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CALHOUN COUNTY, MISSISSIPPI
FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

CALHOUN COUNTY, MISSISSIPPI

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Members of the Board of Supervisors
Calhoun County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Calhoun County, Mississippi, (the County) as of and for the year ended September 30, 2019, and the related notes to financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the 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.

Auditors' 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 auditors' 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 auditors consider 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 Aggregate Discretely Presented Component Units

The financial statements referred to above 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, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the aggregate discretely presented component units has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on 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 Calhoun County, Mississippi, as of September 30, 2019, 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 business-type activities, each major fund, and the aggregate remaining fund information of Calhoun County, Mississippi, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of the County's Contributions, and the Notes to Required Supplementary Information on pages 37 - 42 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

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

Supplementary and Other Information

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 June 1, 2023, on our consideration of Calhoun County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Calhoun County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Calhoun County, Mississippi's internal control over financial reporting and compliance.

McKenzie CPA, PLLC

Madison, Mississippi
June 1, 2023

FINANCIAL STATEMENTS

CALHOUN COUNTY, MISSISSIPPI
Statement of Net Position
September 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 5,516,944	565,948	6,082,892
Property tax receivable	5,173,351	-	5,173,351
Accounts receivable (net of allowance for uncollectibles of \$388,489)	-	87,063	87,063
Fines receivable (net of allowance for uncollectibles of \$1,106,808)	267,578	-	267,578
Intergovernmental receivables	237,558	20,174	257,732
Other receivables	33,536	-	33,536
Internal balances	69,929	(69,929)	-
Capital assets:			
Land and construction in progress	1,133,784	-	1,133,784
Other capital assets, net	19,671,801	476,499	20,148,300
Total Assets	<u>32,104,481</u>	<u>1,079,755</u>	<u>33,184,236</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	107,917	-	107,917
Deferred outflows related to pensions	254,606	21,907	276,513
Total Deferred Outflows of Resources	<u>362,523</u>	<u>21,907</u>	<u>384,430</u>
LIABILITIES			
Claims payable	670,903	49,722	720,625
Intergovernmental payables	211,274	213	211,487
Accrued interest payable	6,107	-	6,107
Amounts held in custody for others	16,249	-	16,249
Claims and judgments payable	190,820	-	190,820
Long-term liabilities:			
Due within one year:			
Capital debt	585,553	61,464	647,017
Non-capital debt	4,002	-	4,002
Due in more than one year:			
Capital debt	3,110,324	169,851	3,280,175
Non-capital debt	148,530	23,036	171,566
Net pension liability	5,690,029	504,457	6,194,486
Total Liabilities	<u>10,633,791</u>	<u>808,743</u>	<u>11,442,534</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	62,455	5,576	68,031
Property tax for future reporting period	5,173,351	-	5,173,351
Unearned revenue for future reporting period	-	62,574	62,574
Total Deferred Inflows of Resources	<u>5,235,806</u>	<u>68,150</u>	<u>5,303,956</u>
NET POSITION			
Net investment in capital assets	17,217,625	245,184	17,462,809
Restricted for:			
Expendable:			
General Government	70,827	-	70,827
Public safety	234,250	-	234,250
Public works	3,119,794	-	3,119,794
Culture and recreation	27,959	-	27,959
Economic development	23,926	-	23,926
Debt service	665,114	-	665,114
Unrestricted	(4,762,088)	(20,415)	(4,782,503)
Total Net Position	<u>\$ 16,597,407</u>	<u>224,769</u>	<u>16,822,176</u>

The accompanying notes to financial statements are an integral part of these financial statements.

CALHOUN COUNTY, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,311,027	252,850	-	12,440	(3,045,737)		(3,045,737)
Public safety	1,520,599	246,939	78,760	12,603	(1,182,297)		(1,182,297)
Public works	2,691,294	-	3,310,759	70,669	690,134		690,134
Health and welfare	159,703	-	29,539	-	(130,164)		(130,164)
Culture and recreation	55,547	-	-	-	(55,547)		(55,547)
Education	217,968	-	-	-	(217,968)		(217,968)
Conservation of natural resources	88,282	-	-	-	(88,282)		(88,282)
Economic development and assistance	55,993	-	-	-	(55,993)		(55,993)
Interest on long-term debt	100,459	-	-	-	(100,459)		(100,459)
Pension expense	573,628	-	-	-	(573,628)		(573,628)
Total Governmental Activities	8,774,500	499,789	3,419,058	95,712	(4,759,941)		(4,759,941)
Business-type activities:							
Solid waste	834,952	828,245	-	8,227	-	1,520	1,520
Total Business-type Activities	834,952	828,245	-	8,227	-	1,520	1,520
Total Primary Government	9,609,452	1,328,034	3,419,058	103,939	(4,759,941)	1,520	(4,758,421)
General revenues:							
Property taxes					\$ 5,556,805	-	5,556,805
Road and bridge privilege taxes					180,295	-	180,295
Grants and contributions not restricted to specific programs					486,324	-	486,324
Unrestricted interest income					30,753	4,256	35,009
Miscellaneous					104,986	316	105,302
Total General Revenues					6,359,163	4,572	6,363,735
Changes in Net Position					1,599,222	6,092	1,605,314
Net Position - Beginning, as previously reported					14,887,022	218,677	15,105,699
Prior period adjustment					111,163	-	111,163
Net Position - Beginning, as restated					14,998,185	218,677	15,216,862
Net Position - Ending					\$ 16,597,407	224,769	16,822,176

The accompanying notes to financial statements are an integral part of these financial statements.

CALHOUN COUNTY, MISSISSIPPI
Balance Sheet – Governmental Funds
September 30, 2019

	<u>Major Fund</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 875,352	4,641,592	5,516,944
Property tax receivable	3,135,225	2,038,126	5,173,351
Fines receivable (net of allowance for uncollectibles of \$1,106,808)	267,578	-	267,578
Intergovernmental receivables	108,569	128,989	237,558
Other receivables	20,714	12,822	33,536
Due from other funds	78,055	48,092	126,147
Advances to other funds	52,657	-	52,657
Total Assets	\$ 4,538,150	6,869,621	11,407,771
LIABILITIES			
Liabilities:			
Claims payable	\$ 66,229	604,674	670,903
Intergovernmental payable	211,274	-	211,274
Due to other funds	48,092	60,783	108,875
Amounts held in custody for others	16,249	-	16,249
Claims and judgments payable	190,820	-	190,820
Total Liabilities	532,664	665,457	1,198,121
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	3,135,225	2,038,126	5,173,351
Unavailable revenue - fines	267,578	-	267,578
Total Deferred Inflows of Resources	3,402,803	2,038,126	5,440,929
Fund balances:			
Nonspendable:			
Advances	52,657	-	52,657
Restricted for:			
General government	-	72,028	72,028
Public safety	-	231,929	231,929
Public works	-	3,090,323	3,090,323
Culture and recreation	-	27,959	27,959
Economic development	-	23,926	23,926
Debt service	-	719,873	719,873
Unassigned	550,026	-	550,026
Total Fund Balances	602,683	4,166,038	4,768,721
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 4,538,150	6,869,621	11,407,771

The accompanying notes to financial statements are an integral part of these financial statements.

CALHOUN COUNTY, MISSISSIPPI
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2019

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,768,721
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$10,481,208.	20,805,585
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	267,578
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,848,409)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(5,690,029)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(6,107)
Deferred amount on refunding	107,917
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	254,606
Deferred inflows of resources related to pensions	(62,455)
Total Net Position - Governmental Activities	\$ <u>16,597,407</u>

The accompanying notes to financial statements are an integral part of these financial statements.

CALHOUN COUNTY, MISSISSIPPI
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended September 30, 2019

	<u>Major Fund</u>		
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
REVENUES			
Property taxes	\$ 3,509,366	2,047,439	5,556,805
Road and bridge privilege taxes	-	180,295	180,295
Licenses, commissions and other revenue	149,559	18,681	168,240
Fines and forfeitures	131,090	21,807	152,897
Intergovernmental revenues	593,179	3,407,915	4,001,094
Charges for services	43,085	154,771	197,856
Interest income	11,152	19,601	30,753
Miscellaneous revenues	45,975	49,049	95,024
Total Revenues	<u>4,483,406</u>	<u>5,899,558</u>	<u>10,382,964</u>
EXPENDITURES			
Current:			
General government	3,080,928	292,324	3,373,252
Public safety	980,133	591,352	1,571,485
Public works	82	3,364,925	3,365,007
Health and welfare	132,372	-	132,372
Culture and recreation	-	43,257	43,257
Education	217,968	-	217,968
Conservation of natural resources	72,748	15,605	88,353
Economic development and assistance	19,730	36,263	55,993
Debt service:			
Principal	25,548	490,355	515,903
Interest	982	89,430	90,412
Total Expenditures	<u>4,530,491</u>	<u>4,923,511</u>	<u>9,454,002</u>
Excess of Revenues over (under) Expenditures	<u>(47,085)</u>	<u>976,047</u>	<u>928,962</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued	-	346,264	346,264
Proceeds from sale of capital assets	-	15,512	15,512
Transfers in	-	237,040	237,040
Transfers out	(237,040)	-	(237,040)
Total Other Financing Sources (Uses)	<u>(237,040)</u>	<u>598,816</u>	<u>361,776</u>
Net Changes in Fund Balances	<u>(284,125)</u>	<u>1,574,863</u>	<u>1,290,738</u>
Fund Balances - Beginning, as previously reported	886,808	2,591,175	3,477,983
Prior period adjustment	-	-	-
Fund Balances - Beginning, as Restated	<u>886,808</u>	<u>2,591,175</u>	<u>3,477,983</u>
Fund Balances - Ending	<u>\$ 602,683</u>	<u>4,166,038</u>	<u>4,768,721</u>

The accompanying notes to financial statements are an integral part of these financial statements.

CALHOUN COUNTY, MISSISSIPPI
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, 2019

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,290,738
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,257,807 exceeded depreciation of \$838,393 in the current period.	419,414
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of net gain of \$9,962 less the proceeds from sale of capital assets of \$15,512.	(5,550)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(19,204)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$515,903 exceeded debt proceeds of \$346,264.	169,639
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Increase in accrued interest payable	(303)
Increase in compensated absences	(8,192)
The amortization of:	
Premiums on bonds	1,716
Deferred amount on refunding bonds	(11,460)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current year	(573,628)
Recording of contributions made for the current fiscal year	<u>336,052</u>
Change in Net Position of Governmental Activities	<u>\$ 1,599,222</u>

The accompanying notes to financial statements are an integral part of these financial statements.

CALHOUN COUNTY, MISSISSIPPI
Statement of Net Position – Proprietary Fund
September 30, 2019

	Business-type Activities - Enterprise Fund Solid Waste Fund
ASSETS	
Current assets:	
Cash and investments	\$ 565,948
Accounts receivable (net of allowance for uncollectibles of \$388,489)	87,063
Intergovernmental receivables	20,174
Total Current Assets	<u>673,185</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	476,499
Total Noncurrent Assets	<u>476,499</u>
Total Assets	<u>1,149,684</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	21,907
Total Deferred Outflows of Resources	<u>21,907</u>
LIABILITIES	
Current liabilities:	
Claims payable	49,722
Intergovernmental payable	213
Due to other funds	17,272
Advances from other funds	52,657
Capital debt:	
Capital leases payable	61,464
Total Current Liabilities	<u>181,328</u>
Noncurrent liabilities:	
Net pension liability	504,457
Capital debt:	
Capital leases payable	169,851
Non-capital debt:	
Compensated absences payable	23,036
Total Noncurrent Liabilities	<u>697,344</u>
Total Liabilities	<u>878,672</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	5,576
Unearned revenue for future reporting period	62,574
Total Deferred Inflows of Resources	<u>68,150</u>
NET POSITION	
Net investment in capital assets	245,184
Unrestricted	(20,415)
Total Net Position	<u>\$ 224,769</u>

The accompanying notes to financial statements are an integral part of these financial statements.

CALHOUN COUNTY, MISSISSIPPI
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund
For the Year Ended September 30, 2019

	Business-type Activities- Enterprise Fund <u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 828,245
Intergovernmental revenues	8,227
Other income	<u>316</u>
Total Operating Revenues	<u>836,788</u>
Operating Expenses	
Personal services	266,052
Contractual services	242,119
Materials and supplies	187,467
Depreciation expense	67,496
Indirect administrative cost	17,272
Pension Expense	<u>52,608</u>
Total Operating Expenses	<u>833,014</u>
Operating Income	<u>3,774</u>
Nonoperating Revenues (Expenses)	
Interest income	4,256
Interest expense	<u>(1,938)</u>
Net Nonoperating Revenues (Expenses)	<u>2,318</u>
Changes in Net Position	<u>6,092</u>
Net Position - Beginning	<u>218,677</u>
Net Position - Ending	<u>\$ 224,769</u>

The accompanying notes to financial statements are an integral part of these financial statements.

CALHOUN COUNTY, MISSISSIPPI
Statement of Cash Flows – Proprietary Fund
For the Year Ended September 30, 2019

	Business-type Activities- Enterprise Fund Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 830,689
Payments to suppliers	(432,020)
Payments to employees	(294,343)
Other operating cash receipts	8,543
Net Cash Provided by Operating Activities	<u>112,869</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(30,218)
Interest paid on debt	(1,938)
Net Cash Used by Capital and Related Financing Activities	<u>(32,156)</u>
Cash Flows From Investing Activities	
Interest on deposits	4,256
Net Cash Provided by Investing Activities	<u>4,256</u>
Net Increase in Cash and Cash Equivalents	84,969
Cash and Cash Equivalents at Beginning of Year	<u>480,979</u>
Cash and Cash Equivalents at End of Year	<u>\$ 565,948</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ <u>3,774</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	67,496
Changes in assets and liabilities:	
(Increase) in accounts receivable	(921)
Decrease in intergovernmental receivables	66
(Increase) in other deferred outflows of resources	(11,172)
(Decrease) in other deferred inflows of resources	(5,623)
(Decrease) in claims payable	(2,434)
Increase in compensated absences liability	2,530
Increase in unearned revenue	3,299
Increase in pension liability	38,582
Increase in interfund payable	17,272
Total Adjustment	<u>109,095</u>
Net Cash Provided by Operating Activities	<u>\$ 112,869</u>

The accompanying notes to financial statements are an integral part of these financial statements.

CALHOUN COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2019

	Agency Funds
ASSETS	
Cash	\$ 79,698
Total Assets	<u>\$ 79,698</u>
LIABILITIES	
Intergovernmental payables	\$ 79,698
Total Liabilities	<u>\$ 79,698</u>

The accompanying notes to financial statements are an integral part of these financial statements.

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 1: Summary of Significant Accounting Policies

a. Financial Reporting Entity

Calhoun County (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require the 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 unit which has significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Calhoun County Health Services

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

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

b. Basis of Presentation

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

Government-wide Financial Statements:

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

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

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Financial Statements:

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

c. Measurement Focus and Basis of Accounting

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

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within sixty 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 Fund:

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

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

d. Account Classifications

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

e. Deposits and Investments

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

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

f. Receivables

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

g. Interfund Transactions and Balances

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

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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 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. Calhoun County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

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

	Capitalization Thresholds	Estimated Useful Life
Land	\$ -	N/A
Infrastructure	-	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.

i. Deferred Outflows/Inflows of Resources

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

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 10 for additional details.

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

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

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

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

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 10 for additional details.

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.

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 and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position.

In the fund financial statements, the face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CALHOUN COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

I. Equity Classifications

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

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

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

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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 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.

n. Intergovernmental Revenues in Governmental Funds

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

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 and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

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. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The provisions of this standard have been incorporated into the financial statements and notes.

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 2: Prior Period Adjustment

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

Statement of Activities – Governmental Activities.

Explanation	Amount
Error in Land and construction in progress	\$ 109,928
Error in Other capital assets, net	1,235
Total Prior Period Adjustments	<u>\$ 111,163</u>

Note 3: Deposits

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2019, was \$6,162,590, and the bank balance was \$6,401,746. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). 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.

Note 4: Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2019:

a. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 17,272
General Fund	Other Governmental Funds	60,783
Other Governmental Funds	General Fund	48,092
Total		<u>\$ 126,147</u>

The receivables represent indirect cost, tax revenue collected but not settled until October 2019, and loans to cover negative cash balances.

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 4: Interfund Transactions and Balances (Continued)

b. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ <u>52,657</u>

The advances represent prior year indirect cost.

c. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ <u>237,040</u>

The purposes of interfund transfers were to provide funds to cover operating expenses and correct posting errors.

Note 5: Intergovernmental Receivables

Intergovernmental receivables at September 30, 2019, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 85,789
NRCS grant	29,179
USDA grant	18,178
Airport grant	25,575
Food stamp reimbursement	5,000
Youth court grant	1,020
Housing prisoners	2,400
Timber severance tax	952
Motor vehicle fuel tax	47,670
Truck & bus privilege tax	16,721
Other	5,074
Total Governmental Activities	\$ <u>237,558</u>
Business-type Activities:	
City of Calhoun City	\$ 7,579
City of Bruce	8,217
Town of Derma	4,378
Total Business-type Activities	\$ <u>20,174</u>

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 6: Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2019:

Governmental Activities:

	Balance 10/1/2018	Additions	Deletions	Adjustments*	Balance 9/30/2019
Non-depreciable capital assets:					
Land	\$ 593,687	-	-	-	593,687
Construction in progress	898,415	821,237	-	(1,179,555)	540,097
Total non-depreciable capital assets	1,492,102	821,237	-	(1,179,555)	1,133,784
Depreciable capital assets:					
Infrastructure	11,492,890	-	-	969,083	12,461,973
Buildings	10,694,700	-	-	100,000	10,794,700
Improvements other than buildings	414,442	-	-	220,400	634,842
Mobile equipment	4,388,200	75,939	55,500	32,048	4,440,687
Furniture and equipment	305,373	14,377	-	154,109	473,859
Leased property under capital leases	1,180,351	346,254	-	(179,657)	1,346,948
Total depreciable capital assets	28,475,956	436,570	55,500	1,295,983	30,153,009
Less accumulated depreciation for:					
Infrastructure	2,078,897	317,406	-	-	2,396,303
Buildings	3,325,314	187,612	-	-	3,512,926
Improvements other than buildings	193,824	25,394	-	-	219,218
Mobile equipment	3,516,584	145,315	49,950	5,776	3,617,725
Furniture and equipment	253,486	30,629	-	118,884	402,999
Leased property under capital leases	319,395	132,037	-	(119,395)	332,037
Total accumulated depreciation	9,687,500	838,393	49,950	5,265	10,481,208
Total depreciable capital assets, net	18,788,456	(401,823)	5,550	1,290,718	19,671,801
Governmental activities capital assets, net \$	20,280,558	419,414	5,550	111,163	20,805,585

Business-type Activities:

	Balance 10/1/2018	Additions	Deletions	Adjustments*	Balance 9/30/2019
Depreciable capital assets:					
Mobile equipment	\$ 938,639	-	-	-	938,639
Furniture and equipment	29,000	-	-	-	29,000
Leased property under capital leases	137,268	179,806	-	-	317,074
Total depreciable capital assets	1,104,907	179,806	-	-	1,284,713
Less accumulated depreciation for:					
Mobile equipment	677,553	38,959	-	-	716,512
Furniture and equipment	26,102	-	-	-	26,102
Leased property under capital leases	37,063	28,537	-	-	65,600
Total accumulated depreciation	740,718	67,496	-	-	808,214
Total depreciable capital assets, net	364,189	112,310	-	-	476,499
Business-type activities capital assets, net \$	364,189	112,310	-	-	476,499

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 6: Capital Assets (Continued)

* Adjustments were for completion of construction in progress and leased property under capital lease whose lease was paid out.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 112,788
Public safety	103,926
Public works	579,088
Health and welfare	27,331
Culture and recreation	12,290
Conservation of natural resources	2,970
Total governmental activities depreciation expense	<u>\$ 838,393</u>
	<u>Amount</u>
Business-type Activities:	
Solid waste	<u>\$ 67,496</u>

Commitments with respect to unfinished capital projects at September 30, 2019, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
ERBR-STP/BR-007(33)/B01	633,849	10/2020
ERBR-STP/BR-007(33)/B02	727,714	11/2020

Note 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 Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2019, to January 1, 2020. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The County finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the County retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis.

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 7: Claims and Judgments (Continued)

The County has reinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$35,000 and the aggregate policy covers all submitted claims in excess of \$1,000,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal years 2018 and 2019:

	<u>2018</u>	<u>2019</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 146,443	217,862
Plus: Incurred Claims (Including IBNRs)	1,177,568	1,415,635
Less: Claims Payments	<u>(1,106,149)</u>	<u>(1,442,677)</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 217,862</u>	<u>190,820</u>

Note 8: Operating Leases

As Lessor:

On May 5, 2014, Calhoun County entered into a non-cancellable operating lease agreement with Sabougla Volunteer Fire Department, Inc. for the lease of a building owned by the county for the purpose of operating a fire house. The operating lease stipulated that the lease would pay approximately \$1,161.21 per quarter in lease payments commencing on May 5, 2014, for a term of 10 years.

The County receives income from property it leases under a non-cancellable operating lease. Total income from such a lease was \$4,645 for the year ended September 30, 2019. The future minimum lease receivable for this lease is as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2020	\$ 4,645
2021	4,645
2022	4,645
2023	4,645
2024	4,645
2025	1,178
Total Minimum Payments Required	<u>\$ 24,403</u>

As Lessee:

On December 7, 2015, Calhoun County entered into a non-cancellable operating lease agreement with Three Rivers Planning Development District, Inc. for the lease of a computer system and operating software owned by Three Rivers Planning Development District, Inc. for the purpose of maintaining County records. The operating lease stipulated that the lessee would pay approximately \$11,000 per year in lease payments commencing October 1, 2015 for a term of 5 years.

The County has entered into a certain operating lease which does not give rise to property rights. Total costs for such a lease was \$11,000 for the year ended September 30, 2019. The future minimum lease payments for this lease are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2020	\$ 11,000
Total Minimum Payments Required	<u>\$ 11,000</u>

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 9: Capital Leases

As Lessee:

The County is obligated for the following assets through capital leases as of September 30, 2019:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 1,233,691	317,074
Furniture and equipment	113,257	-
Total	<u>1,346,948</u>	<u>317,074</u>
Less: Accumulated depreciation	<u>(332,037)</u>	<u>(65,600)</u>
Leased property under capital leases	<u><u>\$ 1,014,911</u></u>	<u><u>251,474</u></u>

The following is a schedule by years of the total payments due as of September 30, 2019:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 325,553	21,690	61,464	6,894
2021	225,107	14,188	60,897	5,056
2022	138,621	8,566	36,023	3,471
2023	129,159	3,778	37,397	2,097
2024	<u>31,324</u>	<u>347</u>	<u>35,534</u>	<u>670</u>
Total	<u><u>\$ 849,764</u></u>	<u><u>48,569</u></u>	<u><u>231,315</u></u>	<u><u>18,188</u></u>

Note 10: Defined Benefit Pension Plan

General Information about the Pension Plan

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

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 10: Defined Benefit Pension Plan (Continued)

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, 2019, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2019 was 17.40% of annual covered payroll. This rate increased as of July 1, 2019 from 15.75%. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2019, 2018, and 2017 were \$375,477, \$350,838, and \$342,300, respectively, equal to the required contributions for each year.

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

At September 30, 2019, the County reported a liability of \$6,194,486 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019 net pension liability was .035212 percent, which was based on a measurement date of June 30, 2019. This was an increase of .000731 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the County recognized pension expense of \$626,236. At September 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources at 9/30/19	Deferred Inflows of Resources at 9/30/19
Differences between expected and actual experience	\$ 3,588	\$ 6,437
Net difference between projected and actual earnings on pension plan investments	-	61,594
Changes of assumptions	60,700	-
Changes in proportion and differences between county contributions and proportionate share of contributions	107,940	-
County contributions subsequent to the measurement date	104,285	-
Total	<u>\$ 276,513</u>	<u>\$ 68,031</u>

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 10: Defined Benefit Pension Plan (Continued)

\$104,285 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:		
2020	\$	73,112
2021	(38,110)
2022		40,914
2023		28,281
Total	\$	<u>104,197</u>

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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

Asset Class	Target Location	Long-Term Expected Real Rate of Return
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.25
Total	<u>100.00 %</u>	

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 10: Defined Benefit Pension Plan (Continued)

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 (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
County's proportionate share of the net pension liability	\$ 8,142,866	\$ 6,194,486	\$ 4,586,273

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

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 11: Long-term Debt

Debt outstanding as of September 30, 2019, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
Governmental Activities:			
a. General Obligation Bonds:			
\$3,140,000 GO Refunding Bonds, Series 2016	\$ 2,830,000	2.00-2.50%	03/2029
b. Capital Leases:			
2018 Mack CHU 613 day cab	\$ 75,034	2.49%	01/2020
911 Database	33,637	2.39%	11/2020
5 Case backhoes	153,523	1.99%	08/2021
John Deere tractor/Tiger boom mower	25,286	1.99%	08/2021
2019 Ford F-250 truck	27,857	4.04%	03/2023
Kubota tractor and Tiger mower	85,666	2.82%	04/2023
John Deere tractor	53,237	3.20%	06/2023
John Deere tractor/Tiger boom mower	109,166	3.32%	09/2023
2019 International	76,014	3.71%	12/2023
Mack truck & Palmer dump trailer	135,967	3.84%	03/2024
2020 Kenworth D-01	74,377	3.92%	06/2024
Total Capital Leases	\$ 849,764		
c. Other Loans:			
Fire house loan	\$ 22,583	3.00%	10/2024
Business-type Activities:			
a. Capital Leases:			
2014 Freightliner garbage truck	\$ 54,239	1.99%	08/2021
2020 Mack garbage truck	177,076	3.32%	09/2024
Total Capital Leases	\$ 231,315		

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

Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2020	\$ 260,000	56,375	\$ 4,002	643
2021	270,000	51,075	4,126	519
2022	275,000	45,625	4,253	392
2023	280,000	40,075	4,384	261
2024	285,000	34,425	4,519	126
2025 - 2029	1,460,000	80,225	1,299	10
Total	\$ 2,830,000	307,800	\$ 22,583	1,951

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 11: Long-term Debt (Continued)

Legal Debt Margin – The amount of debt, excluding specific exempt 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 washed out or collapsed bridges on the public roads of the County. As of September 30, 2019, the amount of outstanding debt was equal to 2.80% of the latest property assessments.

Prior Year Defeasance of Debt – In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On March 1, 2019, all defeased bonds were called and paid in full.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2019:

	Balance 10/1/2018	Additions	Reductions	Adjustments	Balance 9/30/2019	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 121,757	8,192	-	-	129,949	-
General obligation bonds	3,080,000	-	250,000	-	2,830,000	260,000
Add bond premium	17,829	-	1,716	-	16,113	-
Capital leases	765,520	346,264	262,020	-	849,764	325,553
Other loans	26,466	-	3,883	-	22,583	4,002
Total	\$ 4,011,572	354,456	517,619	-	3,848,409	589,555
Business-type Activities:						
Compensated absences	\$ 20,506	2,530	-	-	23,036	-
Capital leases	81,727	179,806	30,218	-	231,315	61,464
Total	\$ 102,233	182,336	30,218	-	254,351	61,464

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, Calhoun Transportation Services Fund, Youth Court Fund, Reappraisal Fund, Volunteer Fire Fund, Bridge Funds, E-911 Fund, Emergency Management Fund, and Solid Waste Fund.

Note 12: Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balances at September 30, 2019:

Fund	Deficit Amount
Sabougla Fire Department Fund	\$ 2,321
County Airport Maintenance Fund	24,214
Emergency Management Fund	3,560
Countywide Road Fund	5,257

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 13: Contingencies

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

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

Note 14: Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of \$(4,762,088) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$95,524 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, 2020. The \$159,082 balance of the deferred outflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next four years. The \$62,455 balance of the deferred inflow of resources related to pension at September 30, 2019, will be recognized in pension expense over the next three years.

The governmental activities' net investment in capital assets net position of \$17,217,625 includes the effect of deferring the recognition of expenditures resulting for an advance refunding of County debt. The \$107,917 balance of deferred amount on refunding at September 30, 2019, will be recognized as an expense and will decrease the net investment in capital assets net position over the next ten years.

The business-type activities' unrestricted net position amount of \$(20,415) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$8,761 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, 2020. The \$13,146 balance of the deferred outflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next four years. The \$5,576 balance of the deferred inflow of resources related to pension at September 30, 2019, will be recognized in pension expense over the next three years.

The business-type activities' unrestricted net position amount of (\$20,415) includes the effect of recognition of deferring the recognition of unearned revenues for future reporting periods. The \$62,574 balance of deferred inflows of resources at September 30, 2019, will be recognized as revenue and will increase the unrestricted net position over the next few years.

Note 15: Related Organizations

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Loosa Schoona 1 Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 50 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Loosa Schoona 2 Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 50 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Topashaw Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 20 cent per acre tax for the district.

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 15: Related Organizations (Continued)

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Yalobusha Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 13 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Persimmon Creek Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 25 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Otoucalofa Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 50 cent per acre tax for the district.

Note 16: Joint Ventures

The County participates in the following joint venture:

Calhoun County is a participant with Chickasaw and Pontotoc Counties in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Dixie Regional Library System. The Regional Library is governed by a five-member board appointed by the Boards of Supervisors: two from the Library Board of Calhoun County, one from the Library Board of Chickasaw County, and two from the Library Board of Pontotoc County. The County appropriated \$88,676 for the joint venture in fiscal year 2019. Complete financial statements for the Dixie Regional Library can be obtained from the Dixie Regional Library System, 111 North Main Street, Pontotoc, Mississippi, 38863.

Note 17: Jointly Governed Organizations

The County participates in the following jointly governed organizations:

Three Rivers Planning and Development District operated in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Calhoun County Board of Supervisors appoints five of the 40 members of the board of directors. The County appropriated \$79,500 for support of the district in fiscal year 2019.

Communicare operates in a district composed of the Counties of Calhoun, Lafayette, Marshall, Panola, Tate and Yalobusha. The Calhoun County Board of Supervisors appoints one of the six members of the board of commissioners. The County appropriated \$25,057 for Communicare in fiscal year 2019.

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 Calhoun County Board of Supervisors appoints 2 of the 23 members of the college board of trustees. The County appropriated \$192,784 for maintenance and support of the college in fiscal year 2019.

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Calhoun County Board of Supervisors appoints one of the seven members of the board. The County did not appropriate any monies for support of the authority in fiscal year 2019. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste disposal.

Note 18: Tax Abatements

GASB 77 requires governments that enter into tax abatement agreements to disclose certain information regarding those abatements. The Calhoun County Board of Supervisors enters into property tax abatement agreements with local industry under Sections 27-31-101 and 27-31-105 of the Mississippi Code Annotated (1972). Under the code, the County has the authority in their discretion to exempt from any or all county ad valorem taxes, excluding ad valorem taxes for school districts, the mandatory mill, community college tax levies, and police/fire protection levies.

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 18: Tax Abatements (Continued)

Mississippi Code Section 27-31-101 allows County Board of Supervisors, at their discretion, to grant tax exemptions for new enterprises from ad valorem taxation for a period not to exceed 10 years. The date of completion of the new enterprise is when the exemption shall begin. The various new enterprises which fall under this code section and are eligible for an exemption are determined by the Mississippi Department of Revenue and are limited to the following: warehouse and/or distribution centers, manufacturing, processors and refineries, research facilities, corporate regional and national headquarters meeting minimum criteria established by the Mississippi Development Authority, recreational facilities that impact tourism and data/information procession enterprises that both meet minimum established criteria, technology intensive enterprises or facilities, health care industry facilities as defined in Code Section 57-117-3, and telecommunications enterprises meeting minimum criteria.

Mississippi code Section 27-31-105 allows County Board of Supervisors, at their discretion, to grant tax exemptions for any enterprise who makes additions to or expansions of the facilities or properties or replaces equipment used in conjunction with or necessary to the operation of such enterprises from ad valorem taxation for a period not to exceed 10 years. The initial request for exemption must be made in writing by June 1st of the year immediately following the year in which the additions, expansions, or replacements are completed. The time of the exemption shall commence from the date of completion of the additions, expansions, or replacements and shall extend for a period not to exceed 10 years, however the County Board of Supervisors in lieu of granting the exemption for one period of 10 years, may grant the exemption in consecutive periods of five years each, not to exceed 10 years.

A detailed listing of the property tax abatement agreements Calhoun County has entered into for the fiscal year ended September 30, 2019 is listed in the table below:

<u>Name</u>	<u>Assessed Value</u>	<u>Millage Abated</u>	<u>Tax Abated</u>
Haworth	\$ 49,590	0.06585	\$ 3,266
Weyerhouser	7,950,459	0.06585	523,538
Furniture Wood Products	265,832	0.06585	17,505
	<u>\$ 8,265,881</u>		<u>\$ 544,309</u>

Note 19: 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 Calhoun County evaluated the activity of the County through June 1, 2023, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

On March 11, 2020, the World Health Organization declared the COVID-19 virus outbreak to be a pandemic. Management has evaluated the potential impact of the pandemic on its business operations. Due to the nature of the operations of Calhoun County, Mississippi, it is management's opinion that there will be a financial impact related to the COVID-19 crisis; however, a true assessment of the potential impact has not been determined at this point.

CALHOUN COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 19: Subsequent Events (Continued)

Subsequent to September 30, 2019, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
01/16/2020	3.65%	65,000	Capital Lease	Ad valorem tax
2/19/2021	2.78%	109,192	Capital Lease	Ad valorem tax
10/8/2021	1.00%	184,758	Other Loans	Ad valorem tax
10/8/2021	1.00%	500,000	Other Loans	Garbage Fees
3/7/2022	2.78%	28,115	Capital Lease	Ad valorem tax
6/6/2022	0.00%	21,000	Capital Lease	Ad valorem tax
11/12/2022	2.78%	131,895	Capital Lease	Ad valorem tax

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,005,948	3,294,940	3,500,006	205,066
Licenses, commissions and other revenue	100,000	100,000	124,849	24,849
Fines and forfeitures	210,000	210,000	118,262	(91,738)
Intergovernmental revenues	480,000	480,000	637,167	157,167
Charges for services	-	-	23,165	23,165
Interest income	13,000	13,000	11,445	(1,555)
Miscellaneous revenues	100,000	100,000	138,570	38,570
Total Revenues	<u>3,908,948</u>	<u>4,197,940</u>	<u>4,553,464</u>	<u>355,524</u>
EXPENDITURES				
Current:				
General government	3,024,794	3,132,714	3,150,525	(17,811)
Public safety	1,016,446	1,001,666	998,058	3,608
Health and welfare	151,751	147,393	145,993	1,400
Culture and recreation	1,000	1,000	-	1,000
Education	220,000	220,000	217,968	2,032
Conservation of natural resources	83,957	73,867	72,878	989
Economic development and assistance	31,500	20,500	19,730	770
Total Expenditures	<u>4,529,448</u>	<u>4,597,140</u>	<u>4,605,152</u>	<u>(8,012)</u>
Excess of Revenues over (under) Expenditures	<u>(620,500)</u>	<u>(399,200)</u>	<u>(51,688)</u>	<u>347,512</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(79,500)	(300,800)	(237,040)	63,760
Total Other Financing Sources and Uses	<u>(79,500)</u>	<u>(300,800)</u>	<u>(237,040)</u>	<u>63,760</u>
Net Change in Fund Balance	(700,000)	(700,000)	(288,728)	411,272
Fund Balances - Beginning	701,594	701,594	946,776	245,182
Fund Balances - Ending	<u>\$ 1,594</u>	<u>1,594</u>	<u>658,048</u>	<u>656,454</u>

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

CALHOUN COUNTY, MISSISSIPPI
Schedule of the County's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014
County's proportion of net pension liability	0.035212%	0.034481%	0.033995%	0.034282%	0.034307%	0.034177%
County's proportionate share of the net pension liability	\$ 6,194,486	\$ 5,735,214	\$ 5,651,124	\$ 6,123,624	\$ 5,303,186	\$ 4,148,462
County's covered payroll	\$ 2,293,235	\$ 2,201,911	\$ 2,180,787	\$ 2,193,124	\$ 2,143,283	\$ 2,088,381
County's proportionate share of the net pension liability as a percentage of its covered payroll	270.12%	260.47%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

CALHOUN COUNTY, MISSISSIPPI
Schedule of County Contributions
PERS
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 375,477	350,838	\$ 342,300	\$ 317,971	\$ 341,593	\$ 325,615
Contribution in relation to the contractually required contribution	(375,477)	(350,838)	(342,300)	(317,971)	(341,593)	(325,615)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 2,321,174	2,227,539	\$ 2,173,333	\$ 2,018,863	\$ 2,168,844	\$ 2,067,397
Contributions as a percentage of covered payroll	16.18%	15.75%	15.75%	15.75%	15.75%	15.75%

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

Note A – The 2019 contributions as a percentage of covered payroll will be an average of the former contribution rate of 15.75% and the current contribution rate of 17.40%.

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

CALHOUN COUNTY, MISSISSIPPI
Notes to Required Supplementary Information
For the Year Ended September 30, 2019

Budgetary Comparison Schedule

1. 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 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 encumbered 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.

2. 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. The Budgetary Comparison – Budget and Actual (Non-GAAP Basis) is a part of required supplementary information.

3. 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:

	General Fund
Budget (Cash Basis)	\$ (288,728)
Increase (Decrease)	
Net adjustments for revenue accruals	(70,058)
Net adjustments for expenditure accruals	74,661
GAAP Basis	\$ (284,125)

CALHOUN COUNTY, MISSISSIPPI
Notes to Required Supplementary Information
For the Year Ended September 30, 2019

4. Pension Schedules

1. 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. Small adjustments were also made to the Mortality Table for disabled lives.

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

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

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

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.

For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

For males, 137% of male rates at all ages.

For females, 115% of female rates at all ages.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

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

CALHOUN COUNTY, MISSISSIPPI
Notes to Required Supplementary Information
For the Year Ended September 30, 2019

4. Pension Schedules (Continued)

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2. Changes in benefit provisions

2016

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

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OTHER INFORMATION

CALHOUN COUNTY, MISSISSIPPI
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2019
Unaudited

Name	Position	Company	Bond
Charles Bobo	Supervisor District 1	Western Surety Company	\$ 100,000
Homer "Tony" Moore	Supervisor District 2	RLI Insurance	100,000
David Gwin Longest	Supervisor District 3	FCCI Insurance Company	100,000
Barney J. Wade	Supervisor District 4	Western Surety Company	100,000
Tony Morgan	Supervisor District 5	Western Surety Company	100,000
Romona Tillman	Chancery Clerk	Western Surety Company	100,000
Jenny Hill	Purchase Clerk	Western Surety Company	75,000
Julia Aron	Assistant Purchase Clerk	Western Surety Company	50,000
Romona Tillman	Receiving Clerk	Western Surety Company	75,000
Craig Gillis	Assistant Receiving Clerk	RLI Insurance	50,000
Charles W. Jones	Assistant Receiving Clerk	Western Surety Company	50,000
James Lollar	Assistant Receiving Clerk	Western Surety Company	50,000
Tony Moore	Assistant Receiving Clerk	RLI Insurance	50,000
Willie Moore	Assistant Receiving Clerk	RLI Insurance	50,000
Cassie F Bryant	Inventory Control Clerk	Western Surety Company	75,000
Benny R Langford	Constable	Western Surety Company	50,000
James Vanlandingham	Constable	FCCI Insurance Company	50,000
Carlton Baker	Circuit Clerk	State Farm	100,000
L. Sinatra Cruthirds	Deputy Circuit Clerk	Western Surety Company	75,000
Deborah Harrelson	Deputy Circuit Clerk	Western Surety Company	100,000
Penny D Nichols	Deputy Circuit Clerk	Western Surety Company	100,000
Greg Pollan	Sheriff	Western Surety Company	100,000
Tracie McGuirt	Justice Court Clerk	Western Surety Company	50,000
Teresa Warner	Deputy Justice Court Clerk	Western Surety Company	50,000
Markial Scott Ferguson	Justice Court Judge	Western Surety Company	10,000
Jim Vance	Justice Court Judge	Western Surety Company	50,000
Bill K Malone	Tax Assessor-Collector	Travelers	100,000
Wanda Harrison	Deputy Tax Assessor-Collector	Western Surety Company	50,000
Andrea Howell	Deputy Tax Assessor-Collector	Western Surety Company	50,000
Peggy Neese	Deputy Tax Assessor-Collector	Western Surety Company	50,000
Sherry Hardin White	Deputy Tax Assessor-Collector	Western Surety Company	50,000
Shelia Winter	Deputy Tax Assessor-Collector	Western Surety Company	10,000

SPECIAL REPORTS



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

Members of the Board of Supervisors
Calhoun County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Calhoun County, Mississippi, (the County) as of and for the year ended September 30, 2019, and the related notes to financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 1, 2023. 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 Calhoun 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 Calhoun County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of Calhoun County, Mississippi's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Calhoun County, Mississippi, in the Independent Accountants' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated June 1, 2023, included with this document.

Calhoun County, Mississippi's Response to Findings

Calhoun County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. Calhoun County's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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

A handwritten signature in blue ink that reads "McKenzie CPA, PLLC".

Madison, Mississippi
June 1, 2023



McKENZIE CPA, PLLC

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INDEPENDENT ACCOUNTANTS' REPORT ON CENTRAL PURCHASING SYSTEM, INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES (REQUIRED BY SECTION 31-7-115, MISSISSIPPI CODE OF 1972 ANNOTATED)

Members of the Board of Supervisors
Calhoun County, Mississippi

We have examined Calhoun County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with *Sections 31-7-101 through 31-7-127, Mississippi Code of 1972 Annotated* and compliance with the purchasing requirements in accordance with bid requirements of *Section 31-7-13, Mississippi Code of 1972 Annotated* during the year ended September 30, 2019. The Board of Supervisors of Calhoun County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

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

Purchase Clerk.

1. Public Officials Should Establish and Maintain Internal Control and Compliance with Public Purchasing Laws.

Repeat Finding No

Criteria The County is responsible for complying with the requirements of the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.

Condition The County failed to comply with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37. A well-designed purchasing system would comply with the provisions of Titles 31 and 37 and would include proper bid requirements as well as the use of purchase requisitions, purchase orders, and receiving reports. During our test work, we noted the following instances of non-compliance:

- One (1) instance where the invoice was dated prior to the purchase order.

- Two (2) instances where the invoices were dated prior to purchase approval.

Cause	The County has failed to establish and maintain an adequate internal control system to ensure compliance with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.
Effect	The County is not in compliance with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.
Recommendation	The County should establish and maintain an adequate internal control system which would ensure that the County is in compliance with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.
Response	The Purchase Clerk will comply with the State of Mississippi Policies and Procedures with reference to the Public Purchase Laws; Titles 31 and 37. The Purchase Clerk will inform all Department Heads that if a purchase is made without a purchase order number that the invoice for said purchase has to be taken before the Board of Supervisors to approve payment for said invoice and placed within the minutes.

Board of Supervisors

2. Public Officials Should Ensure Compliance with State Law over Purchase Schedules

Repeat Finding	Yes
Criteria	Under <i>Section 31-7-13(d)(i), Mississippi Code Annotated (1972)</i> , "Purchases may be made from the lowest and best bidder...If any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid..."
Condition	The County failed to comply with <i>Section 31-7-13(d)(i), Mississippi Code Annotated (1972)</i> . As a result of procedures performed, we noted seven items listed on the Purchase Clerk Schedules were not spread upon the official board minutes.
Cause	The County has failed to establish and maintain an adequate internal control system to ensure compliance with State of Mississippi Policies and Procedures with reference to purchases not made from the lowest bidder.
Effect	The County is not in compliance with <i>Section 31-7-13(d)(i), Mississippi Code Annotated (1972)</i> .
Recommendation	The County should ensure that purchases not made from the lowest bidder are properly spread upon the official board minutes.
Response	The Board of Supervisors plans to implement the changes stated above.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Calhoun County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2019.

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

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

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

McKenzie CPA, PLLC

Madison, Mississippi

June 1, 2023

CALHOUN COUNTY, MISSISSIPPI
Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2019

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Lowest Bid</u>	<u>Vendor</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
1/22/2019	Dozer / Excavator	\$ 100/hr	\$ 72.50/hr	Jackie Earnest	Size of equipment
2/15/2019	Hauling Wash Rock	\$ 8.41/ton	\$ 7.54/ton	Chrestman Farms	Would not haul from specified pit
2/14/2019	Metal Building Parts	\$ 4,880	\$ 4,541	Don Dugard	Did not meet specified requirements
4/19/2019	Dozer / Excavating	\$ 100/hr	\$ 72.50/hr	Jackie Earnest	Not available in time period needed
7/29/2019	Dozer / Excavating	\$ 100/hr	\$ 72.50/hr	Jackie Earnest	Not available in time period needed
8/7/2019	Dozer / Excavating	\$ 100/hr	\$ 72.50/hr	Josh Bennett	Not available in time period needed
6/27/2019	Dozer / Excavating	\$ 100/hr	\$ 72.50/hr	Jackie Earnest	Not available in time period needed
8/16/2019	Dozer / Excavating	\$ 100/hr	\$ 72.50/hr	Josh Bennett	Not available in time period needed

CALHOUN COUNTY, MISSISSIPPI
Schedule of Emergency Purchases
For the Year Ended September 30, 2019

Our tests did not identify any emergency purchases.

CALHOUN COUNTY, MISSISSIPPI
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2019

Date	Item Purchased	Amount Paid	Vendor
6/3/2019	50 Railroad Culverts	10,900	The Railroad Yard
8/14/2019	Rip Rap Grout	6,804	MMC Materials



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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Calhoun County, Mississippi

In planning and performing our audit of the financial statements of Calhoun County, Mississippi for the year ended September 30, 2019, we considered Calhoun County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Calhoun County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 1, 2023, on the financial statements of Calhoun County, Mississippi.

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

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

Chancery Clerk.

1. Public Officials Should Ensure Compliance with State Law over Bank Deposits.

Repeat Finding Yes, 2018 Finding 6

Criteria *Section 25-1-72, Mississippi Code Annotated (1972), states, "All county officers who receive funds payable into the county treasury shall deposit such funds into the county depository on the day when they are collected or on the next business day thereafter."*

Condition During testing procedures performed, twenty-six (26) out of the twenty-nine (29) receipts tested were deposited between two (2) and twenty (20) days after the money was receipted.

Cause Weak internal controls

Effect Failure to make timely bank deposits could result in the loss or misappropriation of public funds.

Recommendation We recommend the Chancery Clerk implement internal controls to ensure that bank deposits are made on a timely basis.

View of Responsible Official(s)	I agree with the auditor's finding. Despite the many duties of the Chancery Clerk, I will make every effort to make timely deposits.
2.	<u>Public Officials Should Ensure Compliance with State Law over Surety Bonds</u>
Repeat Finding	Yes, 2018 Finding 2
Criteria	<i>Section 25-1-15, Mississippi Code Annotated (1972)</i> , requires a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor.
Condition	As a result of procedures performed, we noted the following exceptions with the County's surety bonds: <ul style="list-style-type: none"> • One Justice Court Judge had a bond less than the amount required by law; and • One Deputy Tax Assessor/Collector did not have the correct title on their bond.
Cause	Weak internal controls
Effect	Failure to have a bond in place for a specific term or office could limit the amount available for recovery if a loss occurred over multiple terms.
Recommendation	We recommend the Public Officials ensure that the Officials are bonded as required by <i>Section 25-1-15</i> .
View of Responsible Official(s)	Justice Court Judge: My bond problem is in the process of being fixed starting in my new term of office. Tax Assessor/Collector: Clerk is only Deputy Tax Assessor, not a collector. Will be corrected on the new bond.
3.	<u>The Chancery Clerk did not properly record fees in the fee journal.</u>
Repeat Finding	No
Criteria	<i>Section 9-1-43(6), Mississippi Code Annotated (1972)</i> , states, "The chancery clerk and the circuit clerk shall establish and maintain a cash journal for recording cash receipts from private or government sources for furnishing copies of any papers of record or on file, or for rendering services as a notary public, or other fees wherein the total fee for the transaction is Ten Dollars (\$10.00) or less. The cash journal entry shall include the date, amount and type of transaction, and the clerk shall not be required to issue a receipt to the person receiving such services."
Condition	Several deposits were made to the account that were not recorded in the fee journal, and several amounts were recorded in the fee journal where no deposit was made.
Cause	Weak internal controls on preparation of fee journal
Effect	Failure to accurately record items in fee journal could result in the loss or misappropriation of public funds.

Recommendation	We recommend that the Chancery Clerk record fees to the fee journal as soon as they are received. We also recommend that the Chancery Clerk not record anticipated fees until they are received.
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Views of Responsible Official(s)	I concur with the finding. I will be more thorough and timelier with recording fees.
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4. Public Officials Should Strengthen Internal Controls over Accountability of Assets

Repeat Finding	Yes, 2018 Finding 11
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Criteria	Management is responsible for establishing a proper internal control system to ensure strong financial accountability for the safeguarding of assets and revenue.
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Condition	Cash collection and disbursement functions in the Tax Assessor-Collector's office are not adequately segregated for effective internal controls and therefore, controls over cash are inadequate.
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Cause	<p>The following exceptions were noted:</p> <p>1) The Tax Assessor-Collector had insufficient segregation of duties.</p> <ul style="list-style-type: none">• The bookkeeper posts all transactions, daily collection and settlements to the manual cash journal;• The bookkeeper prepares the monthly settlements and posts them to the cash journal. The Tax Assessor-Collector usually signs the checks for settlements, but the bookkeeper is also an authorized signor on the bank account; and• Daily collections are given to the bookkeeper at 5 pm each day, and the money is locked in a heavy-duty file cabinet until the deposit is made the following day.
-------	--

2) The Tax Assessor-Collector had insufficient cash on hand for settlements. During our testing of internal controls of the Tax Assessor-Collector's office, we noted that there was a continued cash shortage in the amount of \$14,641.87. A deficit was identified in a prior year's audit (2013) of \$22,130. A payment of \$1,800 was made to reduce the shortage in the current fiscal year. There was no determination made as to what created the deficit. However, the Tax Assessor-Collector is liable for the amount of the shortage.

Effect	Lack of segregation of duties and inadequate controls surrounding the deposit of revenue collections could result in misappropriation of assets and improper revenue recognition.
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Recommendation	We recommend the Tax Assessor-Collector strengthen controls to ensure that there is adequate segregation of duties in the recording and settlement functions, as well as implement a system to safeguard cash collections adequately. All future revenue collected within the Tax Assessor-Collector's office should be appropriately receipted and deposited. The Tax Assessor-Collector should pay the amount of the shortage noted in the cash journal as of September 30, 2019.
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View of Responsible Official	Efforts will be made to correct these deficiencies, as noted.
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Calhoun County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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

McKenzie CPA, PLLC

Madison, Mississippi
June 1, 2023

SCHEDULE OF FINDINGS AND RESPONSES

CALHOUN COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2019

Section 1: Summary of Auditors' Results

Financial Statements:

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

Governmental activities	Unmodified
Business-type activities	Unmodified
Aggregate discretely presented component unit	Adverse
General Fund	Unmodified
Solid Waste Fund	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:

a. Material weaknesses identified?	Yes
b. Significant deficiencies identified that are not considered to be a material weakness?	None reported

3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Tax Assessor-Collector

Material Weakness

2019-001 Controls over cash collections and disbursements in the Tax Assessor-Collector's office should be strengthened.

Repeat Finding Yes, 2018-001, 2017-002, 2016-002, 2015-002, 2014-002, 2013-006.

Criteria Management is responsible for establishing a proper internal control system to ensure strong financial accountability for the safeguarding of assets and revenue.

Condition Cash collection and disbursement functions in the Tax Assessor-Collector's office are not adequately segregated for effective internal controls and therefore, controls over cash are inadequate.

Cause The following exceptions were noted:

1) The Tax Assessor-Collector had insufficient segregation of duties.

- The bookkeeper posts all transactions, daily collection and settlements to the manual cash journal;
- The bookkeeper prepares the monthly settlements and posts them to the cash journal. The Tax Assessor-Collector usually signs the checks for settlements, but the bookkeeper is also an authorized signor on the bank account; and
- Daily collections are given to the bookkeeper at 5 pm each day, and the money is locked in a heavy-duty file cabinet until the deposit is made the following day.

CALHOUN COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2019

2) The Tax Assessor-Collector had insufficient cash on hand for settlements. During our testing of internal controls of the Tax Assessor-Collector's office, we noted that there was a continued cash shortage in the amount of \$14,641.87. A deficit was identified in a prior year's audit (2013) of \$22,130. A payment of \$1,800 was made to reduce the shortage in the current fiscal year. There was no determination made as to what created the deficit. However, the Tax Assessor-Collector is liable for the amount of the shortage.

Effect Lack of segregation of duties and inadequate controls surrounding the deposit of revenue collections could result in misappropriation of assets and improper revenue recognition.

Recommendation We recommend the Tax Assessor-Collector strengthen controls to ensure that there is adequate segregation of duties in the recording and settlement functions, as well as implement a system to safeguard cash collections adequately. All future revenue collected within the Tax Assessor-Collector's office should be appropriately receipted and deposited. The Tax Assessor-Collector should pay the amount of the shortage noted in the cash journal as of September 30, 2019.

View of Responsible Official Efforts will be made to correct these deficiencies, as noted.

**Justice Court Clerk
Material Weakness
2019-002** Controls over cash collections and disbursements in the Justice Court Clerk's office should be strengthened.

Repeat Finding: Yes, 2018-002, 2017-003, 2016-003, 2015-003, 2014-003, 2013-007.

Criteria An effective system of internal control over cash should include an adequate segregation of duties.

Condition As reported in the prior six audits, it was noted that cash collection and disbursement functions in the Justice Court Clerk's office are not adequately segregated for effective internal control and therefore, controls over cash are inadequate.

Cause The Justice Court Clerk receipts cash, prepares all bank deposits, maintains the cash journals, reconciles the bank statements, calculates the monthly settlements and disburses all funds.

Effect Failure to implement controls over cash in the Justice Court Clerk's office could potentially result in the loss or misappropriation of public funds.

Recommendation The Justice Court Clerk should ensure there is adequate segregation of duties in the collecting, recording and settlement functions.

View of Responsible Official Calhoun County Justice Court consist of two (2) employees. The Justice Court Clerk and Deputy Clerk. The Justice Court Clerk has requested a part time helper but has been turned down each time. The Clerk and Deputy clerk both receipts cash and the daily bank deposits. If the Deputy clerk does the deposit for that day the clerk will run the report. If the clerk does the deposit for that day the Deputy clerk will run the report. Since there is only 2 of us in the office the clerk is the only one authorized to write checks or disburse cash. We do ensure adequate segregation of duties when possible. We are very limited on what we can and cannot do being there is only the 2 of us. Collection and Accounting duties are separated between the clerk and deputy clerk within the office.