

# COVINGTON COUNTY, MISSISSIPPI

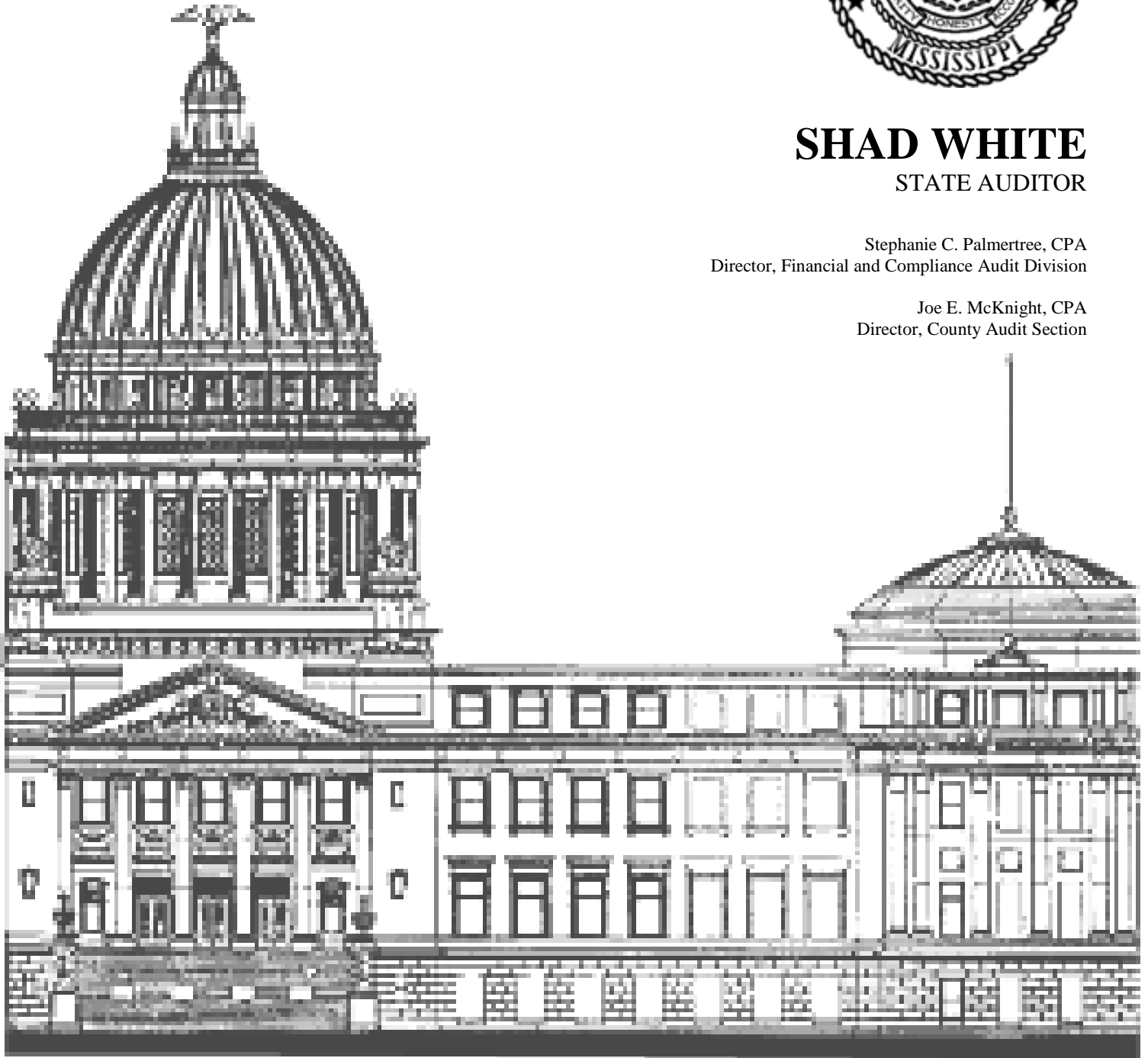
Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2019



**SHAD WHITE**  
STATE AUDITOR

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

Joe E. McKnight, CPA  
Director, County Audit Section



A Report from the County Audit Section

[www.osa.state.ms.us](http://www.osa.state.ms.us)









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

**Shad White**  
AUDITOR

June 3, 2021

Members of the Board of Supervisors  
Covington County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2019 financial and compliance audit report for Covington County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Covington County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Covington County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Shad White", is written over a horizontal line.

Shad White



COVINGTON COUNTY

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COVINGTON COUNTY

FINANCIAL SECTION

COVINGTON COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**SHAD WHITE**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Covington County, Mississippi

**Report on the Financial Statements**

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

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

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

***Auditor's Responsibility***

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

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

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

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

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

### ***Adverse Opinion***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Covington 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.

### ***Basis for Qualified Opinion on the General Fund***

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Justice Court and Circuit Court or the aging of these fines receivable. Adequate subsidiary records were not maintained and preserved for the Justice Court and Circuit Court fines receivable aging schedules at September 30, 2019. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported in the General Fund at \$403,850, as of September 30, 2019. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

### ***Qualified Opinion***

In our opinion, except for the effects of such adjustments, if any, as might have been determined had we been able to examine evidence to determine the net realizable value of the fines receivable reported in the General Fund, the financial statements referred to previously present fairly, in all material respects, the financial position of the General Fund of Covington County, Mississippi, as of September 30, 2019, and the changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the Hospital Bond Series 2015 Fund, and the aggregate remaining fund information of Covington County, Mississippi, as of September 30, 2019, and the respective changes in financial position 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 and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Omission of Required Supplementary Information*

Covington 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*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Covington County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Reconciliation of Operating Costs of Solid Waste is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2021 on our consideration of Covington 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 Covington 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 Covington County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

June 3, 2021

COVINGTON COUNTY

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COVINGTON COUNTY

FINANCIAL STATEMENTS

COVINGTON COUNTY

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COVINGTON COUNTY  
Statement of Net Position  
September 30, 2019

Exhibit 1

	Primary Government
	Governmental
	Activities
ASSETS	
Cash	\$ 15,963,647
Property tax receivable	10,526,287
Fines receivable (net of allowance for uncollectibles of \$1,455,993)	403,850
Loans receivable	4,460,000
Intergovernmental receivables	188,860
Other receivables	34,661
Capital assets:	
Land and construction in progress	442,421
Other capital assets, net	57,062,852
Total Assets	89,082,578
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	646,066
Total Deferred Outflows of Resources	646,066
LIABILITIES	
Claims payable	438,930
Intergovernmental payables	190,325
Accrued interest payable	69,641
Other payables	138,081
Long-term liabilities	
Net pension liability	9,599,412
Due within one year:	
Capital debt	406,638
Non-capital debt	315,000
Due in more than one year:	
Capital debt	4,873,803
Non-capital debt	4,145,000
Total Liabilities	20,176,830
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	105,289
Deferred revenues - property taxes	10,526,287
Total Deferred Inflows of Resources	10,631,576
NET POSITION	
Net investment in capital assets	52,224,832
Restricted for:	
Expendable:	
General government	158,991
Public safety	1,252,765
Public works	2,319,542
Culture and recreation	47,409
Economic development and assistance	1
Debt service	4,496,359
Unemployment compensation	20,791
Unrestricted	(1,600,452)
Total Net Position	\$ 58,920,238

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,410,596	309,395	20,463		(3,080,738)
Public safety	3,520,657	297,203	154,252		(3,069,202)
Public works	4,604,570	22,394	737,311		(3,844,865)
Health and welfare	249,176		20,258	11,870	(217,048)
Culture and recreation	239,011				(239,011)
Conservation of natural resources	93,273				(93,273)
Economic development and assistance	73,195				(73,195)
Interest on long-term debt	340,967				(340,967)
Pension expense	1,174,775				(1,174,775)
Total Governmental Activities	\$ 13,706,220	628,992	932,284	11,870	(12,133,074)
General revenues:					
Property taxes					\$ 9,521,765
Road & bridge privilege taxes					282,738
Grants and contributions not restricted to specific programs					864,214
Unrestricted interest income					451,947
Miscellaneous					460,300
Total General Revenues					11,580,964
Changes in Net Position					(552,110)
Net Position - Beginning					59,472,348
Net Position - Ending					\$ 58,920,238

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

COVINGTON COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2019

Exhibit 3

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Hospital Bond</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Series 2015 Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>ASSETS</b>				
Cash	\$ 11,817,596	106,000	4,040,051	15,963,647
Property tax receivable	6,615,891		3,910,396	10,526,287
Fines receivable (net of allowance for uncollectibles of \$1,455,993)	403,850			403,850
Loans receivable		4,460,000		4,460,000
Intergovernmental receivables	158,809		30,051	188,860
Other receivables	26,356		8,305	34,661
Due from other funds			68,547	68,547
Advances to other funds	72,000			72,000
Total Assets	<u>\$ 19,094,502</u>	<u>4,566,000</u>	<u>8,057,350</u>	<u>31,717,852</u>
<b>LIABILITIES</b>				
Liabilities:				
Claims payable	\$ 171,180		267,750	438,930
Intergovernmental payables	183,114			183,114
Due to other funds	68,053		7,705	75,758
Advances from other funds			72,000	72,000
Other payables	138,081			138,081
Total Liabilities	<u>560,428</u>	<u>0</u>	<u>347,455</u>	<u>907,883</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue - property taxes	6,615,891		3,910,396	10,526,287
Unavailable revenue - fines	403,850			403,850
Total Deferred Inflows of Resources	<u>7,019,741</u>	<u>0</u>	<u>3,910,396</u>	<u>10,930,137</u>
<b>Fund balances:</b>				
Nonspendable:				
Advances	72,000			72,000
Restricted for:				
General government			158,991	158,991
Public safety			1,252,765	1,252,765
Public works			2,319,542	2,319,542
Culture and recreation			47,409	47,409
Economic development and assistance			1	1
Debt service		4,566,000		4,566,000
Unemployment compensation			20,791	20,791
Assigned to:				
General government	18,018			18,018
Public safety	9,372			9,372
Culture and recreation	175,997			175,997
Unassigned	11,238,946			11,238,946
Total Fund Balances	<u>11,514,333</u>	<u>4,566,000</u>	<u>3,799,499</u>	<u>19,879,832</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,094,502</u>	<u>4,566,000</u>	<u>8,057,350</u>	<u>31,717,852</u>

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

## COVINGTON COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2019

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 19,879,832
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 \$96,901,216.	57,505,273
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	403,850
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(9,740,441)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(9,599,412)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(69,641)
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	646,066
Deferred inflows of resources related to pensions	<u>(105,289)</u>
Total Net Position - Governmental Activities	\$ <u><u>58,920,238</u></u>

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

## COVINGTON COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2019

	Major Funds		Other	Total
	General	Hospital Bond	Governmental	Governmental
	Fund	Series 2015 Fund	Funds	Funds
<b>REVENUES</b>				
Property taxes	\$ 6,035,668		3,486,097	9,521,765
Road and bridge privilege taxes			282,738	282,738
Licenses, commissions and other revenue	206,186		20,991	227,177
Fines and forfeitures	218,287			218,287
Intergovernmental revenues	865,157		943,211	1,808,368
Charges for services	40,446		193,663	234,109
Interest income	350,685		101,262	451,947
Miscellaneous revenues	210,825	184,488	63,138	458,451
Total Revenues	<u>7,927,254</u>	<u>184,488</u>	<u>5,091,100</u>	<u>13,202,842</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,312,888		282,789	3,595,677
Public safety	2,851,596	1,940	851,019	3,704,555
Public works	197,825		4,540,688	4,738,513
Health and welfare	206,242			206,242
Culture and recreation	236,170		144,394	380,564
Conservation of natural resources	92,760			92,760
Economic development and assistance	46,105		31,967	78,072
Debt service:				
Principal	175,000	315,000	291,792	781,792
Interest	113,730	141,156	89,639	344,525
Total Expenditures	<u>7,232,316</u>	<u>458,096</u>	<u>6,232,288</u>	<u>13,922,700</u>
Excess of Revenues over (under) Expenditures	<u>694,938</u>	<u>(273,608)</u>	<u>(1,141,188)</u>	<u>(719,858)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued			57,924	57,924
Proceeds from sale of capital assets	2,896		16,578	19,474
Compensation for loss of capital assets	2,863		17,194	20,057
Transfers in			1,459,293	1,459,293
Transfers out	(1,305,000)		(154,293)	(1,459,293)
Total Other Financing Sources and Uses	<u>(1,299,241)</u>	<u>0</u>	<u>1,396,696</u>	<u>97,455</u>
Net Changes in Fund Balances	(604,303)	(273,608)	255,508	(622,403)
Fund Balances - Beginning	<u>12,118,636</u>	<u>4,839,608</u>	<u>3,543,991</u>	<u>20,502,235</u>
Fund Balances - Ending	<u>\$ 11,514,333</u>	<u>4,566,000</u>	<u>3,799,499</u>	<u>19,879,832</u>

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

## COVINGTON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2019

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (622,403)
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 \$1,457,784 exceeded depreciation of \$1,433,671 in the current period.	24,113
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$1,849 and the proceeds from the sale of \$19,474 and the compensation for loss of \$20,057 in the current period.	(37,682)
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.	(50,581)
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 \$781,792 exceeded debt proceeds of \$57,924.	723,868
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 the following item:	
The amount of decrease in accrued interest payable	3,558
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,174,775)
Recording of contributions made during the year	<u>581,792</u>
Change in Net Position of Governmental Activities	\$ <u><u>(552,110)</u></u>

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

COVINGTON COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2019

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 927,899
Due from other funds	<u>7,211</u>
Total Assets	<u>\$ 935,110</u>
LIABILITIES	
Amounts held in custody for others	\$ 835,838
Intergovernmental payables	<u>99,272</u>
Total Liabilities	<u>\$ 935,110</u>

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

COVINGTON COUNTY

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## COVINGTON COUNTY

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

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

##### A. Financial Reporting Entity.

Covington County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Covington County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

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

- Covington County Hospital
- Covington County Economic Development Authority
- Covington County Economic Development District
- Covington County Library System
- Southeast Covington Fire District

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

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

##### B. Basis of Presentation.

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

##### Government-wide Financial Statements:

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

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

## COVINGTON COUNTY

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

or draws from the general revenues of the County.

#### Fund Financial Statements:

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

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

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

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

The County reports the following major Governmental Funds:

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

Hospital Bond Series 2015 Fund - This fund is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs on general obligation bonds issued to refund outstanding bonds of Covington County Hospital, a component unit of 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 specified purposes other than debt service or capital projects.

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

## COVINGTON COUNTY

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

#### FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

H. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Covington County elected to report general infrastructure acquired after September 30, 1980, on the government-wide financial statements.

# COVINGTON COUNTY

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

General infrastructure assets include all roads and bridges and other infrastructure assets.

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

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 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.

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 Notes 9 and 13 for additional details.

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

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

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

Deferred inflows related to pensions - This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Notes 9 and 13 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

## COVINGTON COUNTY

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

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

#### L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

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

## COVINGTON COUNTY

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

*Assigned fund balance* includes amounts that are constrained by the County's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Supervisors pursuant to authorization established by board minutes.

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

#### Fund Balance Flow Assumption:

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

#### M. Property Tax Revenues:

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

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility 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.

# COVINGTON COUNTY

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

### O. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee benefits; however, adequate records are not maintained for determining the amount of the liability. Therefore, no liability is recorded in the accompanying financial statements as required by accounting principles generally accepted in the United States of America. We believe the effects of the unrecorded liability on the financial statements are immaterial.

### (2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2019, was \$16,891,546, and the bank balance was \$17,576,465. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

### (3) Interfund Transactions and Balances.

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 60,842
Other Governmental Funds	Other Governmental Funds	7,705
Agency Funds	General Fund	<u>7,211</u>
Total		<u>\$ 75,758</u>

The receivables represent the tax revenue collected in September, 2019, but not settled until October, 2019. Other loans represent receivables created to correct posting errors. All interfund balances are expected to be repaid within one year from the date of the financial statements.

#### B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ <u>72,000</u>

The advance represents a receivable created to correct a posting error in the prior year.

COVINGTON COUNTY

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

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 1,305,000
Other Governmental Funds	Other Governmental Funds	<u>154,293</u>
Total		<u>\$ 1,459,293</u>

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

(4) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 144,134
Housing prisoners reimbursement	3,440
DHS reimbursement	5,288
Youth court reimbursement	5,947
Emergency management performance grant reimbursement	21,500
DUI grant	<u>8,551</u>
Total Governmental Activities	<u>\$ 188,860</u>

(5) Loans Receivable.

On September 3, 2015, the County issued the \$5,700,000 General Obligation Refunding Bonds, Series 2015. These bonds were issued for the purpose of providing funds to refinance, prepay and advance refund of the \$6,000,000 Mississippi Development Bank Special Obligation Bonds, Series 2006A (Covington County, Mississippi Hospital/Nursing Home Project), dated August 28, 2006, previously reported as a long-term liability of the Covington County Hospital. On September 3, 2015, the County entered into a loan agreement with Covington County Hospital (Hospital) for the Hospital to pay the County the principal sum of \$5,700,000 with interest. The amount the Hospital is to pay the County each year corresponds with the retirement schedule of the \$5,700,000 General Obligation Refunding Bonds, Series 2015.

Loans receivable balances at September 30, 2019, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
Covington County Hospital	09/2015	2.00-3.375%	07/2031	\$ <u>4,460,000</u>

COVINGTON COUNTY

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

(6) Capital Assets.

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

**Governmental activities:**

	Balance Oct. 1, 2018	Additions	Deletions	Adjustments*	Balance Sept. 30, 2019
<u>Non-depreciable capital assets:</u>					
Land	\$ 339,571	102,850			442,421
Construction in progress	374,180	592,087		(966,267)	
Total non-depreciable capital assets	713,751	694,937	0	(966,267)	442,421
<u>Depreciable capital assets:</u>					
Infrastructure	128,152,390				128,152,390
Buildings	10,437,062			966,267	11,403,329
Mobile equipment	8,654,214	577,534	312,150	147,700	9,067,298
Furniture and equipment	2,896,529	127,389	421,679		2,602,239
Leased property under capital leases	2,828,588	57,924		(147,700)	2,738,812
Total depreciable capital assets	152,968,783	762,847	733,829	966,267	153,964,068
<u>Less accumulated depreciation for:</u>					
Infrastructure	84,092,777	338,573			84,431,350
Buildings	2,760,661	203,117			2,963,778
Mobile equipment	6,657,151	350,399	278,684	39,888	6,768,754
Furniture and equipment	2,360,116	295,086	417,463		2,237,739
Leased property under capital leases	292,987	246,496		(39,888)	499,595
Total accumulated depreciation	96,163,692	1,433,671	696,147	0	96,901,216
Total depreciable capital assets, net	56,805,091	(670,824)	37,682	966,267	57,062,852
Governmental activities capital assets, net	\$ 57,518,842	24,113	37,682	0	57,505,273

\*Adjustments are for the reclassification of completed construction in progress to buildings and paid-off capital leases from leased property to mobile equipment.

COVINGTON COUNTY

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

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental activities:</b>	
General government	\$ 29,380
Public safety	603,619
Public works	702,064
Health and welfare	42,934
Culture and recreation	25,570
Conservation of natural resources	4,981
Economic development and assistance	25,123
	<hr/>
Total governmental activities depreciation expense	\$ <u>1,433,671</u>

(7) Claims and Judgments.

Risk Financing.

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

(8) Capital Leases.

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 2,738,812
Less: Accumulated depreciation	<u>(499,595)</u>
Leased Property Under Capital Leases	\$ <u>2,239,217</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>Principal</u>	<u>Interest</u>
2020	\$ 226,638	82,252
2021	314,294	72,723
2022	211,730	62,695
2023	204,625	54,583
2024	212,724	46,484
2025 - 2029	<u>940,430</u>	<u>96,401</u>
Total	\$ <u>2,110,441</u>	<u>415,138</u>

## COVINGTON COUNTY

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

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

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

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

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

**Contributions.** At September 30, 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 \$581,792, \$544,252 and \$517,058, 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 \$9,599,412 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 0.054567 percent, which was based on a measurement date of June 30, 2019. This was an increase of 0.001114 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 \$1,174,775. At September 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

COVINGTON COUNTY

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,562	9,581
Net difference between projected and actual earnings on pension plan investments		95,708
Changes of assumptions	94,010	
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	384,925	
County contributions subsequent to the measurement date	161,569	
Total	\$ 646,066	105,289

\$161,569 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	Amount
2020	\$ 236,697
2021	33,231
2022	65,452
2023	43,828
Total	\$ 379,208

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 lognormal 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:

COVINGTON COUNTY

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

Asset Class	Target Allocation	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	100.00 %	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current 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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 12,618,760	9,599,412	7,107,212

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

(10) Long-term Debt.

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

COVINGTON COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
GO Refunding Bonds, Series 2015	\$ 4,460,000	2.00-3.375%	07/2031
B. Limited Obligation Bonds:			
Certificates of Participation, Jail Project	\$ 3,170,000	3.40%	06/2033
C. Capital Leases:			
District 4 2017 Mack dump truck	\$ 98,052	2.10%	01/2021
(10) 2018 Deepsouth custom-built fire trucks	1,925,212	4.02%	07/2028
District 5 Caterpillar 259D skid steer	33,868	3.78%	11/2020
John Deere compact truck loader	53,309	3.25%	06/2022
Total Capital Leases	\$ 2,110,441		

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

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 315,000	134,856	180,000	107,780
2021	325,000	126,982	185,000	101,660
2022	330,000	118,856	195,000	95,370
2023	340,000	108,956	200,000	88,740
2024	350,000	98,756	205,000	81,940
2025 - 2029	1,930,000	328,288	1,145,000	299,540
2030 - 2034	870,000	44,026	1,060,000	91,800
Total	\$ 4,460,000	960,720	3,170,000	866,830

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2019, the amount of outstanding debt was equal to 2.76% of the latest property assessments.

**Certificates of Participation** - In accordance with Section 31-8-1 et seq. Miss. Code Ann. (1972), the County issued Certificates of Participation and transferred the proceeds to the Southern Mississippi Investment Co., Inc. (Corporation). The funds are to be used to construct a new Covington County jail facility. At completion, the Corporation will enter into a twenty-year lease with the County. The County is obligated to pay the corporation rent equal to the principal and interest on the debt. At the completion of the lease, the County will assume ownership of the facility. This obligation is not a general obligation and does not constitute a pledge of full faith and credit of the County.

COVINGTON COUNTY

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

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

	Balance Oct. 1, 2018	Additions	Reductions	Balance Sept. 30, 2019	Amount due within one year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 4,775,000		315,000	4,460,000	315,000
Limited obligation bonds	3,345,000		175,000	3,170,000	180,000
Capital leases	2,344,309	57,924	291,792	2,110,441	226,638
Total	\$ 10,464,309	57,924	781,792	9,740,441	721,638

(11) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balance or net position at September 30, 2019:

Fund	Deficit Amount
Seminary Precinct Fund	\$ 4,987

(12) 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.

(13) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of \$(1,600,452) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$161,569 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 \$484,497 balance of the deferred outflows of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next four years. The \$105,289 balance of the deferred inflows of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next three years.

(14) Joint Venture.

The County participates in the following joint venture:

Covington County is a participant with the Counties of Jones and Perry, and the cities of Hattiesburg, Laurel and Petal in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Pine Belt Regional Solid Waste Authority. The joint venture was created to dispose of solid waste in members of the authority. The Covington County Board of Supervisors appoints one of twelve members to the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Pine Belt Regional Solid Waste

## COVINGTON COUNTY

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

Authority can be obtained from P.O. Box 1898, Hattiesburg, MS 39403.

#### (15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Covington County Board of Supervisors appoints one of the 27 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County appropriated \$29,000 for support of the district in the fiscal year 2019.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Covington County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$35,000 for support of the entity in fiscal year 2019.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Covington County Board of Supervisors appoints two of the 20 members of the college board of trustees. The County appropriated \$436,200 for maintenance and support of the college in fiscal year 2019.

Southeast Mississippi Air Ambulance District operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Covington County Board of Supervisors appoints one of the nine members of the board of directors. The County appropriated \$109,650 for support of the district in fiscal year 2019.

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Covington County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants. The County appropriated \$10,000 for support of the district in fiscal year 2019.

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

#### (16) Tax Abatements.

As of September 30, 2019, Covington County provides tax exempt status to one recreational facility subject to the requirements of GASB Statement No. 77. The recreational facility is exempt from real property taxes and personal property taxes except for levies involving the school; the mandatory mill and the community college tax levies. These exemptions are authorized under Sections 27-31-101 and 27-31-105 of the Miss. Code Ann. (1972). These exemptions encourage businesses to locate or expand operations in the County and to create jobs. The amount of taxes abated during fiscal year 2019 totaled \$20,487 for the recreational facility.

#### (17) 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 Covington County evaluated the activity of the County

COVINGTON COUNTY

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

through June 3, 2021, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

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>
04/17/2020	2.09%	\$	305,800	Capital lease	Ad valorem taxes
06/05/2020	2.38%		145,000	Capital lease	Ad valorem taxes
06/05/2020	2.38%		145,000	Capital lease	Ad valorem taxes
10/05/2020	0.00%		20,502	Other Loan	Ad valorem taxes
10/29/2020	1.57%		298,234	Capital lease	Ad valorem taxes
03/12/2021	1.51%		311,800	Capital lease	Ad valorem taxes
03/12/2021	1.96%		441,250	Capital lease	Ad valorem taxes

COVINGTON COUNTY

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COVINGTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

COVINGTON COUNTY

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 5,923,645	6,035,950	6,035,950	
Licenses, commissions and other revenue	250,000	216,772	216,772	
Fines and forfeitures	200,000	202,567	202,567	
Intergovernmental revenues	1,045,600	945,796	945,796	
Charges for services	19,000	13,759	13,759	
Interest income	124,241	336,538	336,538	
Miscellaneous revenues	254,100	225,677	225,677	
Total Revenues	<u>7,816,586</u>	<u>7,977,059</u>	<u>7,977,059</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,103,065	3,306,342	3,306,342	
Public safety	3,437,600	2,904,472	2,904,472	
Public works	82,200	210,547	210,547	
Health and welfare	195,020	204,438	204,438	
Culture and recreation	37,750	312,870	312,870	
Conservation of natural resources	121,070	95,733	95,733	
Economic development and assistance	46,500	48,104	48,104	
Debt service:				
Principal		175,000	175,000	
Interest		113,730	113,730	
Total Expenditures	<u>7,023,205</u>	<u>7,371,236</u>	<u>7,371,236</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>793,381</u>	<u>605,823</u>	<u>605,823</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets		11,893	11,893	
Transfers in	1,199,500	1,879,558	1,879,558	
Transfers out	(4,589,000)	(3,213,796)	(3,213,796)	
Total Other Financing Sources and Uses	<u>(3,389,500)</u>	<u>(1,322,345)</u>	<u>(1,322,345)</u>	<u>0</u>
Net Change in Fund Balance	(2,596,119)	(716,522)	(716,522)	
Fund Balances - Beginning	<u>2,077,655</u>	<u>12,191,406</u>	<u>12,200,456</u>	<u>9,050</u>
Fund Balances - Ending	<u>\$ (518,464)</u>	<u>11,474,884</u>	<u>11,483,934</u>	<u>9,050</u>

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

COVINGTON COUNTY  
Schedule of the County's Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2019  
UNAUDITED

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.054567%	0.053453%	0.050594%	0.049267%	0.047683%
County's proportionate share of the net pension liability (asset)	\$ 9,599,412	8,890,822	8,410,440	8,800,317	7,370,852
Covered payroll	\$ 3,553,808	3,413,504	3,245,654	3,151,708	2,978,984
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	270.12%	260.46%	259.13%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%

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

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

COVINGTON COUNTY  
Schedule of County Contributions  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2019  
UNAUDITED

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 581,792	544,252	517,058	495,650	481,388
Contributions in relation to the contractually required contribution	<u>581,792</u>	<u>544,252</u>	<u>517,058</u>	<u>495,650</u>	<u>481,388</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 3,595,748	3,455,568	3,282,906	3,146,981	3,056,431
Contributions as a percentage of covered payroll	16.18% **	15.75%	15.75%	15.75%	15.75%

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

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

COVINGTON COUNTY

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# COVINGTON COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2019 UNAUDITED

### A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

### B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplementary information.

### C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

		<u>Governmental Fund Type</u>
		General Fund
Budget (Cash Basis)	\$	(716,522)
Increase (Decrease)		
Net adjustments for revenue accruals		(1,935,497)
Net adjustments for expenditure accruals		2,047,716
GAAP Basis	\$	<u>(604,303)</u>

## COVINGTON COUNTY

### Notes to the Required Supplementary Information For the Year Ended September 30, 2019 UNAUDITED

#### Pension Schedules

##### A. Changes of assumptions.

###### 2015

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

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

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

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

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

###### 2016

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

###### 2017

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

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

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

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

###### 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%.

COVINGTON COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2019  
UNAUDITED

Withdrawal rates, pre-retirement mortality 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 7% to 9%.

B. Changes in benefit provisions.

2016

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

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

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COVINGTON COUNTY

SUPPLEMENTARY INFORMATION

COVINGTON COUNTY

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COVINGTON COUNTY  
Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2019

Operating Expenditures, Cash Basis:

Salaries	\$	351,071
Expendable Commodities:		
Gasoline and petroleum products		38,399
Repair parts		15,957
Maintenance		13,301
Contractual services		322,477
Supplies		5,133
Equipment		<u>286,988</u>

Solid Waste Cash Basis Operating Expenditures 1,033,326

Full Cost Expenses:

Indirect administrative costs	4,304
Depreciation on equipment	<u>39,143</u>

Solid Waste Full Cost Operating Expenses \$ 1,076,773

COVINGTON COUNTY

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## COVINGTON COUNTY

## OTHER INFORMATION

COVINGTON COUNTY

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COVINGTON COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2019  
UNAUDITED

Name	Position	Company	Bond
John Sterling Craft	Supervisor District 1	FCCI Insurance Company	\$100,000
John N. Holifield	Supervisor District 2	FCCI Insurance Company	\$100,000
Jimmy D. White	Supervisor District 3	Western Surety Insurance Company	\$100,000
Guy Cecil Easterling	Supervisor District 4	FCCI Insurance Company	\$100,000
Arthur Keys	Supervisor District 5	FCCI Insurance Company	\$100,000
Joseph Warren	Chancery Clerk	FCCI Insurance Company	\$100,000
Joseph Warren	Purchase Clerk	FCCI Insurance Company	\$75,000
Pamela Mechelle Beasley	Assistant Purchase Clerk	Western Surety Insurance Company	\$50,000
Brandy Lee	Assistant Purchase Clerk	FCCI Insurance Company	\$50,000
Maxine Anderson	Receiving Clerk	Western Surety Insurance Company	\$75,000
Joe Ponder	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
James Beasley	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
James Barnes	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
Jason McNair	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
Donald McRaney	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
Richard Sanford	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
Katherine Brewer	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
Carolee Sanford	Inventory Control Clerk	FCCI Insurance Company	\$75,000
Roger P. Dickens	Constable	FCCI Insurance Company	\$50,000
Anthony Jerome Graham	Constable	RLI Insurance Company	\$50,000
Melissa Duckworth	Circuit Clerk	FCCI Insurance Company	\$100,000
Mary Ann Shoemake	Deputy Circuit Clerk	FCCI Insurance Company	\$50,000
Stann Smith	Sheriff	FCCI Insurance Company	\$100,000
John Laz Sanford	Justice Court Judge	FCCI Insurance Company	\$50,000
Bobby Wayne Mooney	Justice Court Judge	FCCI Insurance Company	\$50,000
Cassity Booker	Justice Court Clerk	FCCI Insurance Company	\$50,000
Paula Owen	Deputy Justice Court Clerk	FCCI Insurance Company	\$50,000
Cindy Mooney	Deputy Justice Court Clerk	FCCI Insurance Company	\$50,000
Cindy Aultman Sanford	Tax Assessor-Collector	FCCI Insurance Company	\$100,000
Laurie Seymour	Deputy Tax Assessor	FCCI Insurance Company	\$10,000
Joan Dees	Deputy Tax Assessor	FCCI Insurance Company	\$10,000
Dannie Jean Abercrombie	Deputy Tax Collector	FCCI Insurance Company	\$50,000
Minnie Rankin	Deputy Tax Collector	FCCI Insurance Company	\$50,000
Frieda Whiddon	Deputy Tax Collector	Travelers Insurance Company	\$50,000
Virginia Coulter	Deputy Tax Collector	FCCI Insurance Company	\$50,000
Amy C. Beach	Deputy Tax Collector	Western Surety Insurance Company	\$50,000
Laurie Williamson	Deputy Tax Collector	Western Surety Insurance Company	\$50,000

COVINGTON COUNTY

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## COVINGTON COUNTY

### SPECIAL REPORTS

COVINGTON COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**SHAD WHITE**  
AUDITOR

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

Members of the Board of Supervisors  
Covington 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, each major fund, and the aggregate remaining fund information of Covington County, Mississippi (the County), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 3, 2021. 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. Additionally, our report includes a qualified opinion on the General Fund because the County did not maintain and preserve adequate subsidiary records documenting the existence and valuation of the Justice Court and Circuit Court fines receivable, net, and the aging of these receivables at September 30, 2019.

**Internal Control Over Financial Reporting**

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2019-001 and 2019-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2019-003 and 2019-004 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Covington 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 Covington County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated June 3, 2021, included within this document.

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

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

### **Purpose of this Report**

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



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

June 3, 2021



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**SHAD WHITE**  
AUDITOR

INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors  
Covington County, Mississippi

We have examined Covington County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2019. The Board of Supervisors of Covington 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 Covington 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. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

**Inventory Control Clerk.**

1. The Inventory Control Clerk should maintain an inventory control system.

**Repeat Finding** Yes

**Criteria** Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory control system. An effective system of internal control over capital assets should include that certain data elements be captured in capital asset records for all capital assets. Required data elements include a description of assets, cost, locations, acquisition dates, disposition dates, method of disposition, and other relevant information. The presence of these data elements in capital asset records helps identify and distinguish county assets from one another, thereby safeguarding county

assets from loss or misappropriation.

<b>Condition</b>	As reported in the prior year's audit report, we noted that some assets were disposed of, but were not approved to be disposed of in the Board of Supervisors' minutes.
<b>Cause</b>	The Inventory Control Clerk lacks the necessary control procedures to accurately maintain an internal control system and adequate subsidiary records.
<b>Effect</b>	The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increases the possibility of loss or misappropriation of public funds.
<b>Recommendation</b>	The Inventory Control Clerk should implement control procedures to maintain accurate inventory records which document the existence, valuation, and completeness of capital assets, and the Board of Supervisors should approve all disposals in the minutes.

**Views of Responsible  
Official(s)**

We will comply.

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

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

Covington County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating Covington 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.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

June 3, 2021

COVINGTON COUNTY

Schedule 1

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

Our tests did not identify any purchases from other than the lowest bidder.

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

Schedule 2

Our tests did not identify any emergency purchases.

COVINGTON COUNTY

Schedule 3

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

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

COVINGTON COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**SHAD WHITE**  
AUDITOR

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Covington County, Mississippi

In planning and performing our audit of the financial statements of Covington County, Mississippi for the year ended September 30, 2019, we considered Covington 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 Covington 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 3, 2021, on the financial statements of Covington County, Mississippi.

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

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

**Board of Supervisors.**

1. Part-time employees paid as full-time employees.

**Repeat Finding** Yes

**Criteria** According to the Public Employees' Retirement System of Mississippi (PERS) Regulation, Title 27, Part 210, Chapter 36, any person who works half-time or more based on a full-time equivalent position and whose employment is anticipated to exceed four and one-half consecutive months shall be covered, whether probationary or otherwise.

**Condition** As reported in the prior year's audit report, we noted that employees who worked consistently over twenty hours a week were considered part-time employees by the County. These employees were eligible to participate in PERS; however, the County did not contribute to PERS on their behalf.

**Cause** The County did not follow the regulation set forth by PERS.

**Effect** Failure to transition employees to full-time status breaks the contractual obligation made to PERS, and retirement settled to PERS could be directly understated as a result.

<b>Recommendation</b>	The County should transition employees working over twenty hours a week to full-time status.
<b>Views of Responsible Official(s)</b>	We will comply.
<b>2.</b>	<u>Controls over collateralization of public funds should be strengthened.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	Section 27-105-5(6)(b), Miss. Code Ann. (1972), requires that not later than thirty (30) days following its fiscal year end, a public depositor shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end.
<b>Condition</b>	During the testing of collateralization of public funds, it was noted that Covington County did not submit the public depositor's annual report to the State Treasurer's Office within thirty (30) days of fiscal year end.
<b>Cause</b>	Controls were not in place to ensure compliance with state laws.
<b>Effect</b>	Failure to submit the public depositor's annual report in a timely manner could result in the State Treasurer's Office having inaccurate records and increase the risk that the County's total deposits may not be properly collateralized.
<b>Recommendation</b>	We recommend that Covington County develop control procedures to ensure that the Public Depositor's annual report is submitted to the State Treasurer's Office within thirty (30) days of fiscal year end, as required by law.
<b>Views of Responsible Official(s)</b>	We will be sure to comply.

#### **Board of Supervisors and Payroll Clerk.**

<b>3.</b>	<u>Required forms for re-employment should be completed for PERS retirees after retirement.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	Section 25-11-127(4)(a), Miss Code Ann. (1972), requires retirees to receive no more than one-half of the salary in effect for the position at the time of employment in a fiscal year. Furthermore, counties hiring PERS service retirees are required to file PERS Form 4B "Certificate/Acknowledgement of Re-employment of Retiree" with the PERS office within five (5) days from the date of employment of the retiree.
<b>Condition</b>	During our testing, we noted that six (6) PERS Form 4Bs were not completed.
<b>Cause</b>	Controls were not in place to ensure compliance with state laws.
<b>Effect</b>	By not completing the required PERS Form 4Bs, the County is not in compliance with the state legal requirements.
<b>Recommendation</b>	The County should complete the required PERS Form 4Bs and maintain evidence of the filing dates of the retiree forms.
<b>Views of Responsible Official(s)</b>	We will make sure we find the proper PERS forms and maintain in this office.

**Circuit Clerk.**

4. Bank deposits should be made on a daily basis.

**Repeat Finding** No

**Criteria** An effective system of internal control over cash requires that daily bank deposits be made.

**Condition** The Circuit Clerk failed to make daily deposits throughout the fiscal year.

**Cause** The Circuit Clerk did not have the necessary controls over cash.

**Effect** The failure to make daily bank deposits could result in the loss or misappropriation of public funds.

**Recommendation** The Circuit Clerk should implement internal controls to ensure that daily bank deposits are made.

**Views of Responsible Official(s)** I will start making timely bank deposits.

**Sheriff.**

5. The Sheriff's Office should make daily deposits.

**Repeat Finding** No

**Criteria** An effective system of internal control over cash requires that daily bank deposits be made.

**Condition** The Sheriff failed to make daily deposits throughout the fiscal year.

**Cause** The Sheriff did not have the necessary controls over cash.

**Effect** The failure to make daily bank deposits could result in the loss or misappropriation of public funds.

**Recommendation** The Sheriff should implement internal controls to ensure that daily bank deposits are made.

**Views of Responsible Official(s)** During that fiscal year, the Sheriff's office was under different administration. Effective immediately, the Sheriff's Office will do deposits when cash is turned in.

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

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



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

June 3, 2021

COVINGTON COUNTY

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COVINGTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

COVINGTON COUNTY

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COVINGTON COUNTY

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

Section 1: Summary of Auditor's Results

***Financial Statements:***

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

Governmental activities	Unmodified
Aggregate discretely presented component units	Adverse
General Fund	Qualified
Hospital Bond Series 2015 Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
  - a. Material weaknesses identified? Yes
  - b. Significant deficiencies identified? Yes
3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

**Circuit Clerk.**

**Material Weakness**

**2019-001.** The Circuit Clerk should ensure effective controls over fines receivable.

**Repeat Finding** No

**Criteria** An effective system of internal control over fines receivable records should include maintaining adequate subsidiary records to substantiate the total fines receivable balance.

**Condition** Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for Circuit Court fines and aging of fines receivable as of September 30, 2019.

**Cause** The Circuit Clerk lacked the necessary controls over fines receivable.

**Effect** The Independent Auditor's Report includes a qualified opinion on the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Circuit Court fines receivable.

**Recommendation** The Circuit Clerk should establish procedures documenting the existence and valuation of Circuit Court fines receivable, including the aging schedule of fines receivable.

**Views of Responsible Official(s)** I will start printing out the report on October 1<sup>st</sup> of each year.

COVINGTON COUNTY

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

**Justice Court Clerk.**

**Material Weakness**

**2019-002.** The Justice Court Clerk should ensure effective controls over fines receivable.

**Repeat Finding** No

**Criteria** An effective system of internal control over fines receivable records should include maintaining adequate subsidiary records to substantiate the total fines receivable balance.

**Condition** Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court fines and aging of fines receivable as of September 30, 2019.

**Cause** The Justice Court Clerk lacked the necessary controls over fines receivable.

**Effect** The Independent Auditor's Report includes a qualified opinion on the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Justice Court Clerk fines receivable.

**Recommendation** The Justice Court Clerk should establish procedures documenting the existence and valuation of Justice Court Clerk fines receivable, including the aging schedule of fines receivable.

**Views of Responsible Official(s)** In October 2018, I was told by the auditor I did not have to print the whole report, just the last page. Full reports have been controlled and in compliance before 2019.

**Auditor's Note** The report should be printed at the end of the fiscal year and maintained on file for accounting and auditing purposes.

**Inventory Control Clerk.**

**Significant Deficiency**

**2019-003.** The Inventory Control Clerk should maintain an inventory control system.

**Repeat Finding** Yes

**Criteria** An effective system of internal control over capital assets should include that certain data elements be captured in capital asset records for all capital assets. Required data elements include a description of assets, cost, locations, acquisition dates, disposition dates, method of disposition, and other relevant information. The presence of these data elements in capital asset records helps identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation.

**Condition** As reported in the prior year's audit report, we noted that some assets were disposed of, but were not approved to be disposed of in the Board of Supervisors' minutes.

**Cause** The Inventory Control Clerk lacks the necessary control procedures to accurately maintain an internal control system and adequate subsidiary records.

**Effect** The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increases the possibility of loss or misappropriation of public funds.

COVINGTON COUNTY

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

<b>Recommendation</b>	The Inventory Control Clerk should implement control procedures to maintain accurate inventory records which document the existence, valuation, and completeness of capital assets, and the Board of Supervisors should approve all disposals in the minutes.
<b>Views of Responsible Official(s)</b>	We will comply.
<b>Payroll Clerk.</b>	
<b>Significant Deficiency</b>	
<b>2019-004.</b>	<u>Payroll Clerk should maintain adequate records for compensated absences liability.</u>
<b>Repeat Finding</b>	Yes
<b>Criteria</b>	The County has adopted a policy of compensated absences for its employees. The Payroll Clerk should maintain records that account for the number of leave hours each employee accumulates on a monthly basis and the current hourly rate of pay for each employee. This information is needed to calculate the end of the year compensated absences liability. Generally accepted accounting principles require the resulting liability to be reported in the financial statements.
<b>Condition</b>	As reported in the prior year's audit report, the Payroll Clerk did not maintain the necessary records to calculate the compensated absences liability.
<b>Cause</b>	The Payroll Clerk failed to maintain adequate documentation for leave balances.
<b>Effect</b>	Failure to properly account for compensated absences could result in the incorrect payments being made to employees leaving County service, and result in not reporting the compensated absences liability in the financial statements.
<b>Recommendation</b>	The Payroll Clerk should maintain adequate records so the total compensated absences liability can be calculated and reported in the financial statements as required by generally accepted accounting principles.
<b>Views of Responsible Official(s)</b>	We will comply.