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# **YALOBUSHA COUNTY, MISSISSIPPI**

Audited Financial Statements  
and Special Reports

For the Year Ended September 30, 2018

# YALOBUSHA COUNTY

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YALOBUSHA COUNTY

FINANCIAL SECTION

# Windham and Lacey, PLLC

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### INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Yalobusha County, Mississippi

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information and related notes of Yalobusha County, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents.

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

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

#### **Auditor's Responsibility**

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

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

## **Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units**

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

## **Adverse Opinion**

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

## **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Yalobusha County, Mississippi, as of September 30, 2018, and the respective changes in financial position 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 Schedule, the Schedule of the County's Proportionate Share of the Net Pension Liability and the Schedule of the County's Contributions and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Omission of Required Supplementary Information*

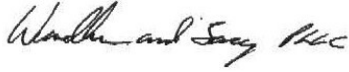
Yalobusha County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial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

### *Supplementary and Other Information*

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 January 24, 2020, on our consideration of Yalobusha 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 Yalobusha 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 Yalobusha County, Mississippi's internal control over financial reporting and compliance.



Windham and Lacey, PLLC  
January 24, 2020



YALOBUSHA COUNTY

FINANCIAL STATEMENTS

YALOBUSHA COUNTY  
Statement of Net Position  
September 30, 2018

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Cash	\$ 7,475,911
Property tax receivable	3,782,865
Accounts receivable (net of allowance for uncollectibles of \$288,983)	83,450
Fines receivable (net of allowance for uncollectibles of \$1,912,810)	257,013
Intergovernmental receivables	175,486
Other receivables	31,429
Capital assets:	
Land and construction in progress	1,003,404
Capital assets, net	<u>18,801,723</u>
Total Assets	<u>31,611,281</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	229,202
Deferred amount on refunding	<u>125,421</u>
Total Deferred Outflows of Resources	<u>354,623</u>
<b>LIABILITIES</b>	
Claims payable	276,444
Intergovernmental payables	135,643
Accrued interest payable	16,063
Other payables	46,051
Unearned revenue	29,688
Long-term liabilities	
Due within one year:	
Capital debt	401,931
Due in more than one year:	
Capital debt	2,810,039
Compensated absences	116,642
Net pension liability	<u>5,924,166</u>
Total Liabilities	<u>9,756,667</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	129,715
Property tax for future reporting period	<u>3,782,865</u>
Total Deferred Inflows of Resources	<u>3,912,580</u>

(Continued)

YALOBUSHA COUNTY  
Statement of Net Position  
September 30, 2018

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
NET POSITION	
Net investment in capital assets	16,593,157
Restricted:	
Expendable:	
General government	38,185
Debt service	125,427
Public safety	494,547
Public works	3,989,046
Economic development	559,911
Culture and recreation	9,832
Unemployment compensation	49,374
Unrestricted	<u>(3,562,822)</u>
Total Net Position	\$ <u><u>18,296,657</u></u>

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary Government:					
Governmental Activities:					
General government	\$ 2,576,702	204,975			(2,371,727)
Public safety	1,655,386	199,956	67,377	6,045	(1,382,008)
Public works	3,689,583	587,818	1,948,980	69,086	(1,083,699)
Health and welfare	362,875		162,389		(200,486)
Culture and recreation	122,824				(122,824)
Education	41,343				(41,343)
Conservation of natural resources	58,645	560			(58,085)
Economic development and assistance	5,276			41,869	36,593
Interest on long-term debt	105,759				(105,759)
Pension expense	766,404				(766,404)
Total Governmental Activities	\$ 9,384,797	993,309	2,178,746	117,000	(6,095,742)
General Revenues:					
Property taxes				\$ 4,897,329	
Road & bridge privilege taxes				147,602	
Grants and contributions not restricted to specific programs				520,873	
Unrestricted interest income				76,074	
Miscellaneous				177,208	
Total General Revenues				5,819,086	
Changes in Net Position					(276,656)
Net Position - Beginning, as previously reported					18,441,663
Prior period adjustments					131,650
Net Position - Beginning, as restated					18,573,313
Net Position - Ending				\$	18,296,657

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

YALOBUSHA COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2018

Exhibit 3

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>State Aid</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>ASSETS</b>				
Cash	\$ 2,167,552	82,456	5,225,903	7,475,911
Property tax receivable	2,535,973		1,246,892	3,782,865
Accounts receivable (net of allowance for uncollectibles, \$288,983)			83,450	83,450
Fines receivable (net of allowance for uncollectibles, \$1,912,810)	257,013			257,013
Intergovernmental receivables	62,917		112,569	175,486
Other receivables	9,711		15,423	25,134
Due from other funds	6,295		31,483	37,778
Advances to other funds	35,000			35,000
Total Assets	<u>\$ 5,074,461</u>	<u>82,456</u>	<u>6,715,720</u>	<u>11,872,637</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 131,244	3,228	141,972	276,444
Intergovernmental payables	135,643			135,643
Other payables	46,051			46,051
Unearned revenue			29,688	29,688
Due to other funds	31,483			31,483
Advances from other funds			35,000	35,000
Total Liabilities	<u>344,421</u>	<u>3,228</u>	<u>206,660</u>	<u>554,309</u>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	2,535,973		1,246,892	3,782,865
Unavailable revenue - accounts receivable			83,450	83,450
Unavailable revenue - fines	257,013			257,013
Total Deferred Inflows of Resources	<u>2,792,986</u>	<u>0</u>	<u>1,330,342</u>	<u>4,123,328</u>
Fund Balances:				
Non-spendable:				
Advances	35,000			35,000
Restricted:				
General government			38,185	38,185
Public safety			494,547	494,547
Public works		79,228	3,909,818	3,989,046
Culture and recreation			9,832	9,832
Debt service			141,490	141,490
Unemployment compensation			49,374	49,374
Assigned:				
Economic development			559,911	559,911
Unassigned	1,902,054		(24,439)	1,877,615
Total Fund Balances	<u>1,937,054</u>	<u>79,228</u>	<u>5,178,718</u>	<u>7,195,000</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,074,461</u>	<u>82,456</u>	<u>6,715,720</u>	<u>11,872,637</u>

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

## YALOBUSHA COUNTY

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,195,000
Amounts reported for governmental services in the Statement of Net Position (Exhibit 1) 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 \$11,879,674.	19,805,127
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	340,463
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,328,612)
Deferred amount on refunding.	125,421
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(16,063)
Pension Obligations:	
Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	
Net pension liability	(5,924,166)
Deferred outflows of resources related to pension obligations are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pension obligations	229,202
Deferred inflows of resources related to pension obligations	<u>(129,715)</u>
Total Net Position - Governmental Activities	\$ <u><u>18,296,657</u></u>

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

## YALOBUSHA COUNTY

Exhibit 4Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2018

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>State Aid</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 3,462,613		1,434,716	4,897,329
Road and bridge privilege taxes			147,602	147,602
Licenses, commissions and other revenue	120,782		2,513	123,295
Fines and forfeitures	156,384		40	156,424
Intergovernmental revenues	375,728	1,289,908	1,150,983	2,816,619
Charges for services	33,810		720,465	754,275
Interest income	29,906		46,168	76,074
Miscellaneous revenues	119,184		40,314	159,498
Total Revenues	<u>4,298,407</u>	<u>1,289,908</u>	<u>3,542,801</u>	<u>9,131,116</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,358,663		205,638	2,564,301
Public safety	1,320,491		217,127	1,537,618
Public works	77,473	1,291,456	2,307,424	3,676,353
Health and welfare	352,239			352,239
Culture and recreation	92,827		15,238	108,065
Education	41,343			41,343
Conservation of natural resources	58,645			58,645
Economic development and assistance	72,950		71,209	144,159
Debt Service:				
Principal	125,094		276,301	401,395
Interest	47,068		49,966	97,034
Total Expenditures	<u>4,546,793</u>	<u>1,291,456</u>	<u>3,142,903</u>	<u>8,981,152</u>
Excess of Revenues Over (Under) Expenditures	<u>(248,386)</u>	<u>(1,548)</u>	<u>399,898</u>	<u>149,964</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt (capital)	2,075,000			2,075,000
Proceeds from sale of capital assets	7,545		14,915	22,460
Transfers in	121,434		124,932	246,366
Premiums on bonds issued	37,674			37,674
Payments to bond refunding escrow agent	(2,036,008)			(2,036,008)
Transfers out	(99,932)		(146,434)	(246,366)
Total Other Financing Sources and Uses	<u>105,713</u>	<u>0</u>	<u>(6,587)</u>	<u>99,126</u>
Net Changes in Fund Balances	<u>(142,673)</u>	<u>(1,548)</u>	<u>393,311</u>	<u>249,090</u>
Fund Balance - Beginning, as previously reported	2,079,727	80,776	4,776,060	6,936,563
Prior period adjustment			9,347	9,347
Fund Balance - Beginning, as restated	<u>2,079,727</u>	<u>80,776</u>	<u>4,785,407</u>	<u>6,945,910</u>
Fund Balances - Ending	<u>\$ 1,937,054</u>	<u>79,228</u>	<u>5,178,718</u>	<u>7,195,000</u>

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

## YALOBUSHA COUNTY

Exhibit 4-1

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 249,090
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 assets differs from the change in fund balances by the amount that depreciation of \$729,253 exceeded capital outlays of \$358,351 in the current period.	(370,902)
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 the fund balances by the amount of the gain of \$17,710, the loss of \$8,519 and proceeds from the sale of \$22,460 in the current period.	(13,269)
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.	(52,629)
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	11,944
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$2,075,000, debt repayments of \$401,395.	(1,673,605)
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 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 assets differs from the change in fund balances by a combination of the following items:	
Increase in compensated absences	(12,123)
Decrease in accrued interest payable	3,250
Payment to bond refunding agent	2,036,008
Premiums on bonds	(37,674)
The amortization of:	
Premiums on bonds	3,310
Deferred amount on refunding bonds	(15,285)
Items reported in the Statement of Activities relating to the implementation of GASB No. 68 are not reported in the governmental funds. These activities include:	
Recognition of pension expense for the current year	(766,404)
Recognition of contributions made subsequent to the measurement date	91,585
Recognition of contributions made in the fiscal year prior to the measurement date	<u>270,048</u>
Change in Net Position of Governmental Activities	\$ <u>(276,656)</u>

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



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

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>102,191</u>
Total Assets	\$ <u><u>102,191</u></u>
LIABILITIES	
Due to governmental funds	\$ 6,295
Intergovernmental payables	<u>95,896</u>
Total Liabilities	\$ <u><u>102,191</u></u>

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

## YALOBUSHA COUNTY

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

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

##### A. Financial Reporting Entity.

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

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

- Yalobusha General Hospital
- Yalobusha County Public Library System
- Yalobusha County Economic Development District

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

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

##### B. Basis of Presentation.

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

##### Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

## YALOBUSHA COUNTY

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

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

#### Fund Financial Statements:

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

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

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

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

The county reports the following major Governmental Funds:

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

State Aid Fund - This fund is used to account for monies from specific revenue sources that are restricted for road and bridge maintenance and construction.

## YALOBUSHA COUNTY

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

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to 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.

#### FIDUCIARY FUND TYPES

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

#### D. Account Classifications.

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

#### E. Deposits and Investments.

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

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

#### F. Receivables.

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

# YALOBUSHA COUNTY

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

### G. Interfund Transactions and Balances.

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

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

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

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. 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.

## YALOBUSHA COUNTY

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

#### I. Deferred Outflows/Inflows of Resources.

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

Deferred outflows related to pensions - This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 9 for additional details.

Deferred amount on refunding - For current refunding's and advance refunding's resulting in defeasance of debt reported by governmental activities, the difference between the reacquisition price and 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 life of the new debt whichever is shorter.

In addition to liabilities, the Statement of Net Position and the Balance Sheet - Governmental Funds 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 and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows related to pensions - This amount represents the county's proportionate share of the deferred inflows of resources reported by the pension plan in which the county participates. See Note 9 for additional details.

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 received before the period for which property taxes are levied.

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

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 a time as the revenue becomes available.

#### J. 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.

## YALOBUSHA COUNTY

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

#### K. 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, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, Statement of Net Position.

#### L. Equity Classifications.

##### Government-wide Financial Statements:

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

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

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

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

##### Net Position Flow Assumption:

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

##### Fund Financial Statements:

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

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

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

## YALOBUSHA COUNTY

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

*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.

*Assigned fund balance* includes amounts that are constrained by the county's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed.

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

#### Fund Balance Flow Assumption:

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

#### M. 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.



# YALOBUSHA COUNTY

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

### N. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds 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.

### O. 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. 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.

### P. 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 provision of this standard has been incorporated into the financial statements and notes.

### (2) Prior Period Adjustment.

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

#### Exhibit 2 - Statement of Activities - Governmental Activities.

<u>Explanation</u>	<u>Amount</u>
To correct prior years error in amounts held in custody	\$ 4,347
To correct prior years error in cash	5,000
To correct prior year error in capital assets	<u>122,303</u>
Total	\$ <u><u>131,650</u></u>

#### Exhibit 4 - Statement of Revenues, Expenses and Changes in Fund Balance - Governmental Funds.

<u>Explanation</u>	<u>Amount</u>
To correct prior years error in amounts held in custody	\$ 4,347
To correct prior years error in cash	<u>5,000</u>
Total	\$ <u><u>9,347</u></u>

# YALOBUSHA COUNTY

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

### (3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2018, was \$7,578,102 and the bank balance was \$7,900,964. 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 Depository Insurance Corporation (FDIC).

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

### (4) Interfund Transactions and Balances.

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

#### A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Funds	\$ 6,295
Other Governmental Funds	General Fund	<u>31,483</u>
Total		\$ <u><u>37,778</u></u>

The receivables represent tax revenue collected but not settled until October, 2018 and loans to cover negative cash balances. All interfund balances are expected to be repaid within one year from the date of the financial transaction.

#### B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ <u><u>35,000</u></u>

The amounts payable to the General Fund represent funds used for state aid road projects. All advances are expected to be repaid.

# YALOBUSHA COUNTY

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

### C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 121,434
Other Governmental Funds	General Fund	99,932
Other Governmental Funds	Other Governmental Funds	<u>25,000</u>
Total		<u>\$ 246,366</u>

The principal purpose of the interfund transfers was to provide funds for county operations and to distribute escrow funds. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

### (5) Intergovernmental receivables at September 30, 2018, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 49,138
Reimbursement for welfare	1,119
Reimbursement for housing prisoners	1,365
Reimbursement for school resource officer	4,140
Flood control	37,129
ARC grant	32,845
Timber severance tax	373
Truck & bus privilege tax	8,531
Youth court	988
Petroleum tax	39,723
Miscellaneous	<u>135</u>
Total Governmental Activities	<u>\$ 175,486</u>

YALOBUSHA COUNTY

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

(6) Capital Assets.

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

Governmental Activities:

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments *	Balance Sept. 30, 2018
<u>Non-depreciable capital assets:</u>					
Land	\$ 808,404	195,000			1,003,404
Construction in progress	698,547	28,139		(726,686)	
Total non-depreciable capital assets	1,506,951	223,139	0	(726,686)	1,003,404
<u>Depreciable capital assets:</u>					
Infrastructure	5,571,582			727,667	6,299,249
Buildings	16,660,638				16,660,638
Improvements other than buildings	25,325				25,325
Mobile equipment	6,566,305	128,677	47,499		6,647,483
Furniture and equipment	842,779	6,535	85,256	174,482	938,540
Leased property under capital leases	110,162				110,162
Total depreciable capital assets	29,776,791	135,212	132,755	902,149	30,681,397
<u>Less accumulated depreciation for:</u>					
Infrastructure	776,538	128,235		8,293	913,066
Buildings	4,401,835	323,493			4,725,328
Improvements other than buildings	11,658	1,009			12,667
Mobile equipment	5,483,445	175,079	42,749		5,615,775
Furniture and equipment	524,743	86,128	76,737	44,867	579,001
Leased property under capital leases	18,528	15,309			33,837
Total accumulated depreciation	11,216,747	729,253	119,486	53,160	11,879,674
Total depreciable capital assets, net	18,560,044	(594,041)	13,269	848,989	18,801,723
Governmental activities capital assets, net	\$ 20,066,995	(370,902)	13,269	122,303	19,805,127

\* Adjustments are to transfer completed construction in progress, paid out capital leases to their proper classification, and to correct prior year errors.

# YALOBUSHA COUNTY

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 156,840
Public safety	245,383
Public works	245,518
Health and welfare	10,636
Culture and recreation	14,759
Economic development	<u>56,117</u>
Total governmental activities depreciation expense	<u>\$ 729,253</u>

### (7) Claims and Judgments.

#### Risk Financing.

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

### (8) Capital Leases.

#### As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 110,162
Less: Accumulated depreciation	<u>33,837</u>
Leased Property Under Capital Leases	<u>\$ 76,325</u>

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

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 21,931	1,689
2020	22,479	1,140
2021	<u>23,042</u>	<u>577</u>
Total	<u>\$ 67,452</u>	<u>3,406</u>

## YALOBUSHA COUNTY

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

#### (9) Defined Benefit Pension Plan.

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

Plan Description. Yalobusha County, Mississippi, is a member of 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 share 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 ended September 30, 2018, 2017 and 2016 were \$361,633, \$343,457, and \$354,719, respectively, equal to the required contribution for each year.

# YALOBUSHA COUNTY

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

### *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 \$5,924,166 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 .035617 percent, which was based on a measurement date of June 30, 2018. This was an increase of 0.001242 percent from its proportionate share used to calculate the September 30, 2017 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended September 30, 2018, the county recognized pension expense of \$766,404. 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	\$ 25,484	24,103
Net difference between projected and actual earnings on pension plan investments		105,612
Changes of assumptions	135	
Changes in the county's proportion and differences between the county's contributions and proportionate share of contributions	111,998	
County contributions subsequent to the measurement date	91,585	
Total	\$ 229,202	129,715

\$91,585 reported as deferred outflows of resources related to pension resulting from county contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30:</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ 44,856	(49,072)
2020	40,779	17,786
2021	51,982	135,691
2022		25,310
Total	\$ 137,617	129,715

# YALOBUSHA COUNTY

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

**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	3.0 percent
Salary increases	3.25 - 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

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

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

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

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

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



# YALOBUSHA COUNTY

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ <u>7,800,426</u>	\$ <u>5,924,166</u>	\$ <u>4,364,745</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report.

### (10) Long-term Debt.

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Unlimited refunding bonds	\$ 1,150,000	3.11%	05/2022
\$2,075,000 G. O. refunding bond, Series 2017	<u>1,955,000</u>	2.70-3.13%	10/2033
Total General Obligation Bonds	<u>\$ 3,105,000</u>		
B. Capital Leases:			
2015 Dodge Ram 1500	\$ 21,944	2.19%	03/2021
Ford Interceptor	16,086	2.59%	03/2021
Kubota tractor	<u>29,422</u>	2.69%	07/2021
Total Capital Leases	<u>\$ 67,452</u>		

# YALOBUSHA COUNTY

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

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

Governmental Activities:

<u>Year Ending September 30:</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 380,000	94,944
2020	390,000	83,469
2021	410,000	70,994
2022	415,000	57,219
2023	115,000	42,894
2024-2028	650,000	158,805
2029-2034	<u>745,000</u>	<u>57,711</u>
Total	\$ <u>3,105,000</u>	<u>566,036</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2018, the amount of outstanding debt was equal to 3.09% of the latest property assessments.

Advance Refunding - On December 29, 2017, the county issued \$2,075,000 in general obligation refunding bonds with an average interest rate of 2.70% - 3.13%. A portion of the proceeds of these bonds were used to advance refund \$1,930,000 of the following outstanding bond issue:

<u>Issue</u>	<u>Average Interest Rate</u>	<u>Outstanding Amount Refunded</u>
Certificate of Participation	1.75 - 5.00%	\$ 1,930,000

The net proceeds of \$2,036,008 (after payment of \$76,666 in underwriting fees and other issuance costs) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt. As a result, those bonds were considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The county advance refunded the above bonds to reduce its total debt service payments over the next 8 years by almost \$100,325 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$90,654.

# YALOBUSHA COUNTY

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

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

	Balance Oct. 1, 2017	Additions	Reductions	Adjustments *	Balance Sept. 30, 2018	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 1,410,000	2,075,000	380,000		3,105,000	380,000
Limited obligation debt	1,930,000			(1,930,000)		
Capital leases	88,847		21,395		67,452	21,931
Compensated absences	104,519	12,123			116,642	
Total	<u>3,533,366</u>	<u>2,087,123</u>	<u>401,395</u>	<u>(1,930,000)</u>	<u>3,289,094</u>	<u>401,931</u>
Add bond premium	5,154	37,674	3,310	0	39,518	0
Total	<u>\$ 3,538,520</u>	<u>2,124,797</u>	<u>404,705</u>	<u>(1,930,000)</u>	<u>3,328,612</u>	<u>401,931</u>

\* The adjustment to limited obligation debt was for the amount of debt that was refunded during the year.

### (11) 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 by the grantor agency could result in 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.

Hospital Revenue Bond Contingencies - The county issues revenue bonds to provide funds for constructing and improving capital facilities of Yalobusha General Hospital. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the county are secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2018 is \$1,075,000.

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

The governmental activities' unrestricted net position amount of \$(3,562,822) includes the effect of deferred inflows/outflows on resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$91,585 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 \$137,617 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next three years. The \$129,715 balance of the deferred inflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next four years.

## YALOBUSHA COUNTY

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

The governmental activities' net investment in capital assets net position of \$16,593,157 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of county debt. The \$125,421 balance of deferred outflows of resources at September 30, 2018 will be recognized as an expense and will decrease the net investment in capital assets net position over the next fifteen years.

#### (13) Related Organization.

The Yalobusha County Board of Supervisors is responsible for appointing a voting majority of the board members of the Yalobusha County Water & Sewer District, but the county's accountability for this organization does not exceed beyond making the appointments. The county did not appropriate any funds for the maintenance and support of the District in fiscal year 2018.

#### (14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Communicare operates in a district composed of the Counties of Calhoun, DeSoto, Lafayette, Marshall, Panola, Tate and Yalobusha. The Panola County Board of Supervisors appoints 1 of the 7 members of the board of commissioners. The county appropriated \$20,280 for support of the agency in fiscal year 2018.

The North Central Planning and Development District operates in a district composed of the Counties of Attala, Carroll, Yalobusha, Holmes, Leflore, Montgomery and Yalobusha. The Yalobusha County Board of Supervisors appoints four of the twenty-eight members of the district board of directors. The county appropriated \$41,071 for maintenance and support of the district in fiscal year 2018.

Northwest Mississippi Community College operates in a district composed of the counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica, and Yalobusha. The Yalobusha County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated \$172,632 for maintenance and support of the college in fiscal year 2018.

In 2003, the Oakland/Yalobusha Natural Gas District was formed to provide natural gas distribution infrastructure and natural gas to the Town of Oakland and parts of Yalobusha County. The Yalobusha County Board of Supervisors appoints two of the seven members of the governing board of the district. The county did not appropriate any funds for fiscal year 2018.

#### (15) Tax Abatements.

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement No. 77, *Tax Abatements 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 government or the citizens of those governments.

The Yalobusha County Board of Supervisors negotiates property tax abatements on an individual basis. All abatements are for 10 years and are for economic development purposes. The county had tax abatement agreements with seven entities as of September 30, 2018.

# YALOBUSHA COUNTY

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

The county had two types of abatements, none of the which provide for the abatement of school or state tax levies.

Sections 27-31-101 and 27-31-105, Miss. Code (Ann.) 1972  
All allowable property tax levies.

There are eight entities that have tax abatements under these statutes. These exemptions expire at various periods from fiscal year-end within a ten-year time frame. For fiscal year 2018, \$1,685,082 in taxes were abated for these entities.

<u>Category</u>	<u>% of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Economic development projects	65.76%	\$ 1,685,082

The companies were not required to comply with any special provisions in order to receive the abatements and the county made no commitments as part of the agreements other than to reduce taxes.

### (16) 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 Yalobusha County evaluated the activity of the county through January 24, 2020, and determined that the following event has occurred subsequent to the Statement of Net Position date requiring disclosure in the notes to the financial statements:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/01/2018	0.00%	\$ 16,496	Lease purchase	Ad valorem taxes

- (17) The Mississippi Office of the State Auditor (OSA) has elected to perform limited procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the County's operations. This report is available on OSA's website at <http://www.osa.ms.gov/reports>, and will include a Purchasing Report and Limited Compliance Review Report.

## YALOBUSHA COUNTY

### REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 3,405,992	3,466,066	3,466,066	
Licenses, commissions and other revenue	68,000	86,949	86,949	
Fines and forfeitures	94,700	149,718	149,718	
Intergovernmental revenues	411,983	392,402	392,402	
Charges for services	124,360	33,555	33,555	
Interest income	26,600	29,818	29,818	
Miscellaneous revenues	70,117	107,359	107,359	
Total Revenues	<u>4,201,752</u>	<u>4,265,867</u>	<u>4,265,867</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,180,722	2,287,645	2,287,645	
Public safety	1,251,260	1,322,398	1,322,398	
Health and welfare	358,057	352,231	352,231	
Culture and recreation	92,827	92,827	92,827	
Conservation of natural resources	60,997	56,174	56,174	
Economic development	15,474	18,516	18,516	
Debt service:				
Principal	85,000	120,000	120,000	
Interest	85,394	46,519	46,519	
Total Expenditures	<u>4,129,731</u>	<u>4,296,310</u>	<u>4,296,310</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>72,021</u>	<u>(30,443)</u>	<u>(30,443)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	69,271	121,434	121,434	
Transfers out	(203,133)	(161,112)	(161,112)	
Total Other Financing Sources and Uses	<u>(133,862)</u>	<u>(39,678)</u>	<u>(39,678)</u>	<u>0</u>
Net Change in Fund Balance	(61,841)	(70,121)	(70,121)	0
Fund Balances - Beginning	<u>2,065,244</u>	<u>2,065,244</u>	<u>2,065,244</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,003,403</u>	<u>1,995,123</u>	<u>1,995,123</u>	<u>0</u>

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

YALOBUSHA COUNTY

Schedule of the County's Proportionate Share of the Net Pension Liability

PERS - UNAUDITED

Last 10 Fiscal Years\*

For the Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.035617 %	0.034375 %	0.035257 %	0.034470 %	0.033280 %
County's proportionate share of the net pension liability (asset)	\$ 5,924,165	5,714,292	6,297,781	5,328,382	4,039,583
County's covered payroll	\$ 2,310,807	2,189,381	2,255,492	2,153,948	2,033,427
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	256.3678 %	261.00035 %	279.219825 %	247.377467 %	198.658865 %
Plan fiduciary net position as a percentage of the total pension liability	62.54 %	61.49 %	57.467727 %	61.703983 %	67.207687 %

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

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



YALOBUSHA COUNTY  
Schedule of the County's Contributions  
PERS - UNAUDITED  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 361,633	344,827	354,719	342,903	323,103
Contributions in relation to the contractually required contribution	<u>361,633</u>	<u>344,827</u>	<u>354,719</u>	<u>342,903</u>	<u>323,103</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
County's covered payroll	\$ 2,296,083	2,189,378	2,252,184	2,177,162	2,051,448
Contributions as a percentage of covered payroll	15.75 %	15.75 %	15.75 %	15.75 %	15.75 %

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and until a full 10-year trend is compiled, the county has only presented information for the years in which information was available.

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

# YALOBUSHA COUNTY

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

### (1) Budget.

#### 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:

	Governmental Fund Types
	General Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ (70,121)
Increase (Decrease)	
Net adjustments for revenue accruals	77,759
Net adjustments for expenditure accruals	(150,311)
Net Change in Fund Balance - GAAP Basis	\$ (142,673)

YALOBUSHA COUNTY

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

(2) Schedule of the County's Proportionate Share of the Net Pension Liability and Schedule of the County's Contributions.

A. Change in Benefit Provisions.

2016

Effective July 1, 2016, the interest rate of 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.

B. Changes of Assumptions.

2015

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

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

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

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

2017

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

YALOBUSHA COUNTY

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

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

## YALOBUSHA COUNTY

## OTHER INFORMATION

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

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Cayce Washington	Supervisor - District 1	Old Republic	\$ 100,000
Kenny Rogers	Supervisor - District 2	Old Republic	\$ 100,000
John Lee McMinn	Supervisor - District 3	Old Republic	\$ 100,000
Timothy Booker	Supervisor - District 4	Old Republic	\$ 100,000
Gaylon Gray	Supervisor - District 5	Old Republic	\$ 100,000
Amy F. McMinn	Chancery Clerk	Old Republic	\$ 100,000
Vicky Vance	Purchase Clerk	Old Republic	\$ 100,000
Sheila Schmitz	Receiving Clerk	Old Republic	\$ 75,000
Wade Williams	Receiving Clerk	Old Republic	\$ 50,000
Joe Pomerlee	Assistant Receiving Clerk	Old Republic	\$ 50,000
Tommy Marion	Assistant Receiving Clerk	Old Republic	\$ 50,000
Annie Harris	Assistant Receiving Clerk	Old Republic	\$ 50,000
Libby Kuchta	Assistant Receiving Clerk	Old Republic	\$ 50,000
Wayne Smith	Assistant Receiving Clerk	Old Republic	\$ 50,000
Amy F. McMinn	Inventory Control Clerk	Old Republic	\$ 75,000
Randy Simmons	Constable	Old Republic	\$ 50,000
Ralph Horton	Constable	Old Republic	\$ 50,000
Daryl Burney	Circuit Clerk	Old Republic	\$ 100,000
Lawanda Fly	Deputy Circuit Clerk	Old Republic	\$ 50,000
Vicki Caldwell	Deputy Circuit Clerk	Old Republic	\$ 50,000
William F. Humphreys	Sheriff	Old Republic	\$ 100,000
Janet Caulder	Justice Court Judge	Old Republic	\$ 50,000
Steve Riley	Justice Court Judge	Old Republic	\$ 50,000
Carol Wilbourn	Justice Court Clerk	Old Republic	\$ 50,000
Connie Stark	Deputy Justice Court Clerk	Old Republic	\$ 50,000
Linda Shuffield	Tax Assessor/Collector	Old Republic	\$ 50,000
John Foxx	Assistant Receiving Clerk	Old Republic	\$ 50,000
Brenda Joiner	Assistant Receiving Clerk	Old Republic	\$ 50,000
Jean Anderson	Assistant Receiving Clerk	Old Republic	\$ 50,000
Ronnie Stark	Coroner	Old Republic	\$ 10,000
Vicky Vance	Assistant Garbage Clerk	Old Republic	\$ 50,000
Sheila Schmitz	Rubbish Landfill Clerk	Old Republic	\$ 10,000
Sheila Schmitz	Garbage Clerk	Old Republic	\$ 10,000

## YALOBUSHA COUNTY

### SPECIAL REPORT

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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Mississippi Society of CPAs

### 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  
Yalobusha County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Yalobusha 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 January 24, 2020. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units.

#### **Internal Control Over Financial Reporting**

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

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

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



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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Yalobusha 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*.

### **Yalobusha County's Responses to Findings**

Yalobusha County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Yalobusha County's responses and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the county'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 county'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.



Windham and Lacey, PLLC  
January 24, 2020

YALOBUSHA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

## YALOBUSHA COUNTY

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

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

##### *Financial Statements:*

- |    |   |            |
|----|---|------------|
| 1. | Type of auditor's report issued on the financial statements:                        |            |
|    | Governmental activities   | Unmodified |
|    | Aggregate discretely presented component units                                      | Adverse    |
|    | General Fund  | Unmodified |
|    | State Aid Fund  | Unmodified |
|    | Aggregate remaining fund information  | Unmodified |
| 2. | Internal control over financial reporting:  |            |
| a. | Material weakness identified?   | Yes        |
| b. | Significant deficiency identified that is not considered to be a material weakness? | Yes        |
| 3. | Noncompliance material to the financial statements?                                 | No         |

#### Section 2: Financial Statement Findings

Board of Supervisors.

##### Material Weakness

2018-001. Omission of financial data for the county's component units.

Repeat Finding: Yes - 2017-001

##### Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

##### Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for the inclusion in the county's financial statements.

##### Board of Supervisors' Response

The Board will consider providing audited financial statements on its component units.

## YALOBUSHA COUNTY

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

Sheriff's Office.

#### Significant Deficiency

2018-002. Accountability for cash collections in the Sheriff's office.

Repeat Finding: No

#### Finding

Internal controls over cash in the Sheriff's office were found to be deficient for the following reasons:

- a. Bank accounts were not reconciled.
- b. Collections were not deposited in the bank in a timely manner. Deposits should be made daily.
- c. Settlements due to the county and the Justice Court Clerk were not always made by the 20<sup>th</sup> of the following month.

These procedures are basic internal control procedures that are necessary so that misappropriation of cash will be prevented, or detected and corrected on a timely basis. Additionally, timely settlements are necessary to the proper operations of the county and the Justice Court.

#### Recommendation

The Board of Supervisors should institute procedures to insure that the internal controls noted above will be applied. This can be accomplished by having bank reconciliations reviewed by the Chancery Clerk's office monthly, noting regular deposits. Additionally, the Chancery Clerk's office could monitor settlements for timeliness.

#### Board of Supervisors' Response

The Board of Supervisors will comply with the recommendations made in this finding.