

STONE 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

March 14, 2022

Members of the Board of Supervisors
Stone County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2020 financial and compliance audit report for Stone 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 Stone County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Stone 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

STONE COUNTY
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STONE COUNTY

FINANCIAL SECTION

STONE 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
Stone County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Stone 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 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 Qualified Opinion on Governmental Activities, Business-type Activities and Correctional Facility Fund

As discussed in Note 12 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities, the business-type activities and the Correctional Facility Fund and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities, business-type activities and the Correctional Facility Fund. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities, business-type activities and the Correctional Facility Fund has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities, Business-type Activities and Correctional Facility Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities and the Correctional Facility Fund of Stone County, Mississippi, as of September 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of each major fund, except the Correctional Facility Fund, and the aggregate remaining fund information of Stone 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

Stone County, Mississippi, has omitted the Management’s Discussion and Analysis and the Schedule of Changes in the County’s Total OPEB Liability and Related Ratios 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 Stone 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 the Operating Costs of Solid Waste are presented for purposes of additional analysis and are not a required part of the 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 Reconciliation of Operating Costs of Solid Waste are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 March 14, 2022 on our consideration of Stone 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 Stone 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 Stone County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 14, 2022

STONE COUNTY

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STONE COUNTY

FINANCIAL STATEMENTS

STONE COUNTY

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STONE COUNTY
Statement of Net Position
September 30, 2020

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 3,335,309	1,490,223	4,825,532
Property tax receivable	6,815,332		6,815,332
Fines receivable (net of allowance for uncollectibles of \$2,010,556)	1,200,381		1,200,381
Intergovernmental receivables	586,394	110,347	696,741
Other receivables	4,098		4,098
Internal balances	(20,434)	20,434	0
Capital assets:			
Land and construction in progress	2,482,476	12,957	2,495,433
Other capital assets, net	17,744,000	3,903,289	21,647,289
Total Assets	32,147,556	5,537,250	37,684,806
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,032,856	443,144	1,476,000
Total Deferred Outflows of Resources	1,032,856	443,144	1,476,000
LIABILITIES			
Claims payable	697,672	85,760	783,432
Intergovernmental payables	477,142		477,142
Long-term liabilities			
Due within one year:			
Capital debt	932,640	19,165	951,805
Due in more than one year:			
Capital debt	893,518	42,460	935,978
Non-capital debt	97,446	50,151	147,597
Net pension liability	10,071,551	4,310,323	14,381,874
Total Liabilities	13,169,969	4,507,859	17,677,828
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	136,898	66,924	203,822
Deferred revenues - property taxes	6,815,332		6,815,332
Total Deferred Inflows of Resources	6,952,230	66,924	7,019,154
NET POSITION			
Net investment in capital assets	18,400,318	3,854,621	22,254,939
Restricted for:			
Expendable:			
General government	86,477		86,477
Public safety	407,869		407,869
Public works	2,196,454		2,196,454
Economic development and assistance	55,626		55,626
Debt service	1,410		1,410
Unemployment compensation	31,647		31,647
Unrestricted	(8,121,588)	(2,449,010)	(10,570,598)
Total Net Position	\$ 13,058,213	1,405,611	14,463,824

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

STONE 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	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,452,280	1,438,721	28,660		(1,984,899)		(1,984,899)
Public safety	3,210,243	326,030	494,255	24,700	(2,365,258)		(2,365,258)
Public works	4,676,956		853,564	4,653,052	829,660		829,660
Health and welfare	189,536		52,188		(137,348)		(137,348)
Culture and recreation	233,419				(233,419)		(233,419)
Conservation of natural resources	56,944				(56,944)		(56,944)
Economic development and assistance	237,406			120,000	(117,406)		(117,406)
Interest on long-term debt	43,100				(43,100)		(43,100)
Pension expense	1,055,358				(1,055,358)		(1,055,358)
Total Governmental Activities	13,155,242	1,764,751	1,428,667	4,797,752	(5,164,072)		(5,164,072)
Business-type activities:							
Correctional Facility	4,743,384	3,939,063				(804,321)	(804,321)
Total Business-type Activities	4,743,384	3,939,063	0	0		(804,321)	(804,321)
Total Primary Government	\$ 17,898,626	5,703,814	1,428,667	4,797,752	(5,164,072)	(804,321)	(5,968,393)
General revenues:							
Property taxes					\$ 7,204,980		7,204,980
Road & bridge privilege taxes					225,563		225,563
Grants and contributions not restricted to specific programs					381,146		381,146
Unrestricted interest income					90,833	18,992	109,825
Miscellaneous					358,472	83,534	442,006
Transfers					800,900	(800,900)	0
Total General Revenues and Transfers					9,061,894	(698,374)	8,363,520
Changes in Net Position					3,897,822	(1,502,695)	2,395,127
Net Position - Beginning, as previously reported					9,172,542	2,903,698	12,076,240
Prior period adjustments					(12,151)	4,608	(7,543)
Net Position - Beginning, as restated					9,160,391	2,908,306	12,068,697
Net Position - Ending					\$ 13,058,213	1,405,611	14,463,824

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

STONE COUNTY

Balance Sheet - Governmental Funds

September 30, 2020

Exhibit 3

	Major Funds					
	General Fund	Road and Bridge Fund	Countywide Bridge & Culvert Fund	Perkinston Boulevard Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 342,151	891,086	792,483		1,309,589	3,335,309
Property tax receivable	4,409,256	290,070	1,098,829		1,017,177	6,815,332
Fines receivable (net of allowance for uncollectibles of \$2,010,556)	1,200,381					1,200,381
Intergovernmental receivables	410,610			149,039	26,745	586,394
Other receivables	4,098					4,098
Due from other funds	46,597	23,905	20,930		17,844	109,276
Advances to other funds	54,110	98,823	89,699		5,925	248,557
Total Assets	\$ 6,467,203	1,303,884	2,001,941	149,039	2,377,280	12,299,347
LIABILITIES						
Liabilities:						
Claims payable	\$ 293,580	37,281	1,054	148,714	217,043	697,672
Intergovernmental payables	246,636					246,636
Due to other funds	93,185	13,908		325		107,418
Advances from other funds	256,386	49,747			195,222	501,355
Total Liabilities	889,787	100,936	1,054	149,039	412,265	1,553,081
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - fines	1,200,381					1,200,381
Unavailable revenue - property taxes	4,409,256	290,070	1,098,829		1,017,177	6,815,332
Total Deferred Inflows of Resources	5,609,637	290,070	1,098,829	0	1,017,177	8,015,713
Fund balances:						
Nonspendable:						
Advances	54,110					54,110
Restricted for:						
General government					86,477	86,477
Public safety					407,869	407,869
Public works		912,878	902,058		381,518	2,196,454
Economic development and assistance					55,626	55,626
Debt service					1,410	1,410
Unemployment compensation					31,647	31,647
Unassigned	(86,331)				(16,709)	(103,040)
Total Fund Balances	(32,221)	912,878	902,058	0	947,838	2,730,553
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,467,203	1,303,884	2,001,941	149,039	2,377,280	12,299,347

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

STONE COUNTY

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,730,553
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 \$9,233,109.	20,226,476
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,200,381
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,923,604)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(10,071,551)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	1,032,856
Deferred inflows of resources related to pensions	<u>(136,898)</u>
Total Net Position - Governmental Activities	\$ <u><u>13,058,213</u></u>

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

STONE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2020

	Major Funds				Other	Total
	General	Road and Bridge	Countywide	Perkinson	Governmental	Governmental
	Fund	Fund	Bridge & Culvert	Boulevard	Funds	Funds
	Fund	Fund	Fund	Fund	Funds	Funds
REVENUES						
Property taxes	\$ 4,743,493	295,124	1,128,958		1,037,405	7,204,980
Road and bridge privilege taxes		225,563				225,563
Licenses, commissions and other revenue	229,902				162,311	392,213
Fines and forfeitures	252,554				6,557	259,111
Intergovernmental revenues	817,110	711,355	1,766,100	1,955,449	1,357,551	6,607,565
Charges for services	160,556				138,645	299,201
Interest income	28,793	19,040	22,023		20,977	90,833
Miscellaneous revenues	99,808	18,126	846		239,692	358,472
Total Revenues	6,332,216	1,269,208	2,917,927	1,955,449	2,963,138	15,437,938
EXPENDITURES						
Current:						
General government	3,466,528				33,102	3,499,630
Public safety	2,189,593				1,265,107	3,454,700
Public works	66,415	1,419,232	2,710,559		600,049	4,796,255
Health and welfare	161,036					161,036
Culture and recreation	203,939				15,122	219,061
Conservation of natural resources	56,944					56,944
Economic development and assistance	3,875			1,955,449	900,613	2,859,937
Debt service:						
Principal	37,382	394,289			112,399	544,070
Interest	1,824	26,795			14,481	43,100
Total Expenditures	6,187,536	1,840,316	2,710,559	1,955,449	2,940,873	15,634,733
Excess of Revenues over (under) Expenditures	144,680	(571,108)	207,368	0	22,265	(196,795)
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued		968,318				968,318
Proceeds from sale of capital assets	2,205	145,670			360	148,235
Compensation for loss of capital assets	1,388					1,388
Transfers in	800,000	87,464			39,762	927,226
Transfers out	(120,846)	(5,390)			(90)	(126,326)
Total Other Financing Sources and Uses	682,747	1,196,062	0	0	40,032	1,918,841
Net Changes in Fund Balances	827,427	624,954	207,368	0	62,297	1,722,046
Fund Balances - Beginning	(859,648)	287,924	694,690	0	885,541	1,008,507
Fund Balances - Ending	\$ (32,221)	912,878	902,058	0	947,838	2,730,553

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

STONE 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	\$ 1,722,046
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 \$3,435,329 exceeded depreciation of \$942,648 in the current period.	2,492,681
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 loss of \$99,628 and the proceeds from the sale of \$148,235 and compensation for loss of \$1,388 in the current period.	(249,251)
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.	814,226
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 \$968,318 exceeded debt repayments of \$544,070.	(424,248)
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 increase in compensated absences liability.	(12,991)
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	(1,055,358)
Recording of contributions made during the year	<u>610,717</u>
Change in Net Position of Governmental Activities	\$ <u><u>3,897,822</u></u>

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

STONE COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2020

Exhibit 5

	Business-type Activities - Enterprise Fund
	Correctional Facility Fund
ASSETS	
Current assets:	
Cash	\$ 1,490,223
Intergovernmental receivables	110,347
Advances to other funds	56,386
Total Current Assets	<u>1,656,956</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	12,957
Other capital assets, net	3,903,289
Total Noncurrent Assets	<u>3,916,246</u>
Total Assets	<u>5,573,202</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	443,144
Total Deferred Outflows of Resources	<u>443,144</u>
LIABILITIES	
Current liabilities:	
Claims payable	85,760
Due to other funds	32,364
Advances from other funds	3,588
Capital debt:	
Capital leases payable	19,165
Total Current Liabilities	<u>140,877</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	42,460
Non-capital debt:	
Compensated absences payable	50,151
Net pension liability	4,310,323
Total Noncurrent Liabilities	<u>4,402,934</u>
Total Liabilities	<u>4,543,811</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	66,924
Total Deferred Inflows of Resources	<u>66,924</u>
NET POSITION	
Net investment in capital assets	3,854,621
Unrestricted	(2,449,010)
Total Net Position	<u>\$ 1,405,611</u>

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

STONE COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2020

	Business-type Activities - Enterprise Fund
	Correctional Facility Fund
Operating Revenues	
Charges for services	\$ 3,939,063
Miscellaneous	83,534
Total Operating Revenues	<u>4,022,597</u>
Operating Expenses	
Personal services	1,985,786
Contractual services	775,178
Materials and supplies	1,311,562
Depreciation expense	189,372
Indirect administrative cost	32,364
Pension expense	440,708
Total Operating Expenses	<u>4,734,970</u>
Operating Income (Loss)	<u>(712,373)</u>
Nonoperating Revenues (Expenses)	
Interest income	18,992
Interest expense	(8,414)
Net Nonoperating Revenue (Expenses)	<u>10,578</u>
Net Income (Loss) Before Transfers	(701,795)
Transfers out	<u>(800,900)</u>
Changes in Net Position	<u>(1,502,695)</u>
Net Position - Beginning, as previously reported	2,903,698
Prior period adjustment	4,608
Net Position - Beginning, as restated	<u>2,908,306</u>
Net Position - Ending	<u>\$ 1,405,611</u>

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

STONE COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2020

Exhibit 7

	<u>Business-type Activities -</u>
	<u>Correctional Facility</u> <u>Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 4,187,772
Payments to suppliers	(2,084,566)
Payments to employees	(2,232,772)
Other miscellaneous cash receipts	83,534
Net Cash Provided (Used) by Operating Activities	<u>(46,032)</u>
Cash Flows From Noncapital Financing Activities	
Cash received from other funds:	
Operating transfers in	2,852,985
Cash paid to other funds:	
Operating transfers out	<u>(3,653,885)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(800,900)</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	45,531
Acquisition and construction of capital assets	(45,031)
Principal paid on long-term debt	(339,453)
Interest paid on debt	(13,581)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(352,534)</u>
Cash Flows From Investing Activities	
Proceeds from sale and maturities of investments	<u>18,992</u>
Net Cash Provided (Used) by Investing Activities	<u>18,992</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,180,474)
Cash and Cash Equivalents at Beginning of Year	2,670,697
Cash and Cash Equivalents at End of Year	<u>\$ 1,490,223</u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (712,373)
Adjustments to reconcile operating income (loss) to net cash	
provided (used) by operating activities:	
Depreciation expense	189,372
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	248,709
Increase (decrease) in claims payable	2,174
Increase (decrease) in interfund payable	32,364
Increase (decrease) in compensated absences liability	8,044
Increase (decrease) in net pension liability, deferred outflows/inflows, net	185,678
Total Adjustments	<u>666,341</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (46,032)</u>

Noncash Capital Financing Activity:

Stone County lease purchased mobile equipment for \$45,531 for four years at 3.35% interest.
No principal payments were made on the lease during the year.

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

STONE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2020

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 554,496
Advances to other funds	200,000
Due from other funds	<u>30,506</u>
Total Assets	<u>\$ 785,002</u>
LIABILITIES	
Intergovernmental payables	\$ <u>785,002</u>
Total Liabilities	<u>\$ 785,002</u>

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

STONE COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Stone 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 Stone County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-

STONE COUNTY

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

balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

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

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

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

Road and Bridge Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

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

Perkinston Boulevard Fund - This fund is used to account for monies from specific revenue sources that are restricted for the Perkinston Boulevard project.

The County reports the following major Enterprise Fund:

Correctional Facility Fund - This fund is used to account for monies from inmate housing agreement income with the Mississippi Department of Corrections for housing state prisoners.

Additionally, the County reports the following fund types:

STONE COUNTY

Notes to the 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.

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for 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.

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.

STONE COUNTY

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

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

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

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

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

STONE COUNTY

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

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 Note 13 for additional details.

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

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

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

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

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

In the fund financial statements, the face amount of the debt issued is reported as other financing sources.

K. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires. The County's policy caps the amount of accumulated unpaid employee personal leave at 30 days.

STONE COUNTY

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

L. Pensions.

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

M. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

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

STONE COUNTY

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

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.

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.

STONE COUNTY

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

(2) Prior Period Adjustments.

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

Exhibit 2 – Statement of Activities – Governmental Activities.

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in capital assets, net.	\$ (16,344)
To correct prior year errors in long-term debt.	4,193
Total prior period adjustments	<u>\$ (12,151)</u>

Exhibit 2 – Statement of Activities – Business-type Activities.

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in capital assets, net.	<u>\$ 4,608</u>

Exhibit 6 – Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund.

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in capital assets, net.	<u>\$ 4,608</u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2020, was \$5,380,028, and the bank balance was \$6,069,656. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

STONE COUNTY

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

(4) Interfund Transactions and Balances.

The following is a summary of inter-fund balances at September 30, 2020:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Road and Bridge Fund	\$ 13,908
General Fund	Correctional Facility Fund	32,364
General Fund	Perkinston Boulevard Fund	325
Road and Bridge Fund	General Fund	23,905
Countywide Bridge and Culvert Fund	General Fund	20,930
Other Governmental Funds	General Fund	17,844
Agency Funds	General Fund	<u>30,506</u>
Total		\$ <u>139,782</u>

The receivables represent the tax revenue collected in September, 2020, but not settled until October, 2020. 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	Road and Bridge Fund	\$ 45,232
General Fund	Other Governmental Funds	6,700
General Fund	Correctional Facility Fund	2,178
Road and Bridge Fund	Other Governmental Funds	98,823
Countywide Bridge and Culvert Fund	Other Governmental Funds	89,699
Other Governmental Funds	Road and Bridge Fund	4,515
Other Governmental Funds	Correctional Facility Funds	1,410
Correctional Facility Fund	General Fund	55,668
Correctional Facility Fund	General Fund	718
Agency Funds	General Fund	<u>200,000</u>
Total		\$ <u>504,943</u>

The advances represent errors in posting revenues, debt proceeds, and debt service expenditures in prior years.

STONE COUNTY

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

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Correctional Facility Fund	\$ 800,000
Road and Bridge Fund	General Fund	87,464
Other Governmental Funds	General Fund	33,382
Other Governmental Funds	Road and Bridge Fund	5,390
Other Governmental Funds	Other Governmental Funds	90
Other Governmental Funds	Correctional Facility Fund	900
Total		<u>\$ 927,226</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.

(5) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 92,994
Coronavirus relief fund reimbursement	313,761
AOC youth court reimbursement	1,425
DHS reimbursement	2,430
CDBG grant reimbursement	149,039
DUI grant reimbursement	4,766
Emergency management performance grant reimbursement	21,979
Total Governmental Activities	<u>\$ 586,394</u>
Business-type Activities:	
Reimbursement for housing prisoners	<u>\$ 110,347</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2020, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
Emergency Medical Services District	June 1987	N/A	N/A	\$ 22,439
Less Allowance for doubtful accounts*				<u>(22,439)</u>
Total				\$ 0

*The Emergency Medical Services District loan receivable was determined to be uncollectible in fiscal year 1997.

STONE COUNTY

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

(7) Capital Assets.

The following is a summary of capital assets activity 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	\$ 452,756				452,756
Construction in progress	6,214,911	2,707,128		(6,892,319)	2,029,720
Total non-depreciable capital assets	6,667,667	2,707,128	0	(6,892,319)	2,482,476
<u>Depreciable capital assets:</u>					
Infrastructure	2,817,068			6,610,005	9,427,073
Buildings	9,078,043			282,314	9,360,357
Improvements other than buildings	918,306				918,306
Mobile equipment	5,406,884	196,387	1,017,888	592,099	5,177,482
Furniture and equipment	786,804	13,990	32,149	25,760	794,405
Leased property under capital leases	1,370,868	517,824		(589,206)	1,299,486
Total depreciable capital assets	20,377,973	728,201	1,050,037	6,920,972	26,977,109
<u>Less accumulated depreciation for:</u>					
Infrastructure	321,910	276,874		(22,175)	576,609
Buildings	2,835,176	175,231			3,010,407
Improvements other than buildings	367,320	36,733		10	404,063
Mobile equipment	4,415,755	188,508	769,721	232,315	4,066,857
Furniture and equipment	647,946	52,933	31,065	13,410	683,224
Leased property under capital leases	458,143	212,369		(178,563)	491,949
Total accumulated depreciation	9,046,250	942,648	800,786	44,997	9,233,109
Total depreciable capital assets, net	11,331,723	(214,447)	249,251	6,875,975	17,744,000
Governmental activities capital assets, net	\$ 17,999,390	2,492,681	249,251	(16,344)	20,226,476

STONE COUNTY

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

Business-type activities:

	Balance Oct. 1, 2019	Additions	Deletions	Adjustments*	Balance Sept. 30, 2020
<u>Non-depreciable capital assets:</u>					
Land	\$ 12,957				12,957
Total non-depreciable capital assets	12,957	0	0	0	12,957
<u>Depreciable capital assets:</u>					
Buildings	5,857,503				5,857,503
Mobile equipment	263,879				263,879
Furniture and equipment	349,165			7,200	356,365
Leased property under capital leases	87,066	45,031			132,097
Total depreciable capital assets	6,557,613	45,031	0	7,200	6,609,844
<u>Less accumulated depreciation for:</u>					
Buildings	2,085,383	117,156			2,202,539
Mobile equipment	193,131	15,226			208,357
Furniture and equipment	204,731	33,211		2,592	240,534
Leased property under capital leases	31,346	23,779			55,125
Total accumulated depreciation	2,514,591	189,372	0	2,592	2,706,555
Total depreciable capital assets, net	4,043,022	(144,341)	0	4,608	3,903,289
Business-type activities capital assets, \$	<u>4,055,979</u>	<u>(144,341)</u>	<u>0</u>	<u>4,608</u>	<u>3,916,246</u>

*Adjustments are to correct errors in the capital asset records and to reflect certain routine reclassifications of paid-off capital leases.

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 197,766
Public safety	172,110
Public works	521,922
Health and welfare	28,500
Culture and recreation	19,974
Economic development and assistance	<u>2,376</u>
Total governmental activities depreciation expense	\$ <u>942,648</u>

	Amount
Business-type activities:	
Correctional facility	\$ <u>189,372</u>

STONE COUNTY

Notes to the 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>
Beaver Dam Road - bridge replacement	\$ 264,563	August, 2021
Cobb Road bridge replacement	588,035	May, 2022
East McHenry Road and bridge improvements - Phase II	1,860,341	November, 2021
Shadeville Road and bridge replacement	37,556	August, 2021
Ten Mile Church Road and bridge replacement	573,250	January, 2022
India Road East bridge replacement	137,057	June, 2021

(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) Operating Leases.

As Lessee:

On July 30, 2013, Stone County entered into a non-cancellable operating lease agreement with Carolyn D. Brooks for the purpose of leasing a building and land to the Stone County Department of Human Services. The operating lease stipulated that the lessee would pay approximately \$3,459 per month in lease payments commencing August 1, 2013 for a term of 10 years.

The County has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$41,508 for the year ended September 30, 2020. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2021	\$ 41,508
2022	41,508
2023	34,590
Total Minimum Payments Required	\$ <u>117,606</u>

STONE COUNTY

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

(10) 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>	<u>Business-type Activities</u>
Mobile equipment	\$ 1,262,889	132,097
Furniture and equipment	<u>36,597</u>	<u></u>
Total	1,299,486	132,097
Less: Accumulated depreciation	<u>(491,949)</u>	<u>(55,125)</u>
Leased Property Under Capital Leases	\$ <u><u>807,537</u></u>	<u><u>76,972</u></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>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 564,716	18,416	19,165	1,640
2022	184,214	6,760	3,175	1,374
2023	81,827	3,597	3,283	1,266
2024	68,296	2,126	36,002	1,154
2025	<u>13,049</u>	<u>121</u>	<u></u>	<u></u>
Total	\$ <u><u>912,102</u></u>	<u><u>31,020</u></u>	<u><u>61,625</u></u>	<u><u>5,434</u></u>

STONE COUNTY

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

(11) 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. Capital Leases:			
IBM Series I Power 8 server	\$ 16,793	2.69%	04/2022
(3) 2018 Ford Taurus - Sheriff's Department	18,440	3.44%	05/2021
John Deere 6105E tractor & Alamo boom mower	110,316	3.16%	03/2025
(2) John Deere 5100E utility tractorS	57,140	5.24%	12/2020
2020 Kenworth T270 truck	77,186	2.34%	04/2023
2020 Kenworth T880 truck	136,428	2.34%	04/2023
(2) John Deere 5100E utility tractors	84,335	2.58%	11/2021
Caterpillar 262D3 skid steer loader	50,033	3.35%	08/2024
(2) 2019 Mack garbage trucks	298,193	4.10%	02/2021
Freightliner M2106 tanker truck	<u>63,238</u>	2.14%	12/2021
Total Capital Leases	<u>\$ 912,102</u>		
B. Other Loans:			
2016 road repair note	\$ 208,453	1.35%	05/2021
2017 road repair note	51,776	2.45%	08/2022
2019 road repair note	203,827	3.25%	08/2024
2020 road repair note	<u>450,000</u>	2.65%	04/2025
Total Other Loans	<u>\$ 914,056</u>		
Business-type Activities:			
A. Capital Leases:			
2017 Ford F150 truck - SCRCF	\$ 9,045	3.17%	03/2021
2018 Ford F350 - SCRCF	7,049	3.29%	04/2021
Caterpillar 259D3 track loader	<u>45,531</u>	3.35%	08/2024
Total Capital Leases	<u>\$ 61,625</u>		

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

STONE COUNTY

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

Governmental Activities:

Year Ending September 30	Other Loans	
	Principal	Interest
2021	\$ 367,924	22,704
2022	163,894	15,433
2023	141,698	10,808
2024	145,768	6,737
2025	94,772	2,511
Total	<u>\$ 914,056</u>	<u>58,193</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2020, the amount of outstanding debt was equal to 0.00 percent of the latest property assessments.

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	Adjustments*	Balance Sept. 30, 2020	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 84,455	12,991			97,446	
Capital leases	640,733	518,318	242,756	(4,193)	912,102	564,716
Other loans	765,370	450,000	301,314		914,056	367,924
Total	<u>\$ 1,490,558</u>	<u>981,309</u>	<u>544,070</u>	<u>(4,193)</u>	<u>1,923,604</u>	<u>932,640</u>

*Adjustments are to correct prior year errors in beginning balance of capital leases.

	Balance Oct. 1, 2019	Additions	Reductions	Balance Sept. 30, 2020	Amount due within one year
Business-type Activities:					
Compensated absences	\$ 42,107	8,044		50,151	
Limited obligation bonds	310,000		310,000	0	
Capital leases	45,547	45,531	29,453	61,625	19,165
Total	<u>\$ 397,654</u>	<u>53,575</u>	<u>339,453</u>	<u>111,776</u>	<u>19,165</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Road and Bridge Fund, Garbage and Solid Waste Fund and Correctional Facility Fund.

STONE COUNTY

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

(12) Other Postemployment Benefits.

Plan Description

The Stone County Board of Supervisors administers the County's health insurance plan, which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Stone County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 75 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the Plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

(13) Defined Benefit Pension Plan.

General Information about the Pension Plan

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

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

STONE COUNTY

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

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 \$865,747, \$770,900 and \$743,053, 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 \$14,381,874 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 0.074291 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.002152 percent from its proportionate share 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 \$1,496,066. At September 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 124,824	
Net difference between projected and actual earnings on pension plan investments	646,930	
Changes of assumptions	78,122	
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	394,392	203,822
County contributions subsequent to the measurement date	231,732	
Total	\$ 1,476,000	203,822

\$231,732 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 and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

STONE COUNTY

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

Year ending September 30	Amount
2021	\$ 198,543
2022	306,550
2023	344,995
2024	190,358
Total	\$ 1,040,446

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 %	

STONE COUNTY

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

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 18,615,569	14,381,874	10,887,375

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

(14) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2020:

Fund	Deficit Amount
General Fund	32,221
Perkinston Elementary Shelter Fund	57,495
Stone Elementary Shelter Fund	57,496
Stone High School Shelter Fund	57,495
Storm Shelters Debt Fund	12,580

(15) Contingencies.

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

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

STONE COUNTY

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

(16) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of (\$8,121,588) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$163,469 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 \$869,387 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. The \$136,898 balance of the deferred inflows of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next three years.

The business-type activities' unrestricted net position amount of (\$2,449,010) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pension in the amount of \$68,263 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 \$374,881 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. The \$66,924 balance of the deferred inflows of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next three years.

(17) Joint Ventures.

The County participates in the following joint ventures:

Stone County is a participant with Greene County and the Town of Richton in a joint venture authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library System. This joint venture was created to provide free library service for the citizens of the respective counties and town and is governed by a five-member board of trustees. Each participant appoints at least one board member and may appoint two at the discretion of the participating party. By contractual agreement, the County's appropriation to the joint venture was \$65,000 in 2020. Complete financial statements for the Pine Forest Regional Library can be obtained from Post Office Box 1208, Richton, Mississippi 39476.

Stone County is a participant with the City of Wiggins in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Stone-Wiggins Airport Board. The joint venture was created to provide an airport for the citizens of Stone County and is governed by a board of commissioners consisting of five members, with Stone County and the City of Wiggins appointing two members each and one member appointed jointly by the City and County. By contractual agreement, the County's appropriation to the joint venture was \$2,000 in fiscal year 2020. Complete financial statements for the Stone-Wiggins Airport Board can be obtained from 206 Big Four Road, Wiggins, Mississippi 39577.

(18) 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 Stone 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 \$22,761 for support of the district in fiscal year 2020.

Region XIII Commission for Mental Health and Mental Retardation operates in a district composed of the Counties of Hancock, Harrison, Pearl River and Stone. The governing body is a four-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties. The County appropriated \$13,750 for support of the agency in fiscal year 2020.

STONE COUNTY

Notes to the 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.

Mississippi Gulf Coast Community College operates in a district composed of the Counties of George, Harrison, Jackson and Stone. The college's board of trustees is composed of 23 members, three each appointed by George and Stone Counties, eight each appointed by Harrison and Jackson Counties, and one appointed at large. The County appropriated \$784,058 for maintenance and support of the college in fiscal year 2020.

Stone County Economic Development Partnership is governed by a 15-member board consisting of the President of the Board of Supervisors; five members appointed by the Board of Supervisors; three members appointed by the City of Wiggins; one member appointed by the Mississippi Gulf Coast Community College; and five members appointed at large by the Partnership. The organization is supported primarily by a sales tax collected by the County and remitted to the Partnership. The amount remitted in the 2020 fiscal year was \$456,225.

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 Stone County Board of Supervisors appoints one of the nine members of the board of directors. The county did not provide financial support in fiscal year 2020.

(19) Tax Abatements.

As of September 30, 2020, Stone County provides tax exempt status to one paper manufacturing company and three lumber manufacturing companies subject to the requirements of GASB Statement No. 77. These companies are exempt from real property taxes and personal property taxes except for the levies involving the school, community college, mandatory mill, garbage and rubbish, roads, bridges and culverts, fire protection, reforestation, Pat Harrison Waterway District and twenty-five percent of the General Fund tax levy. These exemptions are authorized under Sections 27-31-105 of the Miss. Code Ann. (1972). These exemptions encourage businesses to locate or expand operations in the County and to create jobs. The amount of taxes abated during fiscal year 2020 totaled \$19,498 for the paper manufacturing company and \$51,122 for the lumber manufacturing companies.

(20) 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 Stone County evaluated the activity of the County through March 14, 2022, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

STONE COUNTY

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

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>
01/04/2021	1.34%	\$	417,838	Capital lease	Ad valorem taxes
04/06/2021	1.90%		450,000	Revenue bond/note	Ad valorem taxes
04/16/2021	1.95%		154,900	Capital lease	Ad valorem taxes

STONE COUNTY

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STONE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

STONE COUNTY

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STONE 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	\$ 4,592,950	4,591,256	4,746,841	155,585
Licenses, commissions and other revenue	268,950	273,550	305,965	32,415
Fines and forfeitures	300,000	270,000	261,919	(8,081)
Intergovernmental revenues	480,030	432,115	572,840	140,725
Interest income	12,500	25,000	28,774	3,774
Miscellaneous revenues	9,050	10,800	129,237	118,437
Total Revenues	<u>5,663,480</u>	<u>5,602,721</u>	<u>6,045,576</u>	<u>442,855</u>
EXPENDITURES				
Current:				
General government	3,181,797	3,402,829	3,267,868	134,961
Public safety	2,031,813	2,231,153	2,197,815	33,338
Public works	15,000	10,000	5,030	4,970
Health and welfare	171,412	167,565	153,038	14,527
Culture and recreation	217,088	214,523	205,410	9,113
Conservation of natural resources	59,182	59,327	58,152	1,175
Economic development and assistance	5,000	5,000	3,875	1,125
Debt service:				
Principal		47,659	38,059	9,600
Interest		1,147	1,147	
Total Expenditures	<u>5,681,292</u>	<u>6,139,203</u>	<u>5,930,394</u>	<u>208,809</u>
Excess of Revenues over (under) Expenditures	<u>(17,812)</u>	<u>(536,482)</u>	<u>115,182</u>	<u>651,664</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	142,175	519,334	983,767	464,433
Other financing uses			(420,382)	(420,382)
Total Other Financing Sources and Uses	<u>142,175</u>	<u>519,334</u>	<u>563,385</u>	<u>44,051</u>
Net Change in Fund Balance	124,363	(17,148)	678,567	695,715
Fund Balances - Beginning	<u>(1,020,000)</u>	<u>(259,000)</u>	<u>(715,468)</u>	<u>(456,468)</u>
Fund Balances - Ending	<u>\$ (895,637)</u>	<u>(276,148)</u>	<u>(36,901)</u>	<u>239,247</u>

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

STONE COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Road and Bridge 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	\$ 291,072	290,070	295,096	5,026
Road and bridge privilege taxes	220,000	220,000	225,545	5,545
Licenses, commissions and other revenue	6,500	6,650	7,112	462
Intergovernmental revenues	562,500	611,500	696,912	85,412
Interest income	7,500	13,000	19,040	6,040
Miscellaneous revenues			26,340	26,340
Total Revenues	<u>1,087,572</u>	<u>1,141,220</u>	<u>1,270,045</u>	<u>128,825</u>
EXPENDITURES				
Current:				
Public works	1,090,454	562,347	1,386,403	(824,056)
Debt service:				
Principal		583,026	397,580	185,446
Interest			26,281	(26,281)
Total Expenditures	<u>1,090,454</u>	<u>1,145,373</u>	<u>1,810,264</u>	<u>(664,891)</u>
Excess of Revenues over (under) Expenditures	<u>(2,882)</u>	<u>(4,153)</u>	<u>(540,219)</u>	<u>(536,066)</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	3,500	5,000	1,076,881	1,071,881
Other financing uses			(5,390)	(5,390)
Total Other Financing Sources and Uses	<u>3,500</u>	<u>5,000</u>	<u>1,071,491</u>	<u>1,066,491</u>
Net Change in Fund Balance	618	847	531,272	530,425
Fund Balances - Beginning	<u>350,000</u>	<u>837,000</u>	<u>359,814</u>	<u>(477,186)</u>
Fund Balances - Ending	<u>\$ 350,618</u>	<u>837,847</u>	<u>891,086</u>	<u>53,239</u>

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

STONE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Bridge & Culvert 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	\$ 1,099,192	1,098,829	1,129,217	30,388
Licenses, commissions and other revenue	3,700	3,700	3,674	(26)
Intergovernmental revenues	100,000	80,000	177,320	97,320
Interest income	10,000	16,000	22,024	6,024
Miscellaneous revenues			846	846
Total Revenues	<u>1,212,892</u>	<u>1,198,529</u>	<u>1,333,081</u>	<u>134,552</u>
EXPENDITURES				
Current:				
Public works	<u>1,211,927</u>	<u>1,193,276</u>	<u>1,128,797</u>	<u>64,479</u>
Total Expenditures	<u>1,211,927</u>	<u>1,193,276</u>	<u>1,128,797</u>	<u>64,479</u>
Excess of Revenues over (under) Expenditures	<u>965</u>	<u>5,253</u>	<u>204,284</u>	<u>199,031</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources			557	557
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>557</u>	<u>557</u>
Net Change in Fund Balance	965	5,253	204,841	199,588
Fund Balances - Beginning	<u>375,000</u>	<u>780,000</u>	<u>587,642</u>	<u>(192,358)</u>
Fund Balances - Ending	<u>\$ 375,965</u>	<u>785,253</u>	<u>792,483</u>	<u>7,230</u>

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

STONE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Perkinson Boulevard Fund
 For the Year Ended September 30, 2020
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues			2,395,419	2,395,419
Total Revenues	0	0	2,395,419	2,395,419
EXPENDITURES				
Current:				
Economic development and assistance			2,395,744	(2,395,744)
Total Expenditures	0	0	2,395,744	(2,395,744)
Excess of Revenues over (under) Expenditures	0	0	(325)	(325)
Net Change in Fund Balance	0	0	(325)	(325)
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	\$ 0	0	(325)	(325)

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

STONE 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)	0.074291%	0.072139%	0.074066%	0.070730%	0.071942%	0.073598%
County's proportionate share of the net pension liability (asset)	\$ 14,381,874	12,690,671	12,319,376	11,757,727	12,850,638	11,376,799
Covered payroll	\$ 4,951,056	4,698,400	4,729,811	4,605,868	4,710,260	4,647,435
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	290.48%	270.11%	260.46%	255.28%	272.82%	244.80%
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.

STONE 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	\$ 865,747	770,900	743,053	725,426	741,866	731,971
Contributions in relation to the contractually required contribution	<u>865,747</u>	<u>770,900</u>	<u>743,053</u>	<u>725,426</u>	<u>741,866</u>	<u>731,971</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 4,975,556	4,758,640	4,717,796	4,605,868	4,710,260	4,647,435
Contributions as a percentage of covered payroll	17.40%	16.20%	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.

STONE 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 each major Special Revenue Fund:

	Governmental Fund Types			
	General Fund	Road and Bridge Fund	Countywide Bridge & Culvert Fund	Perkinston Boulevard Fund
Budget (Cash Basis)	\$ 678,567	531,272	204,841	(325)
Increase (Decrease)				
Net adjustments for revenue accruals	106,466	123,734	1,584,289	(439,970)
Net adjustments for expenditure accruals	42,394	(30,052)	(1,581,762)	440,295
GAAP Basis	\$ 827,427	624,954	207,368	0

STONE COUNTY

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

D. Excess of Actual Expenditures Over Budget in Individual Funds.

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2020:

<u>Fund</u>	<u>Excess</u>
Road and Bridge Fund	\$ 664,891

The Road and Bridge Fund is in violation of Section 19-11-17, Miss. Code Ann. (1972). However, the County has no liability associated with these violations.

E. Unbudgeted Funds.

<u>Fund</u>
SCRCF General Account Fund
Economic Development Fund
Perkinston Blvd Project Fund
SB2002 Grant Fund

The unbudgeted funds are in violation of state law. However, the County has no liability associated with the violation.

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%.

STONE COUNTY

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

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 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.

STONE COUNTY

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

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

STONE COUNTY

SUPPLEMENTARY INFORMATION

STONE COUNTY

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STONE 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 Agriculture - Forest Service/ Passed-through the Mississippi State Treasurer's Office Forest service schools and roads cluster: Schools and roads - grants to states	10.665	N/A	\$ 203,601
Total Forest service schools and roads cluster			203,601
Total U.S. Department of Agriculture			203,601
U.S. Department of Housing and Urban Development Passed-through the Mississippi Development Authority Community development block grants/state's program and non-entitlement grants in Hawaii *	14.228	R-109-066-02-KCR	929,191
Total U.S. Department of Housing and Urban Development			929,191
U.S. Department of Justice - Bureau of Justice Assistance/ Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	18LB1661	4,990
Total U.S. Department of Justice			4,990
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-16-61	48,493
Total Highway safety cluster			48,493
Total U.S. Department of Transportation			48,493
U.S. Department of Treasury Passed-through the Mississippi Emergency Management Agency Coronavirus relief fund *	21.019	N/A	313,761
Total U.S. Department of Treasury			313,761

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

<u>Federal Grantor/ Pass-through Grantor/ Program Title or Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Homeland Security Passed-through the Mississippi Emergency Management Agency Emergency management performance grants	97.042	EMA-2020-EP-00013	<u>21,979</u>
Passed-through the Mississippi Department of Public Safety Homeland security grant program	97.067	19LE066	<u>24,700</u>
Total U.S. Department of Homeland Security			<u>46,679</u>
Total Expenditures of Federal Awards		\$	<u><u>1,546,715</u></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 Stone 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 Stone County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Stone 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 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

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

Note D - Schools and roads - grants to states

Of the federal expenditures presented in the Schedule, the County provided federal awards totaling \$87,596 to subrecipients during the year ended September 30, 2020.

* Denotes major federal award program

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

Operating Expenditures, Cash Basis:

Salaries	\$	226,482
Contractual services		3,026
Expendable Commodities:		
Gasoline and petroleum products		43,511
Repair parts		25,989
Clothing		1,783
Maintenance		2,393
Professional fees, legal advertising and other fees		243,009
Insurance on equipment		3,710
Interest on capital leases		<u>12,594</u>
Solid Waste Cash Basis Operating Expenditures		562,497
Full Cost Expenses:		
Indirect administrative costs		2,803
Depreciation on equipment		146,478
Net effect of other accrued expenses		<u>9,676</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>721,454</u></u>

STONE COUNTY

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STONE COUNTY

OTHER INFORMATION

STONE COUNTY

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STONE COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2020
UNAUDITED

Name	Position	Company	Bond
Clark Byrd	Supervisor District 1	Western Surety	\$100,000
Daniel Harris	Supervisor District 2	Western Surety	\$100,000
Lance Pearson	Supervisor District 3	Western Surety	\$100,000
Clark Bond	Supervisor District 4	Western Surety	\$100,000
Nathan Joel Bond	Supervisor District 5	Western Surety	\$100,000
Tom Smith	County Administrator	Western Surety	\$100,000
Tom Smith	Chancery Clerk	Western Surety	\$100,000
Rhonda L. Allen	Comptroller	Western Surety	\$100,000
Sheila Lott	Purchase Clerk	Western Surety	\$75,000
Taryn Racine Breland	Assistant Purchase Clerk	Western Surety	\$50,000
Cynthia Rogers	Receiving Clerk	Western Surety	\$75,000
Christopher W. Walters	Assistant Receiving Clerk	Western Surety	\$50,000
Twyla Garner	Assistant Receiving Clerk	Western Surety	\$50,000
Micholyn Jamison	Inventory Control Clerk	Western Surety	\$75,000
Floria L. Hickman	Road Manager	Western Surety	\$50,000
Everette S. Compston	Constable	Western Surety	\$50,000
Michael L. Allen	Constable	Western Surety	\$50,000
Treba Davis	Circuit Clerk	Western Surety	\$100,000
Kimberly Stringer	Deputy Circuit Clerk	Western Surety	\$50,000
Thaunica Barners	Deputy Circuit Clerk	Western Surety	\$50,000
Gary M. Farmer	Sheriff	Western Surety	\$100,000
Ricky Farmer	Justice Court Judge	Western Surety	\$50,000
Justin Miles	Justice Court Judge	Western Surety	\$50,000
Aletha Parker	Justice Court Clerk	Western Surety	\$50,000
Glinda J. Barnes	Deputy Justice Court Clerk	Western Surety	\$50,000
Gerry Lee Faulkner	Deputy Justice Court Clerk	Western Surety	\$50,000
Ariel Bardwell	Deputy Justice Court Clerk	Western Surety	\$50,000
Terri L. Rabby	Deputy Justice Court Clerk	Western Surety	\$50,000
Charles William Jr.	Tax Assessor-Collector	Western Surety	\$100,000
Kenneth Shelton	Deputy Tax Assessor	Western Surety	\$10,000
Charlotte Kendrick	Deputy Tax Collector	Western Surety	\$50,000
Chelsea Cox	Deputy Tax Collector	Western Surety	\$50,000
Angela Parker	Deputy Tax Collector	Western Surety	\$50,000

STONE COUNTY

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STONE COUNTY

SPECIAL REPORTS

STONE 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
Stone County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Stone 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 March 14, 2022. Our report includes a qualified opinion on the governmental activities, business-type activities and Correctional Facility Fund because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stone 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 Stone 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, 2020-003, 2020-004, 2020-005, 2020-008 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2020-006 and 2020-007 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stone 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001 and 2020-002.

We also noted certain matters which we have reported to the management of Stone 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 March 14, 2022, included within this document.

Stone County's Responses to Findings

Stone County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Stone 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

March 14, 2022



**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
Stone County, Mississippi

Report on Compliance for the Major Federal Programs

We have audited Stone 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 each of Stone County, Mississippi's major federal programs for the year ended September 30, 2020. Stone County, Mississippi's major federal programs are 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 each of Stone County, Mississippi's major federal programs 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 Stone 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 Stone County, Mississippi's compliance.

Opinion on the Major Federal Programs

In our opinion, Stone 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 each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of Stone 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 Stone County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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

March 14, 2022



**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
Stone County, Mississippi

We have examined Stone 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 Stone 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 Stone 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 a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Purchase Clerk.

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

Repeat Finding Yes

Criteria Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, costs, locations, acquisition dates, disposition dates, methods 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. The information is also very important in financial reporting process.

Condition As reported in the prior four years' audit reports, deficiencies were noted in the capital asset records:

Governmental Activities:

- a. Two current year additions were classified incorrectly.
- b. Two current year additions were added twice in error.
- c. One current year addition had an incorrect cost.
- d. One asset disposed of during the year was not removed from the capital asset records.
- e. Infrastructure was overstated due to incorrect salvage values.
- f. Various assets were misclassified.

Cause The Inventory Control Clerk lacked the necessary internal control procedures required to ensure that all items are recorded, properly valued, and properly classified in the County's capital asset records.

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

Recommendation The Inventory Control Clerk should implement appropriate control procedures to ensure that all assets are recorded, properly valued and properly classified in the County's capital asset records. The information in the County's capital asset records should be reconciled by all department heads through an annual inventory to ensure records are accurate and complete.

Views of Responsible Official(s) Acknowledged and corrected.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Stone 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.

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

This report is intended for use in evaluating Stone 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

March 14, 2022

STONE 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.

STONE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2020

Schedule 2

Our tests did not identify any emergency purchases.

STONE COUNTY

Schedule 3

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

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

STONE COUNTY

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

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Stone County, Mississippi

In planning and performing our audit of the financial statements of Stone County, Mississippi for the year ended September 30, 2020, we considered Stone 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 Stone 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 March 14, 2022 on the financial statements of Stone 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. Actual expenditures exceeded final budget amounts.

Repeat Finding Yes

Criteria Section 19-11-17, Miss. Code Ann. (1972), prohibits the incurring of expenditures in excess of the final budget as approved by the Board of Supervisors.

Condition As reported in the prior two year's audit report, actual expenditures exceeded budgeted amounts in the Road and Bridge Fund by \$664,891 for public works expenditures.

Cause The County did not have the necessary controls in place to ensure actual expenditures did not exceed budgeted amounts.

Effect	Failure to limit actual expenditures to budgeted amounts could result in the County having insufficient funds to pay expenditures.
Recommendation	The Board of Supervisors should not make expenditures in excess of budgeted amounts.
Views of Responsible Official(s)	We will comply.
2.	<u>The County should apportion railcar ad valorem taxes to the appropriate taxing districts.</u>
Repeat Finding	Yes
Criteria	Section 27-35-519, Miss. Code Ann. (1972), requires the Clerk of the Board of Supervisors to apportion the county payment of railcar ad valorem taxes to the municipalities and other taxing districts in proportion to the number of miles of railroad in the municipality or other taxing districts to the number of miles of railroad in the entire county.
Condition	As reported in the prior two years' audit reports, it was noted that the County did not apportion railcar ad valorem taxes received to the City of Wiggins or the Stone County School District as required.
Cause	The County lacked the necessary controls to ensure that railcar ad valorem taxes were apportioned in accordance with state law.
Effect	Failure to apportion and settle railcar taxes as required by law could result in the misappropriation of public funds.
Recommendation	The County should implement policies and procedures to ensure that railcar ad valorem taxes are apportioned to other taxing districts.
Views of Responsible Official(s)	We will comply.
3.	<u>Required forms for re-employment of retirees should be properly completed.</u>
Repeat Finding	Yes
Criteria	Section 25-11-127(6)(a), Miss. Code Ann. (1972), requires retirees that are elected to file annually, in writing, a waiver of all salary or compensation and elect to receive in lieu of that salary or compensation a retirement allowance, or elect to receive compensation for the elected office in an amount not to exceed twenty-five percent (25%) of the retiree's average compensation.
Condition	As reported in the prior year's audit report, we noted that two (2) PERS Form 4B had not been completed for the fiscal year 2020 and one (1) PERS Form 4B had not been completed with the necessary information as required by state legal requirements.
Cause	The County lacked internal controls to ensure information is reported to PERS as required by state legal requirements.
Effect	By not completing PERS Form 4Bs with the correct information, the County is not in compliance with state legal requirements.
Recommendation	The County should ensure that the PERS Form 4Bs are completed annually and with the correct information.

**Views of Responsible
Official(s)**

We will comply.

4. Final Amended Budget should be spread on the board minutes.

Repeat Finding No

Criteria Section 19-11-11, Miss. Code Ann. (1972), requires the Board of Supervisors to, by resolution, approve and adopt the budget as finally determined and enter the same at length and in detail in its official minutes.

Condition The final amended budget for fiscal year 2020 was not documented in the board minutes.

Cause The County did not comply with state laws.

Effect Failure to do so causes noncompliance with state law.

Recommendation The Board of Supervisors should approve and spread the final amended budget on the minutes each year.

**Views of Responsible
Official(s)**

We will comply.

5. The County should prepare a budget of revenues, expenses and a working cash balance for all funds.

Repeat Finding No

Criteria Section 19-11-7, Miss. Code Ann. (1972), requires the Board of Supervisors to prepare and submit at its August meeting of each year a complete budget of revenues, expenses and a working cash balance for the next fiscal for each fund.

Condition The original budget was incomplete. For the fiscal year 2019-2020, the County did not prepare a budget of revenues, expenses and a working cash balance for the following funds:

- a. SCRCF General Account Fund
- b. Economic Development Fund
- c. Perkinston Blvd Project Fund
- d. SB2002 Grant Fund

Cause The County did not comply with state laws.

Effect The failure to prepare and submit a complete budget of revenues, expenses and working cash balances for all funds causes noncompliance with state law.

Recommendation The Board of Supervisors should prepare and submit each year a complete budget of revenues, expenses and a working cash balance for all funds, as required by law.

**Views of Responsible
Official(s)**

We will comply.

Circuit Clerk.

6. The Circuit Clerk deducted unallowable expenses on the annual financial report.

Repeat Finding No

Criteria Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Circuit Clerk to \$94,500 after making deductions for employee salaries and related expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. A business expense must be both ordinary and necessary to be deductible. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15th for the preceding calendar year.

Condition The Circuit Clerk claimed \$8,376.63 in unallowable expenses on the 2020 Annual Financial Report.

Cause The Circuit Clerk did not comply with state laws.

Effect Failure to claim only allowable expenses on the Annual Financial Report resulted in the Circuit Clerk overstating expenses by \$8,376.63.

Recommendation The Circuit Clerk should ensure that only allowable expenses are claimed on the Annual Financial Report and repay the unallowable expenses to the County immediately.

Views of Responsible Official(s) I was errantly under the impression that these disallowed expenses were allowable on my Annual Financial Report. I have reimbursed Stone County for the disallowed expenses.

Auditor's Note The Circuit Clerk repaid \$8,376.63 to the County's General Fund on August 4, 2021, as evidenced by receipt warrant number 9751.

Chancery Clerk.

7. The Chancery Clerk deducted unallowable expenses on the annual financial report.

Repeat Finding No

Criteria Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$94,500 after making deductions for employee salaries and related expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. A business expense must be both ordinary and necessary to be deductible. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15th for the preceding calendar year.

Condition The Chancery Clerk claimed \$750.67 in unallowable expenses on the 2020 Annual Financial Report.

Cause The Chancery Clerk did not comply with state laws.

Effect Failure to claim only allowable expenses of the Annual Financial Report resulted in the Chancery Clerk overstating expenses by \$750.67.

Recommendation The Chancery Clerk should ensure that only allowable expenses are claimed on the Annual Financial Report and repay the unallowable expenses to the County immediately.

Views of Responsible Official(s) Only allowable expenses will be claimed in the future.

Auditor's Note

The Chancery Clerk repaid \$750.67 to the County's General Fund on July 21, 2021, as evidenced by receipt warrant number 9717.

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

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

A handwritten signature in black ink, appearing to read "Joe E. McKnight".

JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 14, 2022

STONE COUNTY

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STONE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STONE COUNTY

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STONE 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	Qualified
Business-type activities	Qualified
General Fund	Unmodified
Road and Bridge Fund	Unmodified
Countywide Bridge and Culvert Fund	Unmodified
Perkinston Boulevard Fund	Unmodified
Aggregate remaining fund information	Unmodified
Correctional Facility Fund	Qualified

2. Internal control over financial reporting:

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

3. Noncompliance material to the financial statements noted? Yes

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 programs:

- a. CFDA 14.228, Community development block grants/state's program and non-entitlement grants in Hawaii
- b. CFDA 21.019, Coronavirus relief fund

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

STONE COUNTY

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

Section 2: Financial Statement Findings

Board of Supervisors.

**Material Weakness
Material Noncompliance**

2020-001.	<u>County signed warrants without sufficient funds.</u>
Repeat Finding	Yes
Criteria	Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same.
Condition	<p>As reported in the prior thirteen years' audit reports, warrants were issued on funds which did not have sufficient money to pay the warrants. As of September 30, 2020, the following funds had negative cash balances:</p> <ul style="list-style-type: none">a. General Fund \$36,900b. Perkinston Blvd Project Fund \$325
Cause	The County did not comply with state laws.
Effect	Failure to have sufficient cash balances in County funds prior to the signing and delivery of warrants on these funds resulted in the use of the cash balances of other funds for purposes other than the intended purpose. These types of transactions could result in the Board of Supervisors being held personally liable for such amounts.
Recommendation	The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.
Views of Responsible Official(s)	See Auditee's Corrective Action Plan

**Material Weakness
Material Noncompliance**

2020-002.	<u>Controls over the repayment of interfund advances should be strengthened.</u>
Repeat Finding	Yes
Criteria	The Mississippi Code is silent regarding the authority to make interfund loans.
Condition	As reported in the prior two years' audit reports, the County has interfund loans that have been outstanding for over one year. These loans were made to cover errors in posting revenues, debt proceeds and debt service expenditures in prior years. However, these loans were not repaid as of September 30, 2020.
Cause	The County failed to repay outstanding interfund loans.
Effect	Failure of the Board of Supervisors to ensure payment of these loans is an illegal diversion of legally restricted funds.

STONE COUNTY

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

Recommendation For any interfund loans made, the Board of Supervisors should approve and record in the board minutes the reason for the loan, when the loan will be repaid and the source of funds for repayment. The Board of Supervisors should ensure these old loans are repaid by approving and recording in the board minutes a repayment schedule and complying with the repayment schedule.

Views of Responsible Official(s) See Auditee's Corrective Action Plan

Material Weakness

2020-003. Cash collections and general ledger maintenance functions are not adequately segregated.

Repeat Finding Yes

Criteria An effective system of internal controls should include an adequate segregation of duties.

Condition As reported in the prior twelve years' audit reports, cash collections and general ledger maintenance functions are not adequately segregated for effective internal control. The Comptroller receipts funds, prepares all deposits, reconciles the County's bank statements and posts the receipts to the general ledger.

Cause The County lacks the necessary internal controls over cash collections and general ledger maintenance functions.

Effect Failure to have adequate segregation of duties could result in the loss of public funds.

Recommendation The Board of Supervisors should implement effective internal control policies that allow for the proper segregation of duties for the cash collections and general ledger maintenance functions.

Views of Responsible Official(s) See Auditee's Corrective Action Plan

Material Weakness

2020-004. The County should comply with GASB Statement 75 and report on postemployment healthcare benefits.

Repeat Finding Yes

Criteria Stone County purchases health insurance coverage from a commercial health insurance company and offers health insurance benefit coverage through the County's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 75 as a single employer defined health care plan. GASB Statement 75 requires the County to report on an accrual basis the liability associated with other postemployment benefits.

STONE COUNTY

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

Condition	As reported in the prior six years' audit reports, the County does not issue a publicly available financial report for its health insurance plan. The County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.
Cause	The County chooses to not receive an actuarial valuation.
Effect	The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities, business-type activities and the Correctional Facility Fund.
Recommendation	The Board of Supervisors should have an actuarial valuation annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.

Views of Responsible Official(s) See Auditee's Corrective Action Plan

Material Weakness

2020-005. Processing of payroll and other payroll duties not adequately segregated.

Repeat Finding Yes

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

Condition As reported in the prior twelve years' audit reports, the maintenance of the general ledger, processing payroll and other payroll duties are not adequately segregated for effective internal control. Based upon our test work, we noted the following internal control weaknesses in the payroll function:

- a. The Comptroller, who maintains the general ledger, also prepares the payroll.
- b. Time cards/attendance records are not checked for computation of payroll period hours.
- c. Unclaimed W-2s are returned directly to the Comptroller.

Cause The County lacks the necessary controls over the processing of payroll and other payroll duties.

Effect Failure to have an adequate segregation of duties could result in loss of public funds.

Recommendation The Board of Supervisors should implement a system of internal control that will ensure that proper segregation of duties exists with respect to control of the general ledger, the processing of payroll and other payroll duties.

Views of Responsible Official(s) See Auditee's Corrective Action Plan

STONE COUNTY

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

Significant Deficiency

2020-006.	<u>Stone County has inadequate controls over billing and receipt of revenues for housing prisoners.</u>
Repeat Finding	Yes
Criteria	An effective system of internal control over the recording of transactions for housing prisoners should include timely billing of invoices, the proper classification of revenues and expenditures/expenses, and adequate segregation of duties.
Condition	As reported in the prior two years' audit reports, some invoices for housing prisoners were not billed in a timely manner.
Cause	The County lacked the necessary controls over billing and receipt of revenues for housing prisoners.
Effect	Failure to bill invoices in a timely manner and reconcile recorded transactions could result in the incorrect classification of revenues and expenditures/expenses in the County's accounting records, as well as the misappropriation or loss of public funds. The lack of adequate segregation of duties for the billing and cash receipt functions could also result in the loss of public funds.
Recommendation	The Board of Supervisors should implement a system of internal control that will ensure that all transactions are recorded and correctly classified in the County's accounting records, that all invoices for housing prisoners are billed in a timely manner, and that there is an adequate segregation of duties at the correctional facility.
Views of Responsible Official(s)	See Auditee's Corrective Action Plan

Significant Deficiency

2020-007.	<u>The County's general ledger was altered after the books were closed out at the end of the fiscal year.</u>
Repeat Finding	No
Criteria	An effective system of internal control should include safeguards against the alteration of digital history records.
Condition	The County recorded transactions in the general ledger's history database after September 30, 2020 fiscal year end's books were closed and the subsequent year's rollover had been performed.
Cause	The County's system of controls does not include sufficient safeguards over the alteration of digital history records.
Effect	The alterations to the County's general ledger misstated the SCRCF Revenue Fund's cash balance and caused the cash balance at September 30, 2020 to not agree with the opening cash balance at October 1, 2020.
Recommendation	The County should develop a system of controls to prevent the alteration of the digital history records.

STONE 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

2020-008. The Inventory Control Clerk should maintain an accurate inventory control system.

Repeat Finding Yes

Criteria An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, costs, locations, acquisition dates, disposition dates, methods 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. The information is also very important in financial reporting process.

Condition As reported in the prior four years' audit reports, deficiencies were noted in the capital asset records:

Governmental Activities:

- a. Two current year additions were classified incorrectly.
- b. Two current year additions were added twice in error.
- c. One current year addition had an incorrect cost.
- d. One asset disposed of during the year was not removed from the capital asset records.
- e. Infrastructure was overstated due to incorrect salvage values.
- f. Various assets were misclassified.

Cause The Inventory Control Clerk lacked the necessary internal control procedures required to ensure that all items are recorded, properly valued, and properly classified in the County's capital asset records.

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

Recommendation The Inventory Control Clerk should implement appropriate control procedures to ensure that all assets are recorded, properly valued and properly classified in the County's capital asset records. The information in the County's capital asset records should be reconciled by all department heads through an annual inventory to ensure records are accurate and complete.

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.

STONE COUNTY

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

STONE COUNTY

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STONE COUNTY

BOARD OF SUPERVISORS

P. O. DRAWER 7 • WIGGINS, MISSISSIPPI 39577

PHONE: (601) 928-5266 • FAX: (601) 928-6464



CORRECTIVE ACTION PLAN

February 28, 2022

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

Gentlemen:

Stone 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: We will comply.

Anticipated Completion Date: October 1, 2020

Name of Contact Person Responsible for Corrective Action: Tom Story, County Administrator

2020-002. Corrective Action Planned: We will comply.

Anticipated Completion Date: March 1, 2022

Name of Contact Person Responsible for Corrective Action: Tom Story, County Administrator

2020-003. Corrective Action Planned: The Comptroller no longer handles cash receipts. This is now done by the County Administrator.

Anticipated Completion Date: June 1, 2021

Name of Contact Person Responsible for Corrective Action: Tom Story, County Administrator

2020-004. Corrective Action Planned: The County feels that it is not cost effective to have an actuarial analysis.

Clark G. Byrd
District 1
Vice-President

Daniel Harris
District 2

Lance D. Pearson
District 3
President

Clark Bond
District 4

Nathan J. Bond
District 5

Samuel Tom Smith
Chancery Clerk

Norris Hopkins
Attorney

Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective Action: Tom Story, County Administrator

2020-005. Corrective Action Planned: Internal Controls have been implemented to mitigate risk.

Anticipated Completion Date: June 1, 2021

Name of Contact Person Responsible for Corrective Action: Tom Story, County Administrator

2020-006. Corrective Action Planned: We will comply.

Anticipated Completion Date: October 1, 2020

Name of Contact Person Responsible for Corrective Action: Tom Story, County Administrator

2020-007. Corrective Action Planned: We will comply.

Anticipated Completion Date: October 1, 2020

Name of Contact Person Responsible for Corrective Action: Tom Story, County Administrator

2020-008. Corrective Action Planned: Acknowledged and corrected.

Anticipated Completion Date: October 1, 2020

Name of Contact Person Responsible for Corrective Action: Micholyn Ramsey, Inventory Control Clerk

Sincerely yours,



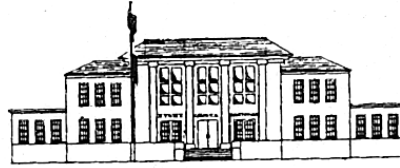
President, Board of Supervisors

STONE COUNTY

BOARD OF SUPERVISORS

P. O. DRAWER 7 • WIGGINS, MISSISSIPPI 39577

PHONE: (601) 928-5266 • FAX: (601) 928-6464



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

March 3, 2022

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

Gentleman:

The Stone County Board of Supervisors respectfully submits the following Summary Schedule of Prior Audit Findings for the year ended September 30, 2020.

The findings from the prior year's Schedule of Findings and Questioned Costs are discussed below. The findings are numbered with the numbers assigned in the first year of issuance. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

2008-003. County signed warrants without sufficient funds.

NOT CORRECTED, See Finding 2020-001

No corrective action has been taken at this time.

2018-002. Controls over the repayment of interfund advances should be strengthened.

NOT CORRECTED, See Finding 2020-002

No corrective action has been taken at this time.

2008-004. Cash collections and general ledger maintenance functions are not adequately segregated.

NOT CORRECTED, See Finding 2020-003

As of June 1, 2021, the Comptroller no longer handles cash receipts. This is now done by the County Administrator.

2015-005. The County should comply with GASB Statement 75 and report on postemployment healthcare benefits.

NOT CORRECTED, See Finding 2020-004.

Clark G. Byrd
District 1
Vice-President

Daniel Harris
District 2

Lance D. Pearson
District 3
President

Clark Bond
District 4

Nathan J. Bond
District 5

Samuel Tom Smith
Chancery Clerk

Norris Hopkins
Attorney

No corrective action has been taken at this time.

2008-005. Processing of payroll and other payroll duties not adequately segregated.

NOT CORRECTED, See Finding 2020-005

As of June 1, 2021, internal controls have been implemented to mitigate risk.

2018-006. Stone County has inadequate controls over billing and receipt of revenues for housing prisoners.

NOT CORRECTED, See Finding 2020-006.

No corrective action has been taken at this time.

2016-006. Reconciled cash amounts were not provided for inclusion in the financial statements by the Circuit Clerk.

CORRECTED

2018-008. The Circuit Clerk should ensure effective controls over fines receivable.

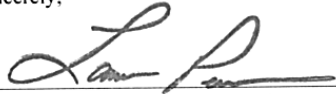
CORRECTED

2016-005. Inventory Control Clerk should maintain an inventory control system.

NOT CORRECTED, See Finding 2020-008.

No corrective action has been taken at this time.

Sincerely,



President, Stone County Board of Supervisors