi Development Authority, the Mississippi Major Economic Impact Authority and Toyota Motor Manufacturing Mississippi, Inc. (TMMMS). The agreement provides that, beginning in January 2011, and continuing until the retirement of the Public Bonds, TMMMS will make an annual fee-in-lieu payment of \$2,500,000 to the PUL Alliance, which will then be distributed equally to the three counties. Fee payments shall be made on or before January 31 each year. The fee payment shall expire after the 2026 payment or, if the Public Bonds are retired sooner than 2026, it shall expire in the year of retirement.

Ad Valorem Tax Fee-In-Lieu Receivable at September 30, 2018 is as follows:

Year Ending September 30	Amount
2019	\$ 833,333
2020	833,333
2021	833,333
2022	833,333
2023	833,334
2024-2026	<u>2,500,000</u>
Total	\$ 6,666,666
Less: Discount to Present Value	<u>(706,716)</u>
Net Receivable	<u><u>\$ 5,959,950</u></u>

Receivable payments due in more than one year are discounted to net present value using the County's average interest rate of 3.094% on the refunding bonds issued for the project, which management has determined is an appropriate discount commensurate with the risks involved.

(6) Interfund Transactions and Balances

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 216,500
General Fund	Solid Waste Fund	12,025
Countywide Road	General Fund	71,533
Countywide Bridge	General Fund	39,166
Other Governmental Funds	General Fund	<u>16,755</u>
Total		<u><u>\$ 355,979</u></u>

The payables from the General Fund represent the tax revenue collected but not settled until October 2018. The payables from other governmental funds represents interfund loans to cover costs of grant projects. The payable from the Solid Waste Fund represents the indirect cost for the September 30, 2018 fiscal year, which is expected to be repaid within one year. All interfund balances are expected to be repaid within one year from the date of the financial statements.

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

(6) Interfund Transactions and Balances (Continued)

B. Transfers In/Out:

Transfers In	Transfers Out	Amount
Other Governmental Funds	General Fund	\$ 214,988
Other Governmental Funds	Other Governmental Funds	6,256
Total		<u>\$ 221,244</u>

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

(7) Intergovernmental Receivables

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

Description	Amount
Primary Government	
Governmental Funds:	
<i>General Fund:</i>	
Federal victim's assistance coordinator grant	\$ 39,979
Federal emergency management performance grant	17,823
MDHS welfare/food stamp reimbursement	15,825
Motor vehicle licenses	14,247
Legislative tag credit	137,366
Reimbursement for housing prisoners	21,700
D.A. office salary reimbursement	13,000
School resource officer reimbursement	20,330
Other	975
	<u>281,245</u>
<i>County-Wide Road Maintenance Fund:</i>	
Motor vehicle fuel tax	47,132
Motor vehicle licenses	2,551
Gas severance	6,640
	<u>56,323</u>
Total Governmental Funds	<u>337,568</u>
Federal/State payments in lieu of tax	205,026
Federal/State economic development grant reimbursement	100,832
Total Long-Term Receivables	<u>305,858</u>
Total Governmental Activities	<u>\$ 643,426</u>
Discretely Presented Component Unit - Union County Library System	
Federal E-rate	\$ 16,462
Appropriation of ad valorem taxes from county	4,871
Total Union County Library System	<u>\$ 21,333</u>

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

(8) Capital Assets

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

Primary Government Governmental Activities:	Balance Oct. 1, 2017	Additions	Deletions	Completed Construction	Adjustments	Balance Sept. 30, 2018
<u>Non-depreciable capital assets</u>						
Land	\$ 1,398,505	253,326				\$ 1,651,831
Construction in progress	621,164	861,282		(613,154)	(216,178)	653,114
Total non-depreciable capital assets	2,019,669	1,114,608	-0-	(613,154)	(216,178)	2,304,945
<u>Depreciable capital assets</u>						
Infrastructure	92,196,003	260,400		613,154		93,069,557
Buildings	14,980,670					14,980,670
Improvements other than buildings	433,231					433,231
Mobile equipment	9,008,396	838,482	(497,644)		10,230	9,359,464
Furniture and equipment	331,559		(31,500)			300,059
Leased property under capital leases	105,510					105,510
Total depreciable assets	117,055,369	1,098,882	(529,144)	613,154	10,230	118,248,491
<u>Less accumulated depreciation for:</u>						
Infrastructure	55,760,345	501,617				56,261,962
Buildings	7,436,789	286,544				7,723,333
Improvements other than buildings	325,698	3,481				329,179
Mobile equipment	6,828,343	480,493	(293,573)		9,207	7,024,470
Furniture and equipment	292,800	3,926	(28,350)			268,376
Leased property under capital leases	41,782	20,891				62,673
Total accumulated depreciation	70,685,757	1,296,952	(321,923)	-0-	9,207	71,669,993
Total depreciable capital assets, net	46,369,612	(198,070)	(207,221)	613,154	1,023	46,578,498
Governmental activities capital assets, net	\$ 48,389,281	916,538	(207,221)	-0-	(215,155)	\$ 48,883,443
Business-type Activities:						
<u>Depreciable capital assets</u>						
Mobile equipment	\$ 1,003,510	20,305	(14,679)			\$ 1,009,136
Furniture and equipment	5,000					5,000
Total depreciable assets	1,008,510	20,305	(14,679)	-0-	-0-	1,014,136
<u>Less accumulated depreciation for:</u>						
Mobile equipment	867,724	15,466	(13,211)			869,979
Furniture and equipment	4,500					4,500
Total accumulated depreciation	872,224	15,466	(13,211)	-0-	-0-	874,479
Business-type activities capital assets, net	\$ 136,286	4,839	(1,468)	-0-	-0-	\$ 139,657
Primary government capital assets, net	\$ 48,525,567	921,377	(208,689)	-0-	(215,155)	\$ 49,023,100

Adjustments were made primarily to reduce construction in progress for the portion of state-aid projects deemed to be resurfacing of existing road sections occurring in a prior period.

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

(8) Capital Assets (Continued)

Discretely Presented Component unit - Union County Library System	Balance Oct. 1, 2017	Additions	Deletions	Balance Sept. 30, 2018
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 12,000			\$ 12,000
Total capital assets not being depreciated	<u>12,000</u>	<u>-0-</u>	<u>-0-</u>	<u>12,000</u>
Other capital assets:				
Library materials	571,096	18,153		589,249
Machinery and equipment	71,972			71,972
Furniture and fixtures	46,929			46,929
Land improvements	7,041			7,041
Total depreciable capital assets	<u>697,038</u>	<u>18,153</u>	<u>-0-</u>	<u>715,191</u>
<u>Less accumulated depreciation for:</u>				
Library materials	532,153	18,810		550,963
Machinery and equipment	63,868	3,199		67,067
Furniture and fixtures	40,513	2,561		43,074
Land improvements	4,146	469		4,615
Total accumulated depreciation	<u>640,680</u>	<u>25,039</u>	<u>-0-</u>	<u>665,719</u>
Other capital assets, net	<u>56,358</u>	<u>(6,886)</u>	<u>-0-</u>	<u>49,472</u>
Governmental activities capital assets, net	\$ <u>68,358</u>	<u>(6,886)</u>	<u>-0-</u>	\$ <u>61,472</u>

Depreciation expense was charged to the following functions:

	Amount
Primary Government	
Governmental Activities:	
General government	\$ 31,142
Public safety	419,923
Public works	641,410
Health and welfare	180,221
Culture and recreation	17,035
Conservation of natural resources	7,221
Economic Development	<u>-0-</u>
Total Governmental Activities	\$ <u>1,296,952</u>
Business-type activities:	
Solid Waste	\$ <u>15,466</u>
Total Business-type Activities	\$ <u>15,466</u>
Discretely Presented Component Unit - Union County Library System	
Library materials	\$ 18,810
General government	<u>6,229</u>
Total Union County Library System	\$ <u>25,039</u>

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

(8) Capital Assets (Continued)

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

Governmental Activities:	Remaining Financial Commitment	Expected Date of Completion
<u>Description of Commitment</u>		
LSPB (73)-21 Bridge #79 on CR 59	\$ 325,743	June 2020
LSPB (73)-22 Bridge #5 on CR 7	32,198	December 2018
Union County Project 73(5)	<u>154,900</u>	November 2018
Total Governmental Activities	\$ <u><u>512,841</u></u>	

(9) Claims and Judgments

Risk Financing

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2018, to January 1, 2019. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(10) Operating Leases

As Lessee:

The County has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$35,400 for the year ended September 30, 2018.

On November 26, 2012, Union County entered into an operating lease agreement with Skinner & Ellis Properties, LLC for lease of property located at 816 Hwy 348, New Albany, MS 38652 owned by Skinner & Ellis Properties, LLC for the purpose of housing the Department of Human Services. The operating lease stipulates that the lease would pay \$2,950 per month in lease payments commencing December 3, 2012, for a term of 10 years.

The future minimum lease payments for this lease are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 35,400
2020	35,400
2021	35,400
2022	35,400
2023	<u>5,900</u>
Total	\$ <u><u>147,500</u></u>

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

(11) Capital Leases

As Lessor:

On July 6, 2015, Union County entered into a capital lease agreement with the City of New Albany and Emerald Mississippi, LLC for the lease of real property and improvements, being 25.16 acres, more or less, and all improvements located at 1101 Denmill Road, New Albany, MS. The capital lease stipulated that the lessee would pay approximately \$9,959 per month in lease payments commencing June 26, 2015, for a term of 10 years. At the end of the lease term, Emerald Home Furnishings has the option to purchase the property at 1101 Denmill Road, New Albany, MS upon payment of all future amounts due.

On August 15, 2005, Union County entered into a capital lease agreement with the City of New Albany and Abby Manufacturing Co., Inc. for the lease of industrial property at 1100 Denmill Road, New Albany, MS. The capital lease stipulated that the lessee would pay approximately \$2,000 per month in lease payments commencing January 1, 2012 for a term of 10 years. At the end of the lease term, Abby Manufacturing Co., Inc. has the option to purchase the property at 1100 Denmill Road, New Albany, MS for \$1.

On September 1, 2006, Union County entered into a capital lease agreement with the City of New Albany and CEC Production Metal Processing, Inc. for the lease of property on Sam T. Barkley Drive. The capital lease stipulates that the lessee would pay approximately \$1,163 per month in lease payments commencing September 1, 2006 for a term of 20 years. At the end of the lease term, CEC Production Metal Processing, Inc. has the option to purchase the property on Sam T. Barkley Drive for \$500.

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

<u>Classes of Property</u>	<u>Amount</u>
Land	\$ 134,000
Buildings	1,385,678
Mobile equipment	22,306
Total	<u>\$ 1,541,984</u>

The future net minimum lease receivables as of September 30, 2018, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 127,392	30,077
2020	131,267	26,202
2021	135,287	22,181
2022	119,459	18,010
2023	119,786	13,682
2024-2026	305,293	14,278
Total	<u>\$ 938,484</u>	<u>124,430</u>

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

(11) Capital Leases (Continued)

As Lessee:

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

Classes of Property	Amount
Furniture and equipment	\$ 105,510
Total	105,510
Less: Accumulated depreciation	(62,673)
Leased Property Under Capital Leases	\$ 42,837

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2019	\$ 28,341	1,710
2020	29,200	851
2021	12,494	93
Total	\$ 70,035	2,654

(12) Long-term Debt

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

Description and Purpose	Amount Outstanding	Interest Rates	Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
2016 GO Industrial Dev. Refunding Bond	\$ 5,200,000	3.00-3.50%	7/2026
Total General Obligation Bonds	5,200,000		
B. Capital Leases:			
E911 Equipment	70,035	3.00%	2/2021
Total Capital Leases	70,035		
C. Other Loans:			
Capital improvements revolving loan	91,349	3.00%	9/2026
Capital improvements revolving loan	214,515	3.00%	7/2029
Capital improvements revolving loan	761,363	3.00%	2/2026
Note payable	485,824	1.00%	7/2025
Total Other Loans	\$ 1,553,051		

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

(12) Long-term Debt (Continued)

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

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2019	\$ 670,000	158,325	190,312	35,218
2020	690,000	138,225	194,694	30,836
2021	710,000	117,525	199,218	26,312
2022	730,000	96,225	203,853	21,677
2023	755,000	74,325	208,616	16,865
2024-2028	1,645,000	82,225	537,908	24,371
2029	-0-	-0-	18,450	264
Total	\$ 5,200,000	666,850	1,553,051	155,543

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2018, the amount of outstanding debt was equal to 1.81% of the latest property assessments.

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

(12) Long-term Debt (Continued)

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

	Balance Oct. 1, 2017	Additions	Reductions	Balance Sep. 30, 2018	Amount due within one year
Primary Government					
Governmental Activities:					
Compensated absences	\$ 108,830		1,505	107,325	
General obligation bonds	5,855,000		655,000	5,200,000	670,000
Less:					
Unamortized discounts	(13,411)		(2,038)	(11,373)	(1,686)
Plus:					
Unamortized premiums	41,630		20,567	21,063	11,909
Capital leases	97,599		27,564	70,035	28,341
Other loans	1,738,905		185,854	1,553,051	190,312
Totals	\$ 7,828,553	-0-	888,452	6,940,101	898,876
Business-type Activities:					
Compensated absences	\$ 10,803		667	10,136	
Discretely Presented Component Unit - Union County Library System					
Governmental Activities:					
Compensated absences	\$ 5,425		332	5,093	

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, E-911 Commission Fund, Fire Department Fund, Countywide Road Maintenance Fund, Countywide Bridge and Culvert Fund, Solid Waste Enterprise Fund, and the Union County Library System General Fund.

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

(13) Defined Benefit Pension Plan

Primary Government

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

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

Contributions. At September 30, 2018, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2018, 2017, and 2016 were \$658,594, \$638,595, and \$642,801, respectively, equal to the required contributions for each year.

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

(13) Defined Benefit Pension Plan (Continued)

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

At September 30, 2018, the County reported a liability of \$10,749,224 (\$9,996,778 for governmental activities and \$752,446 for business-type activities) 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 0.064626 percent, which was based on a measurement date of June 30, 2018. This was an increase of 0.001626 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.

Internally, the County allocates its proportionate share of the net pension liability to governmental activities and business-type activities. As of September 30, 2018, the internal proportionate share allocated to governmental activities and business-type activities was 93.00% and 7.00%, respectively, a change from the previous year of 92.84% and 7.16%, respectively.

For the year ended September 30, 2018, the County recognized pension expense of \$1,229,666 for governmental activities and \$105,383 for business-type activities. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,124	45,313
Net difference between projected and actual earnings on pension plan investments		213,679
Changes of assumptions	6,342	5,937
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	192,706	59,081
Changes in allocation between governmental and business-type activities	31,081	31,081
County contributions subsequent to the measurement date	167,032	
Total	\$ 444,285	355,091

\$167,032 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 ending 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	\$ 147,664
2020	15,703
2021	(192,865)
2022	(48,340)
	<u>\$ (77,838)</u>

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

(13) Defined Benefit Pension Plan (Continued)

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, set forward one year for males.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

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

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.

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

(13) Defined Benefit Pension Plan (Continued)

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 14,153,643	10,749,224	7,919,702

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

Discretely Presented Component Unit – Union County Library System

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

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

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

(13) Defined Benefit Pension Plan (Continued)

Contributions. At September 30, 2018, PERS members were required to contribute 9% of their annual covered salary, and the System 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 Union County Library System's contributions to PERS for the years ending September 30, 2018, 2017, and 2016, were \$22,225, \$20,198, and \$20,491, respectively, which equaled 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 system reported a liability of \$359,106 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 system's proportion of the net pension liability was based on a projection of the system's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The system's proportionate share used to calculate the September 30, 2018 net pension liability was 0.002 percent, which was based on a measurement date of June 30, 2018. The system's proportionate share remained constant relative to 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 system recognized pension expense of \$50,277. At September 30, 2018 the system reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,574	1,514
Net difference between projected and actual earnings on pension plan investments		7,139
Changes of assumptions	212	198
Changes in proportion and differences between the System's contributions and proportionate share of contributions	18,844	
System contributions subsequent to the measurement date	5,566	
Total	\$ 26,196	8,851

\$5,566 reported as deferred outflows of resources related to pensions resulting from system contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending September 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	Amount
2019	\$ 10,652
2020	5,335
2021	(2,593)
2022	(1,615)
Total	\$ 11,779

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

(13) Defined Benefit Pension Plan (Continued)

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, set forward one year for males.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

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

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.

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

(13) Defined Benefit Pension Plan (Continued)

Sensitivity to the System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the System'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%)
System's proportionate share of the net pension liability	\$ 472,839	\$ 359,106	\$ 264,578

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

(14) Other Post-Employment Benefits

Discretely Presented Component Unit – Union County Library System

General Information About the OPEB Plan

Plan Description – State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees, and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Benefits Provided – The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance.

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

(14) Other Post-Employment Benefits (Continued)

The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions – The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the System were \$1,327 for the year ended September 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At September 30, 2018, the System reported a liability of \$30,680 for their proportionate share of the net OPEB liability. The net OPEB liability was measured at June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the System's portion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the System's proportion was 0.00396611 percent. This was an increase of 0.00043216 percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended September 30, 2018, the System recognized OPEB expense of \$2,046. At September 30, 2018 the System reported the deferred outflows of resources and deferred inflows of resources related to OPEB from the sources shown below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -0-	\$ 2,186
Changes in proportion	3,108	-0-
Difference between expected and actual experience	62	-0-
Contributions subsequent to the measurement date	1,841	-0-
Total	\$ <u>5,011</u>	\$ <u>2,186</u>

\$1,841 reported by the System as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as shown below:

Year ended September 30:	Amount
2019	\$ 150
2020	150
2021	150
2022	150
2023	225
Thereafter	159
Total	\$ <u>984</u>

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

(14) Other Post-Employment Benefits (Continued)

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment Expense, including inflation	4.50 percent
Municipal Bond Index Rate	
Measurement Date	3.89 percent
Prior Measurement Date	3.56 percent
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.89 percent
Prior Measurement Date	3.56 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.25 percent for 2018 decreasing to an
Pre-Medicare	ultimate rate of 4.75 percent by 2028

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

Discount Rate – The discount rate used to measure the OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the discount rate has changed from 3.56% to 3.89%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and the June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by Bond Buyer.

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

(14) Other Post-Employment Benefits (Continued)

Sensitivity of the System's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

– The following table presents the System's proportionate share of the net OPEB liability, as well as what the System's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89%) or 1-percentage-point higher (4.89%) than the current discount rate:

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB Liability	\$ 34,008	\$ 30,680	\$ 27,818

Sensitivity of the System's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

– The following table presents the System's proportionate share of the net OPEB liability, as well as what the System's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates - Current	1% Increase
Net OPEB Liability	\$ 28,420	\$ 30,680	\$ 33,247

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

(15) Contingencies

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

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

Solid Waste Revenue Refunding Bonds

In 1998, solid waste revenue refunding bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,210,000. In fiscal year 2012 the bonds were refinanced. The bonds were reissued for \$4,235,000. As part of a solid waste disposal service agreement between Union County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the Authority that are not covered by fees generated from solid waste disposal services. The County's pro rata share (6.04%) of the \$1,865,000 refunding bonds balance at September 30, 2018, is \$112,646.

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

(16) Effect of Deferred Amounts on Net Position

Primary Government

The governmental activities' unrestricted net position (deficit) amount of (\$6,108,862) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$155,340 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 remaining \$228,940 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next 3 years. The \$332,410 balance of the deferred inflow of resources related to pension at September 30, 2018, will be recognized in pension expense over the next 4 years.

The governmental activities' unrestricted net position (deficit) amount of (\$6,108,862) includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. The \$514,127 balance of deferred outflows of resources at September 30, 2018, will be recognized as an expense and will decrease the unrestricted net position over the next 8 years.

The governmental activities' unrestricted net position (deficit) amount of (\$6,108,862) includes the effect of recognition of deferring the recognition of revenue resulting from capital leases receivable. The \$124,430 balance of deferred inflows of resources at September 30, 2018, will be recognized as revenue and will increase the unrestricted net position over the next 8 years.

The business-type activities' unrestricted net position (deficit) amount of (\$715,122) includes the effect of deferred outflows/inflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$11,692 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 \$48,313 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next 3 years. The \$22,681 balance of the deferred inflow of resources related to pension at September 30, 2018, will be recognized in pension expense over the next 4 years.

Discretely Presented Component Unit – Union County Library System

The governmental activities' unrestricted net position amount of \$38,438 includes the effect of deferred outflows/inflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$5,566 resulting from system 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 remaining \$20,630 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next 3 years. The \$8,851 balance of the deferred inflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next 4 years.

The governmental activities' unrestricted net position amount of \$38,438 also includes the effect of deferred outflows/inflows of resources related to other post-employment benefits (OPEB). A portion of the deferred outflow of resources related to OPEB in the amount of \$1,841 resulting from system contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019. The \$3,170 balance of the deferred outflow of resources related to OPEB at September 30, 2018, will be recognized in OPEB expense over the next 6 years. The \$2,186 balance of the deferred inflow of resources related to OPEB at September 30, 2018, will be recognized in OPEB expense over the next 6 years.

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

(17) Joint Ventures

The County participates in the following joint ventures:

Union County is a participant with the City of New Albany, industries and other interested parties located within the County in a joint venture, as authorized by Section 19-5-99 Miss. Code Ann. (1972), in the Union County Development Association. The joint venture was created to aid in the development of industries in Union County and is governed by 11 directors, of which Union County appoints two. The County appropriated \$57,000 for support of the Association in fiscal year 2018. Complete financial statements for the Union County Development Association can be obtained from Union County Development Association, P.O. Box 56, New Albany, MS 38652.

Union County is a participant with the City of New Albany, as authorized by Section 17-13-9, Miss. Code Ann. (1972), in the New Albany-Union County Airport Board. The joint venture was created to acquire, construct, operate and maintain the New Albany-Union County Airport. Union County appoints two of the five-member board, and the president of the Board of Supervisors, along with the mayor of New Albany, appoints an additional member as chairman. Union County appropriated \$14,156 for the support and maintenance of the airport in fiscal year 2018. Complete financial statements can be obtained from the New Albany-Union County Airport, New Albany, MS 38652.

Union County is a participant in a joint venture with the counties of Pontotoc and Chickasaw and the municipalities of New Albany, Pontotoc, Houston, New Houlka, Ecrú and Algoma, as the GM&O Rails to Trails Recreational District of North Mississippi (GM&O), as authorized by Section 55.25-1, Miss. Code Ann. (1972) which governs the Tanglefoot Trail, which is a multi-use recreational trail for hikers, equestrians, walkers, runners, skaters, cyclists, and other such uses. Union County appoints one member of the nine-member Board of GM&O and agreed to pledge on an annual basis, for a period of 15 years, an amount equal to $\frac{1}{4}$ of a mill from their General fund, or from any other available source as determined by the County, to GM&O for the purpose of servicing debt. Any funds over the amount needed for debt will be retained by GM&O for operating and maintenance expenses. Three Rivers Planning and Development District is the administrator and fiscal agent of the program. The County contributed \$38,813 to this venture in fiscal year 2018.

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

(18) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

Three Rivers Solid Waste Management Authority operates in a district composed of the counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union and the cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The Union County Board of Supervisors appoints one of the seven members of the board of directors. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste deposited. The County did not appropriate any funds for the support of the authority in fiscal year 2018.

Three Rivers Planning and Development District operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Union County Board of Supervisors appoints two of the forty members of the board of directors. The County appropriated \$128,813 for the support of the district in fiscal year 2018.

Northeast Mississippi Community College operates in a district composed of the counties of Alcorn, Prentiss, Tippah, Tishomingo and Union. The Union County Board of Supervisors appoints one of the fifteen members of the college board of trustees. The County appropriated \$915,048 for the support and maintenance of the college in fiscal year 2018.

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Union County Board of Supervisors appoints one of the seven members of the board of commissioners. The County appropriated \$22,500 for support of the commission in fiscal year 2018.

Lift, Inc. operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Union County Board of Supervisors appoints one of the twenty-four members of the board of directors. The County appropriated \$2,500 in fiscal year 2018 to the organization.

Pontotoc-Union-Lee Alliance (PUL) is an alliance among Pontotoc, Lee and Union counties. The Union County Board of Supervisors appoints two of the nine members of the board of directors. The County did not appropriate any funds for support of the alliance in fiscal year 2018.

(19) Deficit Fund Balance

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

Governmental Funds:

Martintown East Project Fund	\$	<u>(278,342)</u>
	\$	<u><u>(278,342)</u></u>

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

(20) Tax Abatements

For the year beginning October 1, 2017, The Governmental Accounting Standards Board (GASB) implemented Statement 77, *Tax Abatement Disclosures*. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Union County Board of Supervisors negotiates property tax abatements on an individual or entity basis with varying abatement periods. These abatements contribute to the economic development and citizenry of the County.

The County had two types of abatements. The payments in lieu of taxes is the only type of abatement that provides for the abatement of school tax levies.

Sections 27-31-101 and 27-31-105 Miss Code (Ann.) 1972

All allowable property tax levies

There are 24 companies that have tax abatements under these statutes. The gross amount of taxes abated during the fiscal year is \$1,538,855.

Section 24-31-104 Miss. Code (Ann.) 1972

Payments in lieu of taxes

There is one company that has tax abatements under this statute. The gross amount of taxes abated during the fiscal year is \$7,163,093.

(21) Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Union County evaluated the activity of the County through August 14, 2020, (the date the financial statements were available to be issued) and determined that no subsequent event(s) have occurred that require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Union 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
REVENUES				
Property taxes	\$ 5,473,168	5,608,270	5,608,270	-0-
Licenses, commissions and other revenue	379,100	464,372	464,372	-0-
Payment in lieu of tax - toyota	339,936	366,032	366,032	-0-
Fines and forfeitures	176,600	181,072	181,072	-0-
Intergovernmental revenues	1,235,782	1,270,824	1,270,824	-0-
Charges for services	75,000	119,415	119,415	-0-
Interest income	8,400	47,779	47,779	-0-
Miscellaneous revenues	29,200	77,904	77,904	-0-
Total Revenues	<u>7,717,186</u>	<u>8,135,668</u>	<u>8,135,668</u>	<u>-0-</u>
EXPENDITURES				
Current:				
General government	3,544,950	3,217,756	3,217,756	-0-
Public safety	3,154,749	3,231,739	3,231,739	-0-
Public works	20,668	14,156	14,156	-0-
Health and welfare	260,770	240,461	240,461	-0-
Culture and recreation	91,613	91,560	91,560	-0-
Education	300,000	300,000	300,000	-0-
Conservation of natural resources	131,882	152,308	152,308	-0-
Economic development and assistance	316,033	197,228	197,228	-0-
Debt service:				
Principal	85,132	68,284	68,302	(18)
Interest	9,837	5,303	5,285	18
Total Expenditures	<u>7,915,634</u>	<u>7,518,795</u>	<u>7,518,795</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(198,448)</u>	<u>616,873</u>	<u>616,873</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	265,000			-0-
Compensation for loss of capital assets	5,000	1,277	1,277	-0-
Transfers in	180,000	25,667	25,667	-0-
Transfers out	(160,000)	(214,988)	(214,988)	-0-
Total Other Financing Sources and Uses	<u>290,000</u>	<u>(188,044)</u>	<u>(188,044)</u>	<u>-0-</u>
Net Change in Fund Balance	91,552	428,829	428,829	-0-
Fund Balances - Beginning	2,272,426	2,673,783	2,673,783	-0-
Amendment to Budget Actual	425,390	24,033	24,033	-0-
Fund Balances - Beginning, as amended	<u>2,697,816</u>	<u>2,697,816</u>	<u>2,697,816</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 2,789,368</u>	<u>3,126,645</u>	<u>3,126,645</u>	<u>-0-</u>

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

Union County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
County-Wide Road Maintenance Fund
For the Year Ended September 30, 2018
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Property taxes	\$ 1,169,105	1,169,268	1,169,268	-0-
Road and bridge privilege taxes	310,000	324,602	324,602	-0-
Intergovernmental revenues	654,000	915,386	915,386	-0-
Interest income	6,000	26,707	26,707	-0-
Miscellaneous revenues	3,000	38,645	38,645	-0-
Total Revenues	<u>2,142,105</u>	<u>2,474,608</u>	<u>2,474,608</u>	<u>-0-</u>
EXPENDITURES				
Current:				
Public works	<u>2,285,486</u>	<u>2,839,771</u>	<u>2,839,771</u>	<u>-0-</u>
Total Expenditures	<u>2,285,486</u>	<u>2,839,771</u>	<u>2,839,771</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(143,381)</u>	<u>(365,163)</u>	<u>(365,163)</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	<u>143,000</u>	<u>134,066</u>	<u>134,066</u>	<u>-0-</u>
Total Other Financing Sources and Uses	<u>143,000</u>	<u>134,066</u>	<u>134,066</u>	<u>-0-</u>
Net Change in Fund Balance	(381)	(231,097)	(231,097)	-0-
Fund Balances - Beginning, as originally stated	(1,913,409)	1,831,166	1,831,166	-0-
Amendment to Budget Actual	4,663,633	919,058	919,058	-0-
Fund Balances - Beginning, as amended	<u>2,750,224</u>	<u>2,750,224</u>	<u>2,750,224</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 2,749,843</u>	<u>2,519,127</u>	<u>2,519,127</u>	<u>-0-</u>

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

Union County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
County-Wide Bridge Fund
For the Year Ended September 30, 2018
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Property taxes	\$ 963,171	985,253	985,253	-0-
Intergovernmental revenues	176,000	210,976	210,976	-0-
Interest income	5,000	19,462	19,462	-0-
Miscellaneous Revenues	-0-	37,727	37,727	-0-
Total Revenues	<u>1,144,171</u>	<u>1,253,418</u>	<u>1,253,418</u>	<u>-0-</u>
EXPENDITURES				
Current:				
Public works	1,452,637	1,532,404	1,532,404	-0-
Total Expenditures	<u>1,452,637</u>	<u>1,532,404</u>	<u>1,532,404</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(308,466)</u>	<u>(278,986)</u>	<u>(278,986)</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-0-	92,500	92,500	-0-
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>92,500</u>	<u>92,500</u>	<u>-0-</u>
Net Change in Fund Balance	(308,466)	(186,486)	(186,486)	-0-
Fund Balances - Beginning, as originally stated	196,539	1,910,185	1,910,185	-0-
Amendment to Budget Actual	1,674,253	(39,393)	(39,393)	-0-
Fund Balances - Beginning, as amended	<u>1,870,792</u>	<u>1,870,792</u>	<u>1,870,792</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 1,562,326</u>	<u>1,684,306</u>	<u>1,684,306</u>	<u>-0-</u>

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

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

Union County	2018	2017	2016	2015
County's proportion of the net pension liability	0.064626%	0.0630%	0.0640%	0.0640%
County's proportionate share of the net pension liability	\$ 10,749,224	10,472,738	11,431,998	9,893,138
County's covered payroll	\$ 4,181,518	4,054,567	4,071,154	3,966,840
County's proportionate share of the net pension liability as a percentage of its covered payroll	257.07%	258.29%	280.80%	249.40%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%
Union County Library System	2018	2017	2016	2015
System's proportion of the net pension liability	0.002159%	0.0020%	0.0020%	0.0020%
System's proportionate share of the net pension liability	\$ 359,106	332,468	357,250	309,160
System's covered payroll	\$ 141,113	128,241	130,108	129,745
System's proportionate share of the net pension liability as a percentage of its covered payroll	254.48%	259.25%	274.58%	238.28%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%

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

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

UNION COUNTY
SCHEDULE OF COUNTY AND COMPONENT UNIT CONTRIBUTIONS - PERS
LAST TEN FISCAL YEARS*
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Union County		2018	2017	2016	2015
Contractually required contribution	\$	658,594	638,595	642,801	624,777
Contributions in relation to the contractually required contribution		<u>(658,594)</u>	<u>(638,595)</u>	<u>(642,801)</u>	<u>(624,777)</u>
Contribution deficiency (excess)	\$	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>
County's covered payroll		4,181,518	4,054,567	4,080,548	3,966,840
Contributions as a percentage of covered payroll		15.75%	15.75%	15.75%	15.75%
Union County Library System		2018	2017	2016	2015
Contractually required contribution	\$	22,225	20,198	20,491	20,435
Contributions in relation to the contractually required contribution		<u>(22,225)</u>	<u>(20,198)</u>	<u>(20,491)</u>	<u>(20,435)</u>
Contribution deficiency (excess)	\$	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>
System's covered payroll		141,113	128,241	130,108	129,745
Contributions as a percentage of covered payroll		15.75%	15.75%	15.75%	15.75%

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

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

UNION COUNTY
SCHEDULE OF COMPONENT UNIT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
LAST TEN FISCAL YEARS*
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Union County Library System	2018
Proportion of net OPEB liability	0.00397%
Proportionate share of net OPEB liability	\$ 30,680
Covered-employee payroll	\$ 180,574
Proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	16.99%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%

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

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

This schedule is presented to illustrate the requirement to show the data presented for the past ten years. However, GASB Statement No. 75 was implemented for the plan fiscal year ending June 30, 2018, and, until the full ten-year trend is compiled, the information is only presented for the years in which the information is available.

UNION COUNTY
SCHEDULE OF COMPONENT UNIT CONTRIBUTIONS (OPEB)
LAST TEN FISCAL YEARS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Union County Library System	<u>2018</u>
Actuarially determined contributions	\$ 1,327
Contributions in relation to the actuarially determined contributions	<u>\$ (1,327)</u>
Contribution deficiency (excess)	<u>-0-</u>
Covered-employee payroll	\$ 180,574
Contributions as a percentage of covered-employee payroll	0.73%

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

This schedule is presented to illustrate the requirement to show the data presented for the past ten years. However, GASB Statement No. 75 was implemented for the plan fiscal year ending June 30, 2018, and, until the full ten-year trend is compiled, the information is only presented for the years in which the information is available.

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

Budgetary Comparison Schedules

A. Budgetary Information

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-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	Countywide Road Fund	Countywide Bridge Fund
Budget (Cash Basis)	\$ 428,829	\$ (231,097)	\$ (186,486)
Increase (Decrease)			
Net adjustments for:			
Revenue accruals	119,686	1,676,424	530,908
Expenditure accruals	<u>45,400</u>	<u>(1,878,366)</u>	<u>(579,991)</u>
GAAP Basis	\$ <u><u>593,915</u></u>	\$ <u><u>(433,039)</u></u>	\$ <u><u>(235,569)</u></u>

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

Pension Schedules

A. Changes of Assumptions

2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016

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

2015

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

B. Changes in benefit provisions

2016

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

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

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

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

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

Other Post-Employment Benefits Schedules

A: Changes of assumptions

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

B: Changes of Benefit Terms

2017: None

2018: None

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

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent valuation date. The following actuarial methods and assumptions (from June 30, 2017 actuarial valuation) were used to determine contribution rates reported in the schedule for the year ending June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset evaluation method	Market Value of Assets
Price inflation	3.00 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	7.75 percent
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	5.00 percent
Year of ultimate trend rates	
Medicare Supplement Claims	
Pre-Medicare	2023
Long-term investment rate of return,	
Net of pension plan investment	
Expense, including price inflation	3.56 percent

OTHER INFORMATION

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

UNAUDITED

Name	Position	Company	Bond
Evan Denton	Supervisor District 1	RLI Insurance Company	\$ 100,000
Milton "Chad" Coffey	Supervisor District 2	RLI Insurance Company	100,000
David Kitchens	Supervisor District 3	EMC Insurance Company	100,000
Jesse "Randy" Owen	Supervisor District 4	EMC Insurance Company	100,000
Steve Watson	Supervisor District 5	EMC Insurance Company	100,000
Terry Johnson	County Administrator	EMC Insurance Company	100,000
Annette Hickey	Chancery Clerk	EMC Insurance Company	100,000
Phyllis Stanford	Circuit Clerk	EMC Insurance Company	100,000
Helen Randle	Deputy Circuit Clerk	EMC Insurance Company	50,000
Linda Wells	Deputy Circuit Clerk	EMC Insurance Company	100,000
Lauren Hatton	Deputy Circuit Clerk	EMC Insurance Company	50,000
Shellie Kent	Purchase Clerk	EMC Insurance Company	75,000
Kay Wicker	Assistant Purchase Clerk	EMC Insurance Company	50,000
Curt Clayton	Receiving Clerk	EMC Insurance Company	75,000
Cynthia Wilbanks	Assistant Receiving Clerk	EMC Insurance Company	50,000
Beverly Brooks	Assistant Receiving Clerk	EMC Insurance Company	50,000
Scott Wiggington	Road Manager	RLI Insurance Company	50,000
Joel Dillard	Assistant Receiving Clerk	EMC Insurance Company	50,000
Bobby Pannell	Assistant Receiving Clerk	EMC Insurance Company	50,000
Jonathan Callicutt	Assistant Receiving Clerk	EMC Insurance Company	50,000
Jeff Akins	Assistant Receiving Clerk	EMC Insurance Company	50,000
Eddie Turner	Assistant Receiving Clerk	EMC Insurance Company	50,000
Michael Kiddy	Assistant Receiving Clerk	EMC Insurance Company	50,000
Jerry Davis	Assistant Receiving Clerk	EMC Insurance Company	50,000
Ricky Kizer	Assistant Receiving Clerk	EMC Insurance Company	50,000
Cuisandra Ingram	Assistant Receiving Clerk	EMC Insurance Company	50,000
Anna Stanton	Assistant Receiving Clerk	EMC Insurance Company	50,000
Jennifer Bishop	Assistant Receiving Clerk	EMC Insurance Company	50,000
Paul Harrison	Assistant Receiving Clerk	EMC Insurance Company	50,000
Nancy Bell	Assistant Receiving Clerk	EMC Insurance Company	50,000
Kathy Butler	Assistant Receiving Clerk	EMC Insurance Company	50,000
Tiffany Erby	Assistant Receiving Clerk	EMC Insurance Company	50,000
Amanda Barnes	Inventory Control Clerk	RLI Insurance Company	75,000
Larry Jarvis	Building & Grounds	EMC Insurance Company	50,000

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

UNAUDITED

Name	Position	Company	Bond
Jimmy Edwards	Sheriff	FCCI Insurance Group	\$ 100,000
PJ Doyle	Constable	Western Surety Company	50,000
Ronnie Goudy	Constable	FCCI Insurance Group	50,000
David Garrison	Justice Court Judge	RLI Insurance Company	50,000
Chris Childers	Justice Court Judge	RLI Insurance Company	50,000
Larissa Edwards	Justice Court Clerk	EMC Insurance Company	50,000
Robbie Murry	Deputy Justice Court Clerk	EMC Insurance Company	50,000
Mary Katherine Hale	Deputy Justice Court Clerk	RLI Insurance Company	50,000
Sarah Beth Gregory	Deputy Justice Court Clerk	EMC Insurance Company	50,000
Elizabeth McGinty	Deputy Justice Court Clerk	RLI Insurance Company	50,000
Sarah Bullock	Deputy Justice Court Clerk	RLI Insurance Company	50,000
Jennifer Bedford	Deputy Justice Court Clerk	EMC Insurance Company	50,000
Avery Adair	Deputy Justice Court Clerk	EMC Insurance Company	50,000
Adam Fitts	Deputy Justice Court Clerk	RLI Insurance Company	50,000
Gary Gray	Deputy Justice Court Clerk	RLI Insurance Company	50,000
Jeremy McClarty	Deputy Justice Court Clerk	EMC Insurance Company	50,000
Steven Prewett	Deputy Justice Court Clerk	RLI Insurance Company	50,000
Tony Vandiver	Deputy Justice Court Clerk	RLI Insurance Company	50,000
Tameri Dunnam	Tax Assessor- Collector	FCCI Insurance Group	100,000
Cynthia Wilbanks	Deputy Tax Collector	EMC Insurance Company	50,000
Teresa Ann O'Callaghan	Deputy Tax Collector	EMC Insurance Company	50,000
Sharon Medlin	Deputy Tax Collector	EMC Insurance Company	50,000
Dana Baker	Deputy Tax Collector	EMC Insurance Company	50,000
Brandi Jones	Deputy Tax Collector	EMC Insurance Company	50,000
Bobbie Mcmillen	Deputy Tax Assessor	EMC Insurance Company	10,000
Christy Sullivan	Deputy Tax Assessor	EMC Insurance Company	10,000
Mitch Doom	Deputy Tax Assessor	RLI Insurance Company	10,000

SPECIAL REPORTS

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

Members of the Board of Supervisors
Union County, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Union County, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated August 14, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

However, we noted certain matters which we have reported to the management of Union County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated August 14, 2020, included within this document.

Union County's Responses to Findings

Union County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Union 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 the Report

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

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

Tupelo, Mississippi
August 14, 2020

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

Members of the Board of Supervisors
Union County, Mississippi

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

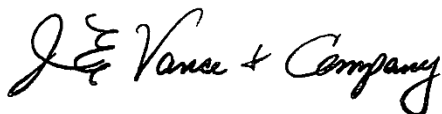
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered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

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

In our opinion, Union County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2018.

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

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



Tupelo, Mississippi
August 14, 2020

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

Schedule 1

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

Union 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>
4/19/2018	ThinkSystem Booking System	\$ 3,505.00	SHI International	Current booking system crashed

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

Schedule 3

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

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Limited Internal Control and Compliance Review Management Report

Members of the Board of Supervisors
Union County, Mississippi

In planning and performing our audit of the financial statements of Union County, Mississippi for the year ended September 30, 2018, we considered Union 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 Union 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 August 14, 2020, on the financial statements of Union 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 the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Board of Supervisors.

1. Finding – Budget estimates not to be exceeded.

Repeat Finding – Yes

Criteria— *Section 19-11-17, Mississippi Code Annotated (1972)* provides that "no expenditures shall be made, or liabilities incurred, or warrants issued, in excess of the budget estimates as finally determined by the Board of Supervisors, or as thereafter revised under the provisions of this chapter."

Section 19-11-19, Mississippi Code Annotated (1972) provides that the Board of Supervisors may revise the budget of expenses at any regular meeting during the fiscal year by increasing or decreasing the items of said budget in proportion to the increase or decrease of anticipated revenue collections and/or other sources of funds. However, revisions as herein authorized shall not be deemed to permit any expenditures in excess of the various items of the budget as then approved, and any expenditures made in excess of the budget as then approved shall be invalid, and subsequent revision shall not validate such expenditures. The revisions made in the budget, from time to time, shall be spread upon the official minutes of the board at the meeting at which any such revision is made.

Condition – As noted in a prior year, the County did not make timely revisions to departmental budgets as needed for expenditures in excess of appropriations as originally budgeted. The County approved amending the 2018 Budget to Actual on September 14, 2018. When comparing the final budget to the original budget, several departments were found to have expended greater than the original budget without the benefit of a budget amendment. As there were no revisions to these department's original budgets, it was impossible to verify when expenditures exceeded budget estimates, thus invalidating the expenditure.

Cause – County personnel did not adhere to the budget appropriations.

Effect – Any violation for approval of expenditures made, liabilities incurred, or warrants issued in excess of the budget estimates shall make the Board of Supervisors voting for same, and the surety upon their official bonds, liable for the full amount of the claims allowed, the contract entered into, or the public work provided for. The state auditor, as the head of the state department of audit, shall be authorized to sue for the recovery of the sum or sums so voted.

Any expenditure made in excess of the budget as then approved shall be invalid, and subsequent revision shall not validate such expenditures.

Recommendation – The Board of Supervisors should ensure that no expenditures are made, liabilities incurred, or warrants issued in excess of the budget estimates approved by the Board of Supervisors, or prior to a revision of the county budget being made and spread upon the official minutes of the Board.

View of Responsible Official(s) – We corrected this issue when originally informed of this requirement in October of 2018 and are now monitoring this on a monthly basis.

2. Finding – Board of Supervisors shall appropriate a lump sum for the Tax Assessor/Collector and Sheriff for the expenses of the office during the current quarter.

Repeat Finding – Yes

Criteria – *Section 19-25-13, Mississippi Code Annotated (1972)* states: "The board of supervisors shall, at its first meeting of each quarter beginning on October 1, January 1, April 1 and July 1, appropriate a lump sum for the sheriff for the expenses of his office during the current quarter. The quarterly appropriation shall be one-fourth (1/4) of the amount approved in the annual budget unless the sheriff requests a different amount."

Section 27-1-9(c), Mississippi Code Annotated (1972) states "The board of supervisors shall, at its first meeting of each quarter beginning on October 1, January 1, April 1, and July 1, appropriate a lump sum for the assessor and tax collector for the expenses of his/her office during the current quarter. The quarterly appropriation shall be one-fourth (1/4) of the amount approved in the annual budget unless the assessor and tax collector requests a different amount."

Condition – As noted in a prior year, The Board of Supervisors does not spread upon the official Board minutes of the first meeting of each quarter beginning on October 1, January 1, April 1 and July 1, the appropriations of a lump sum for the Sheriff or the Tax Assessor/Collector for the expenses of the offices during the current quarter.

Cause – The Board of Supervisors has historically allocated an annual budget rather than the quarterly appropriation as required by state law.

Effect – Failure to spread upon the official Board minutes of the first meeting of each quarter, the appropriations of a lump sum for the Sheriff and the Tax Assessor/Collector for the expenses of the offices during the current quarter is a violation of state statutes Section 27-1-9 and Section 19-25-13.

Recommendation – The Board of Supervisors should spread upon the official Board minutes of the first meeting of each quarter beginning on October 1, January 1, April 1 and July 1, the appropriations of a lump sum for the Sheriff and the Tax Assessor/Collector for the expenses of the offices during the current quarter.

View of Responsible Official(s) – We corrected this issue when originally informed of this requirement in October of 2018 and are now approving these appropriations each quarter.

3. Finding – Meal logs are not being presented to the Board of Supervisors monthly.

Repeat Finding – Yes

Criteria – *Section 19-25-74, Mississippi Code Annotated (1972)* states, " ... in respect to the feeding of prisoners ... , the Sheriff shall maintain a log, showing the name of each prisoner, the date and time of incarceration and release, to be posted daily, which shall record the number of meals served to prisoners at each mealtime, and the hours of the days served, and shall make affidavit to correctness thereof and file the same monthly with the Board of Supervisors." In addition, the Board is not allowed to pay claims for food expenses if this report has not been filed.

Condition – As noted in a prior year, we discovered four out of the twelve months of jail meal logs were not properly filed and approved by the Board of Supervisors.

Cause – County employees did not follow Mississippi statute listed above.

Effect – Failure to submit meal logs to the Board of Supervisors for approval as spread upon the official Board minutes could result in a loss or misappropriation of public funds by paying for an incorrect number of meals.

Recommendation – The Board of Supervisors should review the meal logs before approving the claims docket.

View of Responsible Official(s) – Board of Supervisors: The missing meal logs were from the time period under our previous jail administration. The current administrator has been filing his meal logs in the Board of Supervisors office and we are now including them on our agenda each month before expenditures are approved.

Sheriff: The meal logs are now being turned in to the Board of Supervisors each month.

Circuit Court Clerk

4. Finding – The Deputy Circuit Clerks should be properly bonded as required by state law.

Repeat Finding – Yes

Criteria – *Section 9-7-123(2), Mississippi Code Annotated (1972)* requires that all Deputy Circuit Clerks be bonded for three percent of the sum of all state and county prior year's taxes with a minimum of \$50,000 and a maximum of \$100,000.

Condition – As noted in a prior year, it was determined that the deputy Circuit Clerks were listed on a "Government Crime Policy" which is not equivalent to a surety bond. A surety bond covers performance of duties as well as theft.

Cause – County employees did not follow Mississippi statute listed above.

Effect – Failure to comply with the state statute that requires the Deputy Circuit Clerks to be properly bonded could result in the loss of public funds.

Recommendation – The Board of Supervisors should cancel the "Government Crime Policy" and purchase new surety bonds for all Deputy Circuit Clerks as required by state statute.

View of Responsible Official(s) – This was corrected when first notified but the bonds were not issued until after the year under audit.

Justice Court Clerk

5. Finding – Deputy clerk's bond was not properly filed and recorded with the Chancery Clerk.

Repeat Finding – Yes

Criteria – *Section 25-1-19, Miss. Code Ann. (1972)* requires that all bonds be filed and recorded in the office of the clerk of the chancery court of the county.

Condition – As noted in a prior year, one deputy clerk's bond was not properly filed and recorded with the Chancery Clerk as required by Miss Code Section 25-1-19.

Cause – County employees did not follow Mississippi statute listed above.

Effect – Failure to properly bond all deputy Justice Court Clerks could result in the loss or misappropriation of public funds.

Recommendation – All surety bonds should be properly filed and recorded with the Chancery Clerk.

View of Responsible Official(s) – This was corrected when first notified and will be in compliance for the 2019 audit year.

6. Finding – Bond for three (3) Justice Court Clerk Officials were "Continuation Certificates."

Repeat Finding – Yes

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

Section 9-11-29(2), Mississippi Code Annotated (1972), states "Every person appointed as clerk and deputy clerk of the justice court shall give bond, with sufficient surety in a penalty equal to Fifty Thousand Dollars."

Condition – As noted in a prior year, three (3) of the Justice Court Clerk Officials have only "Continuation Certificates". A continuation certificate is a document that extends the life of the original surety bond. A continuation certificate only covers the current bonding period rather than both the current and previous periods.

Cause – County employees did not follow Mississippi statute listed above.

Effect – Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms. Additionally, failure to comply with the state statute, by being correctly and sufficiently bonded, could result in the loss of public funds.

Recommendation – The Justice Court Clerk should ensure that all bonds secured list a term of office covered and secure a new bond every four (4) years concurrent with the normal election cycle of the Governor.

View of Responsible Official(s) – This was corrected when first notified and will be in compliance for the 2019 audit year.

Tax Collector/Assessor

7. Finding – Tax Collector/Assessor's bond and two deputy collectors' bonds are not properly filed and recorded with the Chancery Clerk.

Repeat Finding – Yes

Criteria – *Section 25-1-19, Miss. Code Ann. (1972)* requires that all bonds be filed and recorded in the office of the clerk of the chancery court of the county.

Condition – As noted in a prior year, the Tax Collector/Assessor's bond and two of the deputy collectors' bonds are not properly filed and recorded with the Chancery Clerk as required by Miss Code Section 25-1-19.

Cause – County employees did not follow Mississippi statute listed above.

Effect – Failure to properly bond the Tax Collector/Assessor and all deputy tax collectors could result in the loss or misappropriation of public funds.

Recommendation – All surety bonds should be properly filed and recorded with the Chancery Clerk.

View of Responsible Official(s) – This was corrected when first notified and will be in compliance for the 2019 audit year.

8. Finding – Tax Assessor/Collector did not file report of all expenditures of her office during the preceding month with the Board for approval at its regular monthly meeting.

Repeat Finding – Yes

Criteria – *Section 27-1-9(d), Mississippi Code Annotated (1972)* states, "The assessor and tax collector shall file a report of all expenditures of his office during the preceding month with the Board of Supervisors for approval at its regular monthly meeting in a form to be prescribed by the Director of the State Department of Audit, and upon filing thereof and approval by the board, the clerk of the board shall issue warrants in payment thereof but not to exceed the budget appropriation for that quarter ... "

Condition – As noted in a prior year, the official Board minutes do not reflect:

- Submission of a report of all expenditures of the Tax Assessor/Collector's office incurred during the preceding month; and,
- Approval by the Board of such report, thus authorizing the clerk of the Board to issue warrants in payment thereof but not to exceed the budget appropriation for that quarter.

Cause – County employees did not follow Mississippi statute listed above.

Effect – Failure to file a report of all expenditures of her office incurred during the preceding month with the Board of Supervisors for approval at its regular meeting is a violation of Section 27-1-9(d).

Recommendation – The Tax Assessor/Collector should file a report of all expenditures of her office incurred during the preceding month with the Board of Supervisors for approval at its regular monthly meeting.

View of Responsible Official(s) – We corrected this issue when originally informed of this requirement in October of 2018 and are now filing this report on a monthly basis.

Sheriff

9. Finding – Sheriff did not file report of all expenditures of his office during the preceding month with the Board for approval at its regular monthly meeting.

Repeat Finding – Yes

Criteria – *Section 19-25-13, Mississippi Code Annotated (1972)* states, "the Sheriff shall file a report of all expenses of his office incurred during the preceding month with the board of supervisors for approval at its regular monthly meeting in a form to be prescribed by the Director of the State Department of Audit, and upon filing thereof, and approval by the board, the clerk of the board shall issue warrants in payment thereof but not to exceed the budget appropriation for that quarter ... "

Condition – As noted in a prior year, the official Board minutes do not reflect:

- Submission of a report of all expenditures of the Sheriff's office incurred during the preceding month; and,
- Approval by the Board of such report, thus authorizing the clerk of the Board to issue warrants in payment thereof but not to exceed the budget appropriation for that quarter.

Cause – County employees did not follow Mississippi statute listed above.

Effect – Failure to file a report of all expenditures of his office incurred during the preceding month with the Board of Supervisors for approval at its regular meeting is a violation of Section 19-25-13.

Recommendation – The Sheriff should file a report of all expenditures of her office incurred during the preceding month with the Board of Supervisors for approval at its regular monthly meeting.

View of Responsible Official(s) – We corrected this issue when originally informed of this requirement in October of 2018 and are now filing this report on a monthly basis.

Receiving Clerks

10. Finding – All assistant receiving clerks should be properly bonded as required by state law.

Repeat Finding – Yes

Criteria – *Section 31-7-124, Mississippi Code Annotated (1972)* states, "All assistant purchasing, receiving, and inventory control clerks shall be bonded in a penalty not less than Fifty Thousand Dollars."

Condition – As noted in a prior year, it was determined that several assistant receiving clerks were listed on a "Government Crime Policy" which is not equivalent to a surety bond. A surety bond covers performance of duties as well as theft.

Cause – County employees did not follow Mississippi statute listed above.

Effect – Failure to comply with the state statute that requires the assistant receiving clerks to be properly bonded could result in the loss of public funds.

Recommendation – The Board of Supervisors should cancel the "Government Crime Policy" and purchase new surety bonds for all assistant receiving clerks as required by state statute.

View of Responsible Official(s) – This was corrected when first notified but the bonds were not issued until after the year under audit.

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

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

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

Tupelo, Mississippi
August 14, 2020

SCHEDULE OF FINDINGS AND RESPONSES

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Section 2: Financial Statement Findings

Justice Court.

Material Weakness

2018-001 Internal Controls over fines receivable in the Justice Court Clerk's office should be strengthened.

Repeat Finding No.

Criteria: Effective internal controls over Justice Court fines receivable should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance and should ensure that fines receivable is properly aged in order to estimate the collectability of these fines receivable and includes only fines due the county.

Condition During audit procedures performed, we discovered that the documentation for fines receivable submitted by management at year end contained all assessments in addition to fines due the county.

Cause Internal controls over Justice Court fines receivable were not effective in ensuring the preparation and retention of a detailed aged fines receivable schedule including only fines receivable at September 30, 2018.

Effect As a result of this weakness, the initial fines receivable balance reported by management was materially overstated, and it was difficult to obtain sufficient evidence to support the balance of fines receivable due to software limitations in re-generating appropriate reports and additional queries.

Recommendation The Justice Court Clerk should ensure that internal control procedures are in place to allow for the preparation and preservation of a detailed aged fines receivable schedule so that fines receivable due to the County can be properly reported in the financial statements.

Response We will make sure that the correct reports are contemporaneously printed as required at each year-end.