

COVINGTON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2020

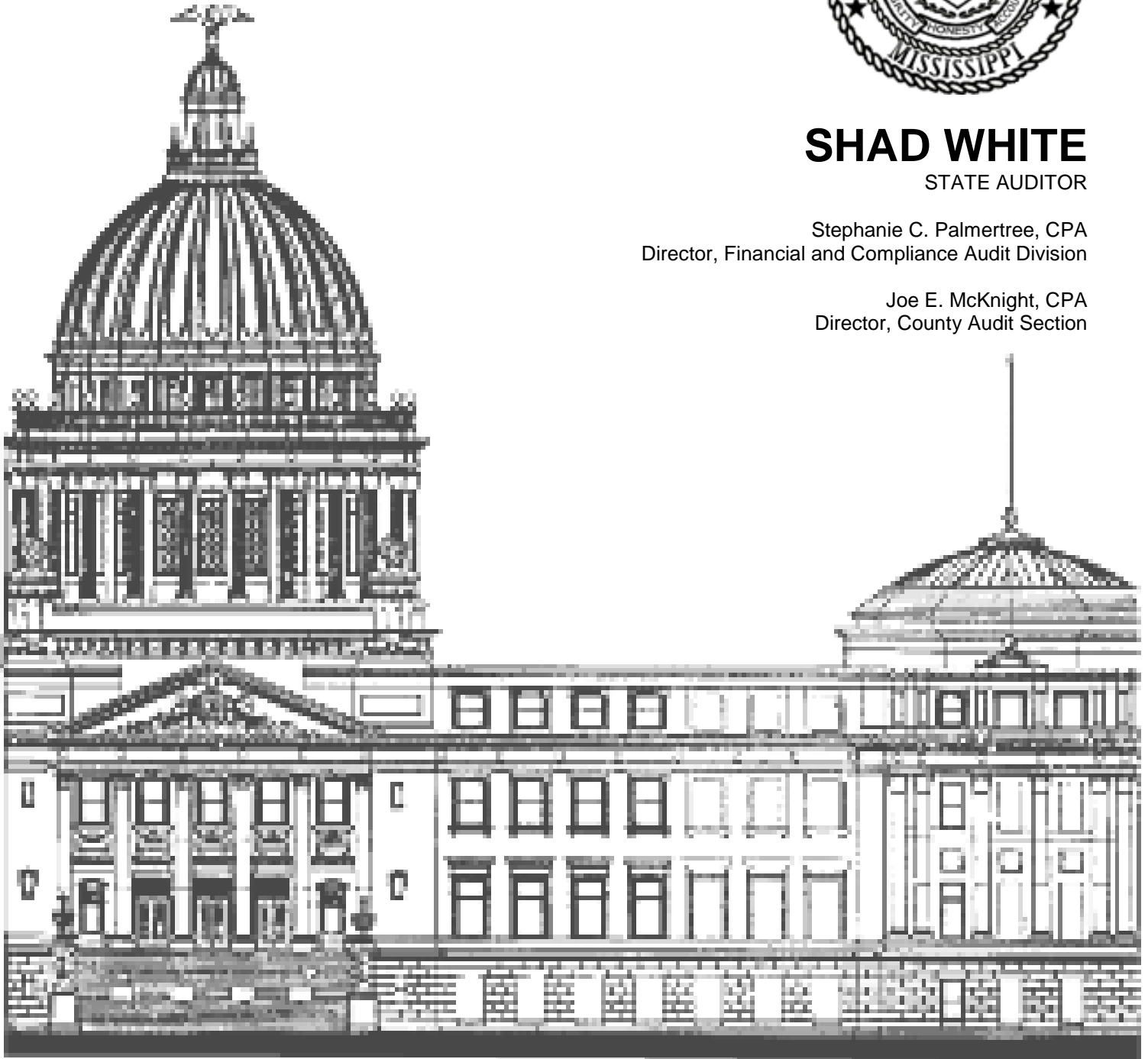


SHAD WHITE

STATE AUDITOR

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

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



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

Shad White
AUDITOR

November 17, 2021

Members of the Board of Supervisors
Covington County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2020 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, 2020, 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 these 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, 2020, 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, 2020. 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 \$669,417, as of September 30, 2020. 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, 2020, 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, the Special Disaster 2020 Fund, and the aggregate remaining fund information of Covington County, Mississippi, as of September 30, 2020, 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 Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

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 Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the accompanying Reconciliation of Operating Costs of Solid Waste are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Reconciliation of Operating Costs of Solid Waste are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 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

November 17, 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, 2020

Exhibit 1

	Primary Government
	Governmental
	Activities
ASSETS	
Cash	\$ 11,789,411
Property tax receivable	11,248,400
Fines receivable (net of allowance for uncollectibles of \$1,626,801)	669,417
Loans receivable	4,145,000
Intergovernmental receivables	696,653
Other receivables	1,791
Capital assets:	
Land and construction in progress	1,248,071
Other capital assets, net	57,415,338
Total Assets	87,214,081
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,198,360
Total Deferred Outflows of Resources	1,198,360
LIABILITIES	
Claims payable	457,880
Intergovernmental payables	318,818
Accrued interest payable	65,632
Other payables	146,675
Long-term liabilities	
Due within one year:	
Capital debt	891,210
Non-capital debt	325,000
Due in more than one year:	
Capital debt	4,746,495
Non-capital debt	3,820,000
Net pension liability	10,898,639
Total Liabilities	21,670,349
DEFERRED INFLOWS OF RESOURCES	
Deferred revenues - property taxes	11,248,400
Total Deferred Inflows of Resources	11,248,400
NET POSITION	
Net investment in capital assets	53,025,704
Restricted for:	
Expendable:	
General government	273,982
Public safety	1,317,356
Public works	4,144,628
Culture and recreation	11,687
Economic development and assistance	6,848
Debt service	4,253,572
Unemployment compensation	21,120
Unrestricted	(7,561,205)
Total Net Position	\$ 55,493,692

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

COVINGTON COUNTY
Statement of Activities
For the Year Ended September 30, 2020

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	\$ 9,532,506	661,139	31,376		(8,839,991)
Public safety	3,825,113	361,779	803,308		(2,660,026)
Public works	4,924,228	104,908	1,592,896	788,019	(2,438,405)
Health and welfare	188,403		24,836	11,910	(151,657)
Culture and recreation	283,075		886		(282,189)
Conservation of natural resources	97,822				(97,822)
Economic development and assistance	101,767				(101,767)
Interest on long-term debt	331,103				(331,103)
Pension expense	1,303,438				(1,303,438)
Total Governmental Activities	\$ 20,587,455	1,127,826	2,453,302	799,929	(16,206,398)
General revenues:					
Property taxes				\$	10,381,327
Road & bridge privilege taxes					283,542
Grants and contributions not restricted to specific programs					733,616
Unrestricted interest income					273,901
Miscellaneous					1,118,061
Total General Revenues					12,790,447
Change in Net Position					(3,415,951)
Net Position - Beginning, as previously reported					58,920,238
Prior period adjustment					(10,595)
Net Position - Beginning, as restated					58,909,643
Net Position - Ending				\$	55,493,692

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

COVINGTON COUNTY
Balance Sheet - Governmental Funds
September 30, 2020

Exhibit 3

	Major Funds			Other	Total
	General	Hospital	Special	Governmental	Governmental
	Fund	Bond Series	Disaster	Funds	Funds
		2015 Fund	2020 Fund		
ASSETS					
Cash	\$ 5,728,166	174,204	101,064	5,785,977	11,789,411
Property tax receivable	7,368,021			3,880,379	11,248,400
Fines receivable (net of allowance for uncollectibles of \$1,626,801)	669,417				669,417
Loans receivable		4,145,000			4,145,000
Intergovernmental receivables	494,912			201,741	696,653
Other receivables	1,791				1,791
Due from other funds	2,000			113,368	115,368
Advances to other funds	72,000			7,705	79,705
Total Assets	<u>\$ 14,336,307</u>	<u>4,319,204</u>	<u>101,064</u>	<u>9,989,170</u>	<u>28,745,745</u>
LIABILITIES					
Liabilities:					
Claims payable	\$ 103,351		6,890	347,639	457,880
Intergovernmental payables	303,855				303,855
Due to other funds	130,331				130,331
Advances from other funds				79,705	79,705
Other payables	146,675				146,675
Total Liabilities	<u>684,212</u>	<u>0</u>	<u>6,890</u>	<u>427,344</u>	<u>1,118,446</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	7,368,021			3,880,379	11,248,400
Unavailable revenue - fines	669,417				669,417
Total Deferred Inflows of Resources	<u>8,037,438</u>	<u>0</u>	<u>0</u>	<u>3,880,379</u>	<u>11,917,817</u>
Fund balances:					
Nonspendable:					
Advances	72,000				72,000
Restricted for:					
General government			94,174	179,808	273,982
Public safety				1,317,356	1,317,356
Public works				4,144,628	4,144,628
Culture and recreation				11,687	11,687
Economic development and assistance				6,848	6,848
Debt service		4,319,204			4,319,204
Unemployment compensation				21,120	21,120
Assigned to:					
General government	7,953				7,953
Public safety	149,958				149,958
Culture and recreation	188,978				188,978
Unassigned	5,195,768				5,195,768
Total Fund Balances	<u>5,614,657</u>	<u>4,319,204</u>	<u>94,174</u>	<u>5,681,447</u>	<u>15,709,482</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,336,307</u>	<u>4,319,204</u>	<u>101,064</u>	<u>9,989,170</u>	<u>28,745,745</u>

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

COVINGTON COUNTY

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2020Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 15,709,482
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 \$98,002,964.	58,663,409
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	669,417
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(9,782,705)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(10,898,639)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(65,632)
Deferred outflows of resources related to pensions are applicable to future periods and, therefore are not reported in the funds.	<u>1,198,360</u>
Total Net Position - Governmental Activities	\$ <u><u>55,493,692</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, 2020

	Major Funds				
	General	Hospital	Special	Other	Total
	Fund	Bond Series	Disaster	Governmental	Governmental
		2015 Fund	2020 Fund	Funds	Funds
REVENUES					
Property taxes	\$ 6,599,176			3,782,151	10,381,327
Road and bridge privilege taxes				283,542	283,542
Licenses, commissions and other revenue	241,607			16,844	258,451
Fines and forfeitures	250,420			35,982	286,402
Intergovernmental revenues	1,113,136			2,873,711	3,986,847
Charges for services	38,649		73,460	205,297	317,406
Interest income	193,269			80,632	273,901
Miscellaneous revenues	373,701	205,000	33,218	479,474	1,091,393
Total Revenues	8,809,958	205,000	106,678	7,757,633	16,879,269
EXPENDITURES					
Current:					
General government	3,338,397		6,162,504	251,999	9,752,900
Public safety	3,042,105			861,036	3,903,141
Public works	74,687			6,519,986	6,594,673
Health and welfare	153,874				153,874
Culture and recreation	68,121			187,599	255,720
Conservation of natural resources	96,818				96,818
Economic development and assistance	55,786			13,700	69,486
Debt service:					
Principal	180,000	315,000		256,154	751,154
Interest	110,924	136,796		87,392	335,112
Total Expenditures	7,120,712	451,796	6,162,504	8,177,866	21,912,878
Excess of Revenues over (under) Expenditures	1,689,246	(246,796)	(6,055,826)	(420,233)	(5,033,609)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued				793,418	793,418
Proceeds from sale of capital assets	18,290			37,082	55,372
Compensation for loss of capital assets	7,788			6,681	14,469
Transfers in			6,150,000	1,984,555	8,134,555
Transfers out	(7,615,000)			(519,555)	(8,134,555)
Total Other Financing Sources and Uses	(7,588,922)	0	6,150,000	2,302,181	863,259
Net Changes in Fund Balances	(5,899,676)	(246,796)	94,174	1,881,948	(4,170,350)
Fund Balances - Beginning	11,514,333	4,566,000	0	3,799,499	19,879,832
Fund Balances - Ending	\$ 5,614,657	4,319,204	94,174	5,681,447	15,709,482

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, 2020

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (4,170,350)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$2,631,664 exceeded depreciation of \$1,419,760 in the current period.	1,211,904
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 \$26,668 and the proceeds from the sale of \$55,372 and the compensation for loss of \$14,469 in the current period.	(43,173)
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.	265,567
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 proceeds of \$793,418 exceeded debt repayments of \$751,154.	(42,264)
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 the decrease in accrued interest payable.	4,009
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	(1,303,438)
Recording of contributions made during the year	<u>661,794</u>
Change in Net Position of Governmental Activities	\$ <u><u>(3,415,951)</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, 2020

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,522,790
Due from other funds	<u>16,963</u>
Total Assets	<u>\$ 1,539,753</u>
LIABILITIES	
Amounts held in custody for others	\$ 1,463,682
Intergovernmental payables	74,071
Due to other funds	<u>2,000</u>
Total Liabilities	<u>\$ 1,539,753</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, 2020

(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 inter-fund 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

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The County reports the following major Governmental Funds:

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

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.

Special Disaster 2020 Fund - This fund is used to account for expenditures relating to the April 2020 tornadoes.

Additionally, the County reports the following fund types:

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

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.

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

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

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. 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 10 and 12 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

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

J. 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.

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

K. Pensions.

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

L. 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.

M. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed,

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

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

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

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

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

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.

N. Property Tax Revenues:

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

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

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

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

O. Intergovernmental Revenues in Governmental Funds.

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

P. Changes in Accounting Standards.

The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months.

(2) Prior Period Adjustments.

A Summary of the significant net position/fund balance adjustment(s) is as follows:

Exhibit 2 - Statement of Activities - Governmental Activities.

Explanation	Amount
To correct prior-year errors in capital assets, net	\$ <u>(10,595)</u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2020, was \$13,312,201, and the bank balance was \$14,087,085. 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

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2020

failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2020:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Funds	\$ 2,000
Other Governmental Funds	General Fund	113,368
Agency Funds	General Fund	16,963
Total		<u>\$ 132,331</u>

The majority of the receivables represent the tax revenue collected in September, 2020, but not settled until October, 2020. All other receivables are to correct receipts posted to the wrong fund. 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	\$ 72,000
Other Governmental Funds	Other Governmental Funds	7,705
Total		<u>\$ 79,705</u>

The advances represent receivables created to correct posting errors in prior years.

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Special Disaster 2020 Fund	General Fund	\$ 5,825,000
Special Disaster 2020 Fund	Other Governmental Funds	325,000
Other Governmental Funds	General Fund	1,790,000
Other Governmental Funds	Other Governmental Funds	194,555
Total		<u>\$ 8,134,555</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.

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2020, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 117,190
Coronavirus relief fund reimbursement	367,397
Disaster grant reimbursements	183,484
Emergency management performance grant reimbursement	22,066
DUI grant reimbursement	3,496
Housing prisoners reimbursement	3,020
Total Governmental Activities	\$ <u>696,653</u>

(6) 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 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 (the 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, 2020, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Covington County Hospital	09/2015	2.00-3.375%	07/2031	\$ <u>4,145,000</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2020:

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2020

Governmental activities:

	Balance Oct. 1, 2019	Additions	Deletions	Adjustments*	Balance Sept. 30, 2020
<u>Non-depreciable capital assets:</u>					
Land	\$ 442,421	12,000			454,421
Construction in progress		788,019		5,631	793,650
Total non-depreciable capital assets	442,421	800,019	0	5,631	1,248,071
<u>Depreciable capital assets:</u>					
Infrastructure	128,152,390				128,152,390
Buildings	11,403,329			(19,318)	11,384,011
Mobile equipment	9,067,298	1,280,363	358,093		9,989,568
Furniture and equipment	2,602,239	63,664			2,665,903
Leased property under capital leases	2,738,812	487,618			3,226,430
Total depreciable capital assets	153,964,068	1,831,645	358,093	(19,318)	155,418,302
<u>Less accumulated depreciation for:</u>					
Infrastructure	84,431,350	338,572			84,769,922
Buildings	2,963,778	201,571		(3,092)	3,162,257
Mobile equipment	6,768,754	478,212	314,920		6,932,046
Furniture and equipment	2,237,739	111,023			2,348,762
Leased property under capital leases	499,595	290,382			789,977
Total accumulated depreciation	96,901,216	1,419,760	314,920	(3,092)	98,002,964
Total depreciable capital assets, net	57,062,852	411,885	43,173	(16,226)	57,415,338
Governmental activities capital assets, net	\$ 57,505,273	1,211,904	43,173	(10,595)	58,663,409

*Adjustments are to correct prior-year errors in the County's capital asset records.

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 26,561
Public safety	455,312
Public works	835,047
Health and welfare	35,566
Culture and recreation	28,053
Conservation of natural resources	6,940
Economic development and assistance	32,281
Total governmental activities depreciation expense	\$ 1,419,760

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2020

Commitments with respect to unfinished capital projects at September 30, 2020, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Bridge replacement - Herrin-Dees Road	\$ 12,450	December, 2020

(8) 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, 2020, to January 1, 2021. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2020:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 3,226,430
Less: Accumulated depreciation	<u>(789,977)</u>
Leased Property Under Capital Leases	\$ <u>2,436,453</u>

The following is a schedule by years of the total payments due as of September 30, 2020:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 408,467	81,097
2022	307,792	69,177
2023	302,617	59,135
2024	312,688	49,064
2025	299,372	38,441
2026 - 2030	<u>719,026</u>	<u>58,596</u>
Total	\$ <u>2,349,962</u>	<u>355,510</u>

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2020

(10) Long-term Debt.

Debt outstanding as of September 30, 2020, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
GO Refunding Bonds, Series 2015	\$ <u>4,145,000</u>	2.00-3.375%	07/2031
B. Limited Obligation Bonds:			
Certificates of Participation, Jail Project	\$ <u>2,990,000</u>	3.40%	06/2033
C. Capital Leases:			
District 4 2017 Mack dump truck	\$ 80,911	2.10%	01/2021
(10) 2018 Deepsouth custom-built fire trucks	1,743,610	4.02%	07/2028
District 5 Caterpillar 259D skid steer	24,811	3.78%	11/2020
John Deere compact truck loader	34,472	3.25%	06/2022
District 1 2021 Mack dump truck	135,860	2.38%	06/2025
District 4 2021 Mack dump truck	135,860	2.38%	06/2025
District 5 2020 Caterpillar 3164F excavator	<u>194,438</u>	1.42%	08/2025
Total Capital Leases	\$ <u>2,349,962</u>		
D. Other Loans:			
District 5 (2) 2020 Kenworth tandem-axle dump trucks	\$ <u>297,743</u>	2.09%	05/2021

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

Governmental Activities:	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year Ending September 30				
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	365,000	88,256	215,000	74,970
2026 - 2030	1,985,000	268,870	1,180,000	260,610
2031 - 2035	<u>450,000</u>	<u>15,188</u>	<u>810,000</u>	<u>55,760</u>
Total	\$ <u>4,145,000</u>	<u>825,864</u>	<u>2,990,000</u>	<u>759,050</u>
	<u>Other Loans</u>			
	<u>Principal</u>	<u>Interest</u>		
Year Ending September 30				
2021	\$ <u>297,743</u>	<u>4,047</u>		

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2020, the amount of outstanding debt was equal to 1.41% 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 the full faith and credit of the County.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2020:

	Balance Oct. 1, 2019	Additions	Reductions	Balance Sept. 30, 2020	Amount due within one year
Governmental Activities:					
General obligation bonds	\$ 4,460,000		315,000	4,145,000	325,000
Limited obligation bonds	3,170,000		180,000	2,990,000	185,000
Capital leases	2,110,441	487,618	248,097	2,349,962	408,467
Other loans		305,800	8,057	297,743	297,743
Total	\$ 9,740,441	793,418	751,154	9,782,705	1,216,210

(11) 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

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

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, 2020, 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, 2020, was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2020, 2019 and 2018 were \$661,794, \$581,792, and \$544,252, 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, 2020, the County reported a liability of \$10,898,639 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020 net pension liability was 0.056298 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.001731 percent from its proportionate share of 0.054567 percent used to calculate the September 30, 2019 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended September 30, 2020, the County recognized pension expense of \$1,303,438. At September 30, 2020, the County reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 94,460
Net difference between projected and actual earnings on pension plan investments	466,076
Changes of assumptions	59,092
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	407,656
County contributions subsequent to the measurement date	<u>171,076</u>
Total	\$ <u>1,198,360</u>

\$171,076 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, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2020

Year ending September 30	Amount
2021	\$ 293,183
2022	325,403
2023	264,442
2024	144,256
Total	\$ 1,027,284

Actuarial Assumptions. The total pension liability as of June 30, 2020 was determined by an actuarial valuation prepared as of June 30, 2019, 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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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:

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	0.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.00
Total	100.00 %	

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

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

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:

	Decrease (6.75%)	Discount Rate (7.75%)	Increase (8.75%)
County's proportionate share of the net pension liability	\$ 14,106,948	10,898,639	8,250,494

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

(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.

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

(13) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of \$(7,561,205) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$171,076 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, 2021. The \$1,027,284 balance of the deferred outflows of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next four 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 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 \$20,250 for support of the district in the fiscal year 2020.

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 2020.

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 \$537,051 for maintenance and support of the college in fiscal year 2020.

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 2020.

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 2020.

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

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, 2020, 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 district; the mandatory mill and the community college tax levies. These exemptions are authorized under Sections 27-31-101 and 27-31-105, 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 2020 totaled \$20,341 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 through November 17, 2021, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2020, 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>
10/05/2020	0.00%	\$ 20,502	Other loan	Ad valorem taxes
10/29/2020	1.57%	298,234	Capital lease	Ad valorem taxes
07/14/2021	1.25%	150,000	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

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, 2020
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 7,249,291	6,446,103	6,446,103	
Licenses, commissions and other revenue	226,400	247,958	247,958	
Fines and forfeitures	196,000	235,340	235,340	
Intergovernmental revenues	320,590	758,023	758,023	
Charges for services	15,700	9,469	9,469	
Interest income	216,790	247,516	247,516	
Miscellaneous revenues	277,750	280,305	280,305	
Total Revenues	<u>8,502,521</u>	<u>8,224,714</u>	<u>8,224,714</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,177,450	3,349,954	3,349,954	
Public safety	3,290,900	3,078,621	3,078,621	
Public works	87,000	76,660	76,660	
Health and welfare	224,020	162,548	162,548	
Culture and recreation	68,200	73,909	73,909	
Conservation of natural resources	121,070	101,701	101,701	
Economic development and assistance	55,642	55,786	55,786	
Debt service:				
Principal		180,000	180,000	
Interest		107,780	107,780	
Total Expenditures	<u>7,024,282</u>	<u>7,186,959</u>	<u>7,186,959</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>1,478,239</u>	<u>1,037,755</u>	<u>1,037,755</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	6,770			
Compensation for loss of capital assets		141,015	141,015	
Transfers in	855,500	595,500	595,500	
Transfers out	(4,220,000)	(8,214,075)	(8,214,075)	
Total Other Financing Sources and Uses	<u>(3,357,730)</u>	<u>(7,477,560)</u>	<u>(7,477,560)</u>	<u>0</u>
Net Change in Fund Balance	(1,879,491)	(6,439,805)	(6,439,805)	
Fund Balances - Beginning	<u>(518,464)</u>	<u>11,474,884</u>	<u>11,483,934</u>	<u>9,050</u>
Fund Balances - Ending	<u>\$ (2,397,955)</u>	<u>5,035,079</u>	<u>5,044,129</u>	<u>9,050</u>

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

COVINGTON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Special Disaster 2020 Fund
 For the Year Ended September 30, 2020
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$	73,460	73,460	
Total Revenues	0	73,460	73,460	0
EXPENDITURES				
Current:				
General government		6,155,614	6,155,614	
Total Expenditures	0	6,155,614	6,155,614	0
Excess of Revenues over (under) Expenditures	0	(6,082,154)	(6,082,154)	0
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		33,218	33,218	
Transfers in		6,150,000	6,150,000	
Total Other Financing Sources and Uses	0	6,183,218	6,183,218	0
Net Change in Fund Balance		101,064	101,064	
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	\$ 0	101,064	101,064	0

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, 2020
UNAUDITED

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.056298%	0.054567%	0.053453%	0.050594%	0.049267%	0.047683%
County's proportionate share of the net pension liability (asset)	\$ 10,898,639	9,599,412	8,890,822	8,410,440	8,800,317	7,370,852
Covered payroll	\$ 3,748,881	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	290.72%	270.12%	260.46%	259.13%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	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, 2020
UNAUDITED

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 661,794	581,792	544,252	517,058	495,650	481,388
Contributions in relation to the contractually required contribution	<u>661,794</u>	<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>	<u>0</u>
Covered payroll	\$ 3,803,414	3,595,748	3,455,568	3,282,906	3,146,981	3,056,431
Contributions as a percentage of covered payroll	17.40%	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 accompanying notes to the Required Supplementary Information are an integral part of this schedule.

COVINGTON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2020

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Special Disaster 2020 Fund
Budget (Cash Basis)	\$ (6,439,805)	101,064
Increase (Decrease)		
Net adjustments for revenue accruals	(125,193)	
Net adjustments for expenditure accruals	665,322	(6,890)
GAAP Basis	\$ <u>(5,899,676)</u>	<u>94,174</u>

COVINGTON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2020

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%.

Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more

COVINGTON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2020

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, 2018 valuation for the June 30, 2020 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	30.9 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

COVINGTON COUNTY

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COVINGTON COUNTY

SUPPLEMENTARY INFORMATION

COVINGTON COUNTY

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COVINGTON COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation Passed-through the Mississippi Department of Public Safety Highway safety cluster:			
National priority safety programs	20.616	M5X-2020-MD-11-61	\$ 19,526
Total Highway safety cluster			<u>19,526</u>
Total U.S. Department of Transportation			<u>19,526</u>
U.S. Department of the Treasury Passed-through the Mississippi Emergency Management Agency Coronavirus relief fund	21.019	N/A	<u>367,397</u>
Total U.S. Department of the Treasury			<u>367,397</u>
U.S. Department of Homeland Security Passed-through the Mississippi Emergency Management Agency			
Disaster grants - public assistance (Presidentially declared disasters)*	97.036	FEMA-4415-DR-MS	228,070
Disaster grants - public assistance (Presidentially declared disasters)*	97.036	FEMA-4470-DR-MS	326,371
Disaster grants - public assistance (Presidentially declared disasters)*	97.036	FEMA-4536-DR-MS	103,852
Subtotal			<u>658,293</u>
Emergency management performance grants	97.042	N/A	<u>22,066</u>
Total U.S. Department of Homeland Security			<u>680,359</u>
Total Expenditures of Federal Awards			<u>\$ 1,067,282</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Covington County under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of *Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Covington County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Covington County.

Note B - Summary of Significant Accounting Policies

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

Note C - Indirect Cost Rate

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

* Denotes major federal award program

COVINGTON COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2020

Operating Expenditures, Cash Basis:

Salaries	\$	410,497
Expendable Commodities:		
Gasoline and petroleum products		33,255
Repair parts		12,351
Maintenance		11,366
Contractual services		333,437
Supplies		2,831
Equipment		<u>197,880</u>

Solid Waste Cash Basis Operating Expenditures		1,001,617
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Full Cost Expenses:

Indirect administrative costs		3,701
Depreciation on equipment		<u>56,952</u>

Solid Waste Full Cost Operating Expenses	\$	<u><u>1,062,270</u></u>
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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, 2020
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
Fenton Pope	Supervisor District 4	FCCI Insurance Company	\$100,000
Arthur Keys	Supervisor District 5	FCCI Insurance Company	\$100,000
Guy Easterling	Chancery Clerk	FCCI Insurance Company	\$100,000
Guy Easterling	Purchase Clerk	FCCI Insurance Company	\$75,000
Brandy Lee	Assistant Purchase Clerk	FCCI Insurance Company	\$50,000
Mona Smith	Receiving Clerk	FCCI Insurance Company	\$75,000
Richard Sanford	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
Donald McRaney	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
Joe Ponder	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
Jason McNair	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
Katherine Brewer	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
Shona Holifield	Assistant Receiving Clerk	Western Surety Insurance Company	\$50,000
Krystal Bonds	Inventory Control Clerk	FCCI Insurance Company	\$75,000
Roger Dickens	Constable	FCCI Insurance Company	\$50,000
Joe Ponder	Constable	Western Surety Insurance Company	\$50,000
Melissa Duckworth	Circuit Clerk	FCCI Insurance Company	\$100,000
Mary Ann Shoemake	Deputy Circuit Clerk	FCCI Insurance Company	\$50,000
Darrell Perkins	Sheriff	FCCI Insurance Company	\$100,000
John Sanford	Justice Court Judge	FCCI Insurance Company	\$50,000
Bobby 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
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	The Travelers Indemnity Company	\$50,000
Virginia Coulter	Deputy Tax Collector	FCCI 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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 17, 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, 2020.

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 Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2020-001, 2020-002 and 2020-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2020-004 to be a significant deficiency.

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 which we have 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 November 17, 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 Auditee's Corrective Action Plan. 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

November 17, 2021



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

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

Members of the Board of Supervisors
Covington County, Mississippi

Report on Compliance for the Major Federal Program

We have audited Covington County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Covington County, Mississippi's major federal program for the year ended September 30, 2020. Covington County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Covington County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT CPA
Director, County Audit Section

November 17, 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, 2020. 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. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses 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.

Condition	As reported in the prior two years' audit reports, we noted that some assets were disposed of, but were not approved to be disposed of in the Board of Supervisors' minutes. We also noted that assets purchased in fiscal year 2020 in the amount of \$1,843,645 were not added to the capital asset records.
Cause	The Inventory Control Clerk lacks the necessary control procedures to accurately maintain an inventory 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.
Recommendation	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.
View of Responsible Official(s)	We will comply and will implement and maintain accurate inventory records.

Purchase Clerk and Board of Supervisors.

2. Emergency purchases should be authorized and documented in the Board of Supervisors' minutes and included on the Purchase Clerk's schedules.

Repeat Finding	No
Criteria	Section 31-7-13(k), Miss. Code Ann. (1972), requires the Board of Supervisors to authorize and document emergency purchases on its minutes, including the description of the commodity purchased, the purchase price and the nature of the emergency.
Condition	The Board of Supervisors did not document the approval of several emergency purchases on its minutes.
Cause	The County did not comply with state laws.
Effect	The lack of proper approval and documentation could result in unauthorized purchases.
Recommendation	The Board of Supervisors should approve and document in its minutes all emergency purchases.
Views of Responsible Official(s)	The Board of Supervisors will approve all emergency purchases and spread it on their minutes.

Receiving Clerk and Assistant Receiving Clerks.

3. Assistant Receiving Clerks should be bonded as required by state statute.

Repeat Finding	No
Criteria	Section 31-7-124, Miss. Code Ann. (1972), requires Assistant Receiving Clerks to execute a bond in a penalty not less than \$50,000, to be payable, conditioned and approved as provided by law.
Condition	A surety bond was not obtained for one Assistant Receiving Clerk.

Cause	The County did not comply with state laws.
Effect	Failure to comply with state statutes could result in the loss of public funds.
Recommendation	The County should implement additional controls to ensure all officials required to be bonded by state statute are properly bonded.
View of Responsible Official(s)	We will comply.

In our opinion, 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, 2020.

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

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

November 17, 2021

COVINGTON COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2020

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, 2020

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
04/02/2020	Four (4) dump trucks	\$ 580,000	Tri-State Truck Center	Delay in production due to Covid-19
04/13/2020	Doors	13,272	Brennans Vendworks	Easter 2020 tornado cleanup
04/30/2020	Equipment rental	7,523	Lyle Machinery	Easter 2020 tornado cleanup
05/07/2020	Equipment rental	6,928	Puckett Machinery	Easter 2020 tornado cleanup

COVINGTON COUNTY
Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2020

Schedule 3

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



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

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Covington County, Mississippi

In planning and performing our audit of the financial statements of Covington County, Mississippi for the year ended September 30, 2020, 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 November 17, 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 two years' audit reports, 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.
Recommendation	The County should transition employees working over twenty hours a week to full-time status.
View of Responsible Official(s)	We will comply.
2.	<u>The Board of Supervisors approved an unallowable salary increase for the Board of Supervisors.</u>
Repeat Finding	No
Criteria	Section 25-3-13(1)(d), Miss. Code Ann. (1972), limits the compensation of the Board of Supervisors to \$41,612 for counties having a total assessed valuation of at least \$125,000,000, but less than \$300,000,000. Furthermore, Section 25-3-13(2), Miss. Code Ann. (1972), states that the annual salary established for the members of the Board of Supervisors shall not be reduced as a result of a reduction in total assessed valuation.
Condition	The Board of Supervisors approved a salary increase in January 2020 to \$46,041 per year based off an assessed valuation of at least \$300,000,000, but less than \$1,000,000,000. In 2008, the County had an assessed valuation of \$341,825,015, which increased the Board of Supervisors' salaries to \$44,700. However, the County currently has an assessed valuation of \$294,904,213.
Cause	The Board of Supervisors misinterpreted a change in the law that allowed for an increase in compensation if certain conditions were met. However, the County did not meet these conditions.
Effect	This resulted in each member of the Board of Supervisors being overpaid by \$1,341.
Recommendation	The Board of Supervisors should repay the overpayment to the County.
View of Responsible Official(s)	The Supervisors all agree to pay.
Auditor's Note	The overpayment was repaid to the County on April 1, 2021 as evidenced by receipt warrant numbers 35207, 35208, 35209, 35212 and 35213.
Board Attorney.	
3.	<u>The Board of Supervisors approved an unallowable salary increase for the Board Attorney.</u>
Repeat Finding	No
Criteria	Section 19-3-47(1)(a), Miss. Code Ann. (1972), limits the compensation of the Board Attorney to the maximum annual amount authorized by law for payment to a member of the Board. Therefore, the annual salary of the Board Attorney is limited to \$44,700, the same as a member of the Board of Supervisors.
Condition	The Board of Supervisors approved a salary increase in January 2020 of \$1,341 from \$44,700 to \$46,041 per year.
Cause	The Board of Supervisors misinterpreted a change in the law that allowed for an increase in compensation if certain conditions were met. However, the County did not meet these conditions.

Effect	This resulted in the Board Attorney being overpaid.
Recommendation	The Board Attorney should repay the overpayment to the County.
View of Responsible Official(s)	The Board Attorney agrees to pay.
Auditor's Note	The overpayment was repaid to the County on April 1, 2021, as evidenced by receipt warrant number 35214.

Tax Assessor-Collector.

4. The Board of Supervisors approved an unallowable salary increase for the Tax Assessor-Collector.

Repeat Finding No

Criteria Section 25-3-3(2)(g), Miss. Code Ann. (1972), limits the base compensation of the Tax Assessor-Collector to \$55,125 based upon a total assessed valuation of \$294,904,213 for the preceding taxable year. However, Section 25-3-3(4), Miss. Code Ann. (1972), states the annual salary established for assessors and tax collectors shall not be reduced as a result of a reduction in total assessed valuation. Therefore, the base salary of the Tax Assessor-Collector is limited to \$56,000 based on a 2008 assessed valuation of \$341,825,015.

Condition The Board of Supervisors approved an increase to the Tax Assessor-Collector's base salary in January 2020 of \$2,800 from \$56,000 to \$58,800 per year. Additionally, another five percent (5%) was added on top of the increase. The Tax Assessor-Collector receives additional compensation for benchmarks that are not affected by this error.

Cause The Board of Supervisors misinterpreted a change in the law that allowed for an increase in compensation if certain conditions were met. However, the County did not meet these conditions.

Effect This resulted in the Tax Assessor-Collector being overpaid.

Recommendation The Tax Assessor-Collector should repay the overpayment to the County.

Views of Responsible Official(s) On August 7th 2020, I took a notice to the Board of Supervisors informing them from an email that was sent to me from MSU that I had not been paid according to the total assessed value and the value of oil and gas production within our County. I failed to check the Class of Counties that the Mississippi Department of Revenue provides each year. Therefore, missing the assessed value step that would have increased my salary. I spoke with another tax collector who said yes "it did increase by 5%". Not realizing that I had the new Tax Assessor-Collector worksheet, I increased the new one by the 5% and should not have. I take full responsibility for the mistake that I made. I am truly sorry for the inconvenience that I caused the county and the audit department. I paid the county back on March 1st in the amount of \$3,445.85.

Auditor's Note The overpayment was repaid to the County on March 1, 2021, as evidenced by receipt warrant number 35104.

Justice Court Judges.

5. The Board of Supervisors approved an unallowable salary increase for the Justice Court Judges.

Repeat Finding No

Criteria Section 25-3-36(2)(a), Miss. Code Ann. (1972), limits the compensation of the Justice Court Judges to the amount paid to a member of the Board of Supervisors in the same county in which the Justice Court Judge presides. Therefore, the annual salary of the Justice Court Judges is limited to \$44,700, the same as a member of the Board of Supervisors.

Condition The Board of Supervisors approved a salary increase in January 2020 from \$44,700 to \$46,041 per year.

Cause The Board of Supervisors misinterpreted a change in the law that allowed for an increase in compensation if certain conditions were met. However, the County did not meet these conditions.

Effect This resulted in the Justice Court Judges being overpaid.

Recommendation Each Justice Court Judge should repay the overpayment to the County.

View of Responsible Official(s) The judges agree to pay.

Auditor's Note The overpayment was repaid to the County on April 1, 2021, as evidenced by receipt warrant numbers 35211 and 35215.

County Prosecuting Attorney.

6. The Board of Supervisors approved an unallowable salary increase for the County Prosecuting Attorney.

Repeat Finding No

Criteria Section 25-3-9(4), Miss. Code Ann. (1972), states notwithstanding any provision of this section to the contrary, no county prosecuting attorney shall receive for his services an annual salary less than the salary paid to a justice court judge in his respective county. This limits the compensation of the county prosecuting attorney to \$44,700 based upon the salaries of the justice court judges.

Condition The Board of Supervisors approved a salary increase in January 2020 of \$1,341 from \$44,700 to \$46,041.

Cause The Board of Supervisors misinterpreted a change in the law that allowed for an increase in compensation if certain conditions were met. However, the County did not meet these conditions.

Effect This resulted in the County Prosecuting Attorney being overpaid.

Recommendation The County Prosecuting Attorney should repay the overpayment to the County.

View of Responsible Official(s) The County Prosecuting Attorney agrees to pay.

Auditor's Note The overpayment was returned to the County on April 1, 2021, as evidenced by receipt warrant number 35210.

Public Defender.

7. The Board of Supervisors approved an unallowable salary increase for the County's Public Defender.

Repeat Finding No

Criteria Section 25-32-5(4), Miss. Code Ann. (1972), states the compensation for a public defender representing one (1) county shall not be less than the compensation of the county prosecuting attorney.

Condition The Board of Supervisors approved a salary increase for the County's Public Defender in January 2020 of \$1,341 from \$44,700 to \$46,041 per year.

Cause The Board of Supervisors misinterpreted a change in the law that allowed for an increase in compensation if certain conditions were met. However, the County did not meet these conditions.

Effect This resulted in the County's Public Defender being overpaid.

Recommendation The Public Defender should repay the overpayment to the County.

View of Responsible Official(s) The Public Defender has not responded to the finding.

Auditor's Note As of the report date, the Public Defender has not repaid the overpayment to the County.

Board of Supervisors and Payroll Clerk.

8. Required forms for re-employment should be completed for PERS retirees after retirement.

Repeat Finding Yes

Criteria 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.

Condition As reported in the prior year's audit report, we noted that one (1) PERS Form 4B was not completed.

Cause Controls were not in place to ensure compliance with the state laws.

Effect By not completing the required PERS Form 4B, the County is not in compliance with the state legal requirements.

Recommendation The County should complete the required PERS Form 4Bs and maintain evidence of the filing dates of the retiree forms.

View of Responsible Official(s) We will comply.

Circuit Clerk.

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

Repeat Finding Yes

Criteria	An effective system of internal control over cash requires that daily bank deposits be made.
Condition	As reported in the prior year's audit report, we noted that 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.
View of Responsible Official(s)	I will start making timely deposits.

Sheriff.

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

Repeat Finding Yes

Criteria	An effective system of internal control over cash requires that daily bank deposits be made.
Condition	As reported in the prior year's audit report, we noted that 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.
View of Responsible Official(s)	We have corrected this matter through the Board office.

11. The Sheriff should ensure meal logs are in compliance with state law.

Repeat Finding No

Criteria	Section 19-25-74, Miss. Code Ann. (1972), states the Sheriff shall maintain a meal log of prisoners being fed daily, which will include the prisoner's name, the date and time of incarceration and release, and number of meals served to prisoners at each meal time, and the hours of the day served. This log must also be filed monthly with the Board of Supervisors. In addition, the Board is not allowed to pay claims for food expenses if this report has not been filed.
Condition	We noted that meal logs were not accurately recorded and did not contain the appropriate information.
Cause	The Sheriff did not comply with state laws.
Effect	Failure to accurately maintain a prisoner meal log could result in the loss or misappropriation of public funds.

Recommendation The Sheriff should ensure that the meal log is maintained, accurately completed, and presented to the Board of Supervisors.

**View of Responsible
Official(s)** We have corrected this matter through the Board office.

The Mississippi Office of the State Auditor has taken exception to certain costs. The details of the exception and disposition are as follows:

Exception Issued On:

Oby Rogers, Public Defender

Nature of Exception:

See Finding # 7 described in this report.

Amount of Exception:

\$1,564.50

Disposition of Exception:

This matter has been turned over to the Investigative Division of the Office of the State Auditor.

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

November 17, 2021

COVINGTON COUNTY

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COVINGTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COVINGTON COUNTY

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COVINGTON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

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
Special Disaster 2020 Fund	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:

a. Material weaknesses identified?	Yes
b. Significant deficiency identified?	Yes

3. Noncompliance material to the financial statements noted? No

Federal Awards:

4. Internal control over major federal programs:

a. Material weakness identified?	No
b. Significant deficiency identified?	None reported

5. Type of auditor's report issued on compliance for major federal programs: Unmodified

6. Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

7. Identification of major federal program:

CFDA # 97.036, Disaster grants - public assistance (Presidentially declared disasters)

8. Dollar threshold used to distinguish between type A and type B programs? \$750,000

9. Auditee qualified as low-risk auditee? No

10. Prior fiscal year audit finding(s) which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)? Yes

COVINGTON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section 2: Financial Statement Findings

Circuit Clerk.

Material Weakness

2020-001. The Circuit Clerk should ensure effective controls over fines receivable.

Repeat Finding Yes

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 As reported in the prior year's audit report, 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, 2020.

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) See Auditee's Corrective Action Plan.

Justice Court Clerk.

Material Weakness

2020-002. The Justice Court Clerk should ensure effective controls over fines receivable.

Repeat Finding Yes

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 As reported in the prior year's audit report, 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, 2020.

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.

COVINGTON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

**Views of Responsible
Official(s)**

See Auditee's Corrective Action Plan.

Inventory Control Clerk.

Material Weakness

2020-003. 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 two years' audit reports, we noted that some assets were disposed of, but were not approved to be disposed of in the Board of Supervisors' minutes. We also noted that assets purchased in fiscal year 2020 in the amount of \$1,843,645 were not added to the capital asset records.

Cause The Inventory Control Clerk lacks the necessary control procedures to accurately maintain an inventory 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.

Recommendation 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.

**View of Responsible
Official(s)**

See Auditee's Corrective Action Plan.

Payroll Clerk.

Significant Deficiency

2020-004. The Payroll Clerk should maintain adequate records for compensated absences liability.

Repeat Finding Yes

Criteria 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 for each employee. This information is needed to calculate the end of year compensated absences liability. Generally accepted accounting principles require the resulting liability to be reported in the financial statements.

Condition As reported in the prior two years' audit reports, the Payroll Clerk did not maintain the necessary records to calculate the compensated absences liability.

COVINGTON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Cause	The Payroll Clerk failed to maintain adequate documentation for leave balances.
Effect	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.
Recommendation	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.
Views of Responsible Official(s)	See Auditee's Corrective Action Plan.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.

COVINGTON COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN
AND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

COVINGTON COUNTY

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DISTRICT 1 - STERLING CRAFT
DISTRICT 2 - JOHN HOLIFIELD
DISTRICT 3 - JIMMY D. WHITE
DISTRICT 4 - FENTON POPE
DISTRICT 5 - ARTHUR KEYS

COVINGTON COUNTY
BOARD OF SUPERVISORS
POST OFFICE BOX 1679
COLLINS, MISSISSIPPI 39428
PH. 601-765-8605 • FAX 1-601-765-5016

DAVID SHOEMAKE
GERALD MARTIN
Chancery Judges

GUY EASTERLING
Chancery Clerk

TOMMY BOTT ROGERS
Board Attorney

CORRECTIVE ACTION PLAN

July 6, 2021

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

Dear Sir,

Covington County respectfully submits the following corrective action plan for the year ended September 30, 2020.

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

SECTION 2: FINANCIAL STATEMENT FINDINGS

- | | |
|----------|--|
| 2020-001 | Corrective Action Planned: I will start printing the report on the correct date.

Anticipated Completion Date: September 30, 2021

Name of Contact Person Responsible for Corrective Action:
Melissa Duckworth, Circuit Court Clerk |
| 2020-002 | Corrective Action Planned: I will comply.

Anticipated Completion Date: September 30, 2021.

Name of Contact Person Responsible for Corrective Action:
Cassity Booker, Justice Court Clerk |
| 2020-003 | Corrective Action Planned: We will comply and will implement and maintain accurate inventory records.

Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective Action:
Krystal Bonds, Inventory Control Clerk |


Mr. Shad White
Page 2
July 12, 2021

2020-004 Corrective Action Planned: We will comply in maintaining adequate documentation for leave.

Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective Action:
Krystal Bonds, Comptroller

Sincerely,



John Holifield, President
Covington County Board of Supervisors

DISTRICT 1 - STERLING CRAFT
DISTRICT 2 - JOHN HOLIFIELD
DISTRICT 3 - JIMMY D. WHITE
DISTRICT 4 - FENTON POPE
DISTRICT 5 - ARTHUR KEYS

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Chancery Clerk

TOMMY BOTT ROGERS
Board Attorney

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2020

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

Dear Sir,

The Covington County Board of Supervisors respectfully submits the following summary schedule of prior audit findings.

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

NOT CORRECTED

The finding was not reported until April 2021; therefore, the Clerk will not have opportunity to correct the finding until September 30, 2021, at which time she intends to print and maintain the required report.

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

NOT CORRECTED

The finding was not reported until April 2021; therefore, the Clerk will not have opportunity to correct the finding until September 30, 2021, at which time she intends to print and maintain the required report.

2018-001 The Inventory Control Clerk should maintain an inventory control system.

PARTIALLY CORRECTED

Repeated as 2019-003

The finding was not reported to the current Inventory Control Clerk until April 2021; however, she is working to get the inventory records updated and intends to have this completed by the end of the current fiscal year.

2018-002 The Payroll Clerk should maintain adequate records for compensated absences liability.

PARTIALLY CORRECTED

Repeated as 2019-004

The finding was not reported to the current Payroll Clerk until April 2021, however,

Mr. Shad White
Page 2
July 12, 2021

she is working to establish leave records for all employees and intends to have this completed by the end of the current fiscal year.

Sincerely,



John Holifield, President
Covington County Board of Supervisors