

COVINGTON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2021

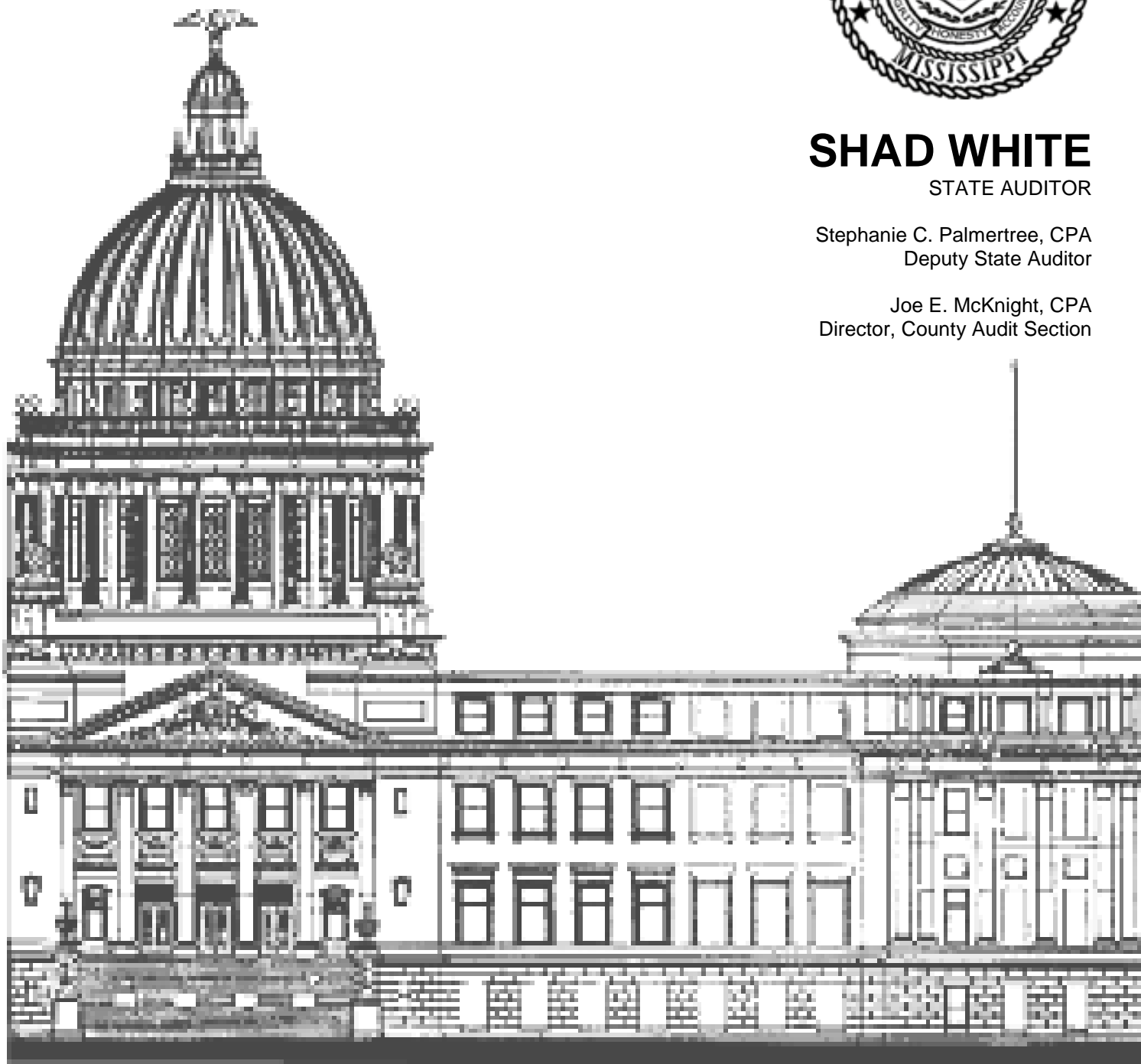


SHAD WHITE

STATE AUDITOR

Stephanie C. Palmertree, CPA
Deputy State Auditor

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

September 19, 2022

Members of the Board of Supervisors
Covington County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2021 financial and compliance audit report for Covington County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

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

Shad White

COVINGTON COUNTY

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COVINGTON COUNTY

FINANCIAL SECTION

OVINGTON COUNTY

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Covington County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Covington County, Mississippi, (the County) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Covington County, Mississippi, as of September 30, 2021, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Covington County, Mississippi, as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Covington County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the accompanying Reconciliation of Operating Costs of Solid Waste are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulation 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 September 19, 2022 on our consideration of Covington County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Covington County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Covington County, Mississippi's internal control over financial reporting and compliance.

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JOE E. MCKNIGHT, CPA
Director, County Audit Section

September 19, 2022

COVINGTON COUNTY

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COVINGTON COUNTY

FINANCIAL STATEMENTS

COVINGTON COUNTY

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COVINGTON COUNTY
Statement of Net Position
September 30, 2021

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 20,071,949
Property tax receivable	12,062,198
Fines receivable (net of allowance for uncollectibles of \$1,977,042)	787,746
Loans receivable	3,820,000
Intergovernmental receivables	302,945
Other receivables	627
Capital assets:	
Land and construction in progress	647,526
Other capital assets, net	57,531,225
Total Assets	<u>95,224,216</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,799,546
Total Deferred Outflows of Resources	<u>1,799,546</u>
LIABILITIES	
Claims payable	662,186
Intergovernmental payables	331,902
Accrued interest payable	61,504
Unearned revenue	1,809,913
Other payables	146,381
Long-term liabilities	
Due within one year:	
Capital debt	1,177,766
Non-capital debt	330,000
Due in more than one year:	
Capital debt	4,221,091
Non-capital debt	3,490,000
Net pension liability	8,967,291
Total Liabilities	<u>21,198,034</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,738,579
Deferred revenues - property taxes	12,062,198
Total Deferred Inflows of Resources	<u>14,800,777</u>
NET POSITION	
Net investment in capital assets	52,779,894
Restricted for:	
Expendable:	
General government	328,457
Public safety	1,184,192
Public works	4,489,588
Culture and recreation	5,687
Economic development and assistance	31,562
Debt service	3,953,704
Unemployment compensation	21,250
Unrestricted	(1,769,383)
Total Net Position	<u>\$ 61,024,951</u>

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

COVINGTON COUNTY
Statement of Activities
For the Year Ended September 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,706,350	572,329	43,580		(3,090,441)
Public safety	4,320,267	296,066	752,226		(3,271,975)
Public works	5,798,639	22,784	4,927,844	501,465	(346,546)
Health and welfare	282,481		13,850	11,910	(256,721)
Culture and recreation	248,626		451		(248,175)
Conservation of natural resources	114,938				(114,938)
Economic development and assistance	79,767				(79,767)
Interest on long-term debt	375,604				(375,604)
Pension expense	916,982				(916,982)
Total Governmental Activities	\$ 15,843,654	891,179	5,737,951	513,375	(8,701,149)
General revenues:					
Property taxes				\$	11,422,456
Road & bridge privilege taxes					289,134
Grants and contributions not restricted to specific programs					652,876
Unrestricted interest income					107,123
Miscellaneous					924,842
Total General Revenues					13,396,431
Changes in Net Position					4,695,282
Net Position - Beginning, as previously reported					55,493,692
Fund reclassification					835,977
Net Position - Beginning, as restated					56,329,669
Net Position - Ending				\$	61,024,951

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

COVINGTON COUNTY
Balance Sheet - Governmental Funds
September 30, 2021

Exhibit 3

	Major Funds					
	General Fund	District 5 Road Maintenance Fund	Hospital Bond Series 2015 Fund	ARPA Covid Relief Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 11,736,661	362,860	195,208	1,810,516	5,966,704	20,071,949
Property tax receivable	7,927,388	402,848			3,731,962	12,062,198
Fines receivable (net of allowance for uncollectibles of \$1,977,042)	787,746					787,746
Loans receivable			3,820,000			3,820,000
Intergovernmental receivables	158,770	29,015			115,160	302,945
Other receivables	627					627
Due from other funds		16,649			106,328	122,977
Advances to other funds	72,000				7,705	79,705
Total Assets	\$ 20,683,192	811,372	4,015,208	1,810,516	9,927,859	37,248,147
LIABILITIES						
Liabilities:						
Claims payable	\$ 197,603	22,211			442,372	662,186
Intergovernmental payables	315,691					315,691
Due to other funds	139,188					139,188
Advances from other funds					79,705	79,705
Unearned revenue				1,809,913		1,809,913
Other payables	146,381					146,381
Total Liabilities	798,863	22,211	0	1,809,913	522,077	3,153,064
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	7,927,388	402,848			3,731,962	12,062,198
Unavailable revenue - fines	787,746					787,746
Total Deferred Inflows of Resources	8,715,134	402,848	0	0	3,731,962	12,849,944
Fund balances:						
Nonspendable:						
Advances	72,000					72,000
Restricted for:						
General government					328,457	328,457
Public safety					1,184,192	1,184,192
Public works		386,313		603	4,102,672	4,489,588
Culture and recreation					5,687	5,687
Economic development and assistance					31,562	31,562
Debt service			4,015,208			4,015,208
Unemployment compensation					21,250	21,250
Assigned to:						
Public safety	78,150					78,150
Culture and recreation	180,482					180,482
Unassigned	10,838,563					10,838,563
Total Fund Balances	11,169,195	386,313	4,015,208	603	5,673,820	21,245,139
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 20,683,192	811,372	4,015,208	1,810,516	9,927,859	37,248,147

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

COVINGTON COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2021

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 21,245,139
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 \$99,104,030.	58,178,751
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	787,746
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(9,218,857)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,967,291)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(61,504)
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	1,799,546
Deferred inflows of resources related to pensions	<u>(2,738,579)</u>
Total Net Position - Governmental Activities	\$ <u>61,024,951</u>

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

COVINGTON COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2021

	Major Funds				Other	Total
	General	District 5 Road	Hospital	ARPA	Governmental	Governmental
	Fund	Maintenance	Bond Series	Covid Relief	Funds	Funds
		Fund	2015 Fund	Fund		
REVENUES						
Property taxes	\$ 7,565,749	376,433			3,480,274	11,422,456
Road and bridge privilege taxes		62,829			226,305	289,134
Licenses, commissions and other revenue	237,477				15,839	253,316
Fines and forfeitures	253,507				3,431	256,938
Intergovernmental revenues	4,082,381	236,718			2,585,103	6,904,202
Charges for services	62,595				200,001	262,596
Interest income	67,385	1,913		603	37,222	107,123
Miscellaneous revenues	322,849	299,594	149,925		88,282	860,650
Total Revenues	12,591,943	977,487	149,925	603	6,636,457	20,356,415
EXPENDITURES						
Current:						
General government	3,698,694				244,342	3,943,036
Public safety	3,160,611				1,380,397	4,541,008
Public works	61,783	1,230,071			5,029,794	6,321,648
Health and welfare	248,034					248,034
Culture and recreation	48,916				176,762	225,678
Conservation of natural resources	110,836					110,836
Economic development and assistance	47,486					47,486
Debt service:						
Principal	191,834	657,323	325,000		759,555	1,933,712
Interest	105,410	4,792	128,921		140,609	379,732
Total Expenditures	7,673,604	1,892,186	453,921	0	7,731,459	17,751,170
Excess of Revenues over (under) Expenditures	4,918,339	(914,699)	(303,996)	603	(1,095,002)	2,605,245
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	20,502	608,112			741,250	1,369,864
Proceeds from sale of capital assets		286,122			429,000	715,122
Compensation for loss of capital assets	7,137				2,312	9,449
Transfers in	27,583				655,000	682,583
Transfers out	(255,000)				(427,583)	(682,583)
Total Other Financing Sources and Uses	(199,778)	894,234	0	0	1,399,979	2,094,435
Net Changes in Fund Balances	4,718,561	(20,465)	(303,996)	603	304,977	4,699,680
Fund Balances - Beginning, as previously reported	5,614,657	406,778	4,319,204	0	5,368,843	15,709,482
Fund reclassification	835,977					835,977
Fund Balances - Beginning, as restated	6,450,634	406,778	4,319,204	0	5,368,843	16,545,459
Fund Balances - Ending	\$ 11,169,195	386,313	4,015,208	603	5,673,820	21,245,139

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

COVINGTON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2021

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 4,699,680
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,688,435 exceeded depreciation of \$1,512,714 in the current period.	175,721
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$64,192 and the proceeds from the sale of \$715,122 and the compensation for loss of \$9,449 in the current period.	(660,379)
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.	118,329
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$1,933,712 exceeded debt proceeds of \$1,369,864.	563,848
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by the following item:	
The amount of the decrease in accrued interest payable.	4,128
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	(916,982)
Recording of contributions made during the year	<u>710,937</u>
Change in Net Position of Governmental Activities	\$ <u>4,695,282</u>

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

COVINGTON COUNTY
Statement of Fiduciary Net Position
September 30, 2021

Exhibit 5

	<u>Custodial Funds</u>
ASSETS	
Cash	\$ 198,586
Receivables:	
Due from other funds	<u>16,211</u>
Total Assets	<u>\$ 214,797</u>
LIABILITIES	
Intergovernmental payables	\$ <u>2,000</u>
Total Liabilities	<u>2,000</u>
NET POSITION	
Restricted for:	
Individuals, organizations and other governments	<u>212,797</u>
Total Net Position	<u>\$ 212,797</u>

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

COVINGTON COUNTY
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2021

Exhibit 6

	<u>Custodial Funds</u>
ADDITIONS	
Tax collections for other governments	\$ 793,847
Licenses and fees collected for State	<u>312,406</u>
Total Additions	<u>1,106,253</u>
DEDUCTIONS	
Payments of tax to other governments	632,949
Payments of licenses and fees to State	<u>311,644</u>
Total Deductions	<u>944,593</u>
Net increase (decrease) in fiduciary net position	<u>161,660</u>
Net Position - Beginning	<u>51,137</u>
Net Position - Ending	<u>\$ 212,797</u>

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

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

The Statement of Net Position presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds 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.

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.

District 5 Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for District 5 road maintenance.

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

ARPA Covid Relief Fund - This fund is used to account for monies from the American Rescue Plan Act of 2021 (ARPA) that are considered restricted in nature.

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

FIDUCIARY FUND TYPE

Custodial Funds - Custodial Funds are used to report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

records exist. Capital assets include significant amounts of infrastructure, which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

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

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

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

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

I. Deferred Outflows/Inflows of Resources.

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

Deferred outflows related to pensions - This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Notes 11 and 14 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.

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

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

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

Deferred inflows related to pensions - This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Notes 11 and 14 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, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

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

K. Pensions.

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

L. Compensated Absences.

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

M. Equity Classifications.

Government-wide Financial Statements:

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

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

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

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 by an external party or imposed by law through either a constitutional provision or enabling legislation.

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

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

Fund Balance Flow Assumption:

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

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

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.

GASB 84, *Fiduciary Activities*, was implemented during fiscal year 2021. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

(2) Fund Reclassification (Accounting Change).

Effective October 1, 2020, and in accordance with the implementation of GASB Statement No. 84, the Payroll Clearing Fund, previously reported as a Fiduciary Fund, was reclassified and reported in the General Fund. Therefore, the County has adjusted beginning fund balance/net position for the General Fund and Governmental Activities in the amount of \$835,977. For the Fiduciary Fund Custodial Activities, the County has treated the beginning of year net position of \$51,137 as having been recognized in the period incurred. The County has adjusted beginning net position for their fiduciary activities from \$0 to \$51,137.

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2021, was \$20,270,535, and the bank balance was \$21,149,252. 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, Mississippi Code of 1972 Annotated*. 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.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2021:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
District 5 Road Maintenance Fund	General Fund	\$ 16,649
Other Governmental Funds	General Fund	106,328
Custodial Funds	General Fund	<u>16,211</u>
Total		<u>\$ 139,188</u>

The majority of the receivables represent the tax revenue collected in September, 2021, but not settled until October, 2021. All other receivables are to correct receipts posted to the wrong fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 72,000
Other Governmental Funds	Other Governmental Funds	<u>7,705</u>
Total		\$ <u>79,705</u>

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

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 27,583
Other Governmental Funds	General Fund	255,000
Other Governmental Funds	Other Governmental Funds	<u>400,000</u>
Total		\$ <u>682,583</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, 2021, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 149,840
Disaster grant reimbursements	109,495
Emergency management performance grant reimbursement	31,677
DUI grant reimbursement	6,753
Housing prisoners reimbursement	<u>5,180</u>
Total Governmental Activities	\$ <u>302,945</u>

(6) Loans Receivable.

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

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

Loans receivable balances at September 30, 2021, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Covington County Hospital	09/2015	2.00-3.375%	07/2031	\$ <u>3,820,000</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2021:

Governmental activities:

	Balance Oct. 1, 2020	Additions	Deletions	Adjustments*	Balance Sept. 30, 2021
<u>Non-depreciable capital assets:</u>					
Land	\$ 454,421	193,115	10		647,526
Construction in progress	<u>793,650</u>	<u>59,135</u>		<u>(852,785)</u>	
Total non-depreciable capital assets	<u>1,248,071</u>	<u>252,250</u>	<u>10</u>	<u>(852,785)</u>	<u>647,526</u>
<u>Depreciable capital assets:</u>					
Infrastructure	128,152,390			852,785	129,005,175
Buildings	11,384,011				11,384,011
Mobile equipment	9,989,568	440,267	782,017		9,647,818
Furniture and equipment	2,665,903	40,952			2,706,855
Leased property under capital leases	<u>3,226,430</u>	<u>954,966</u>	<u>290,000</u>		<u>3,891,396</u>
Total depreciable capital assets	<u>155,418,302</u>	<u>1,436,185</u>	<u>1,072,017</u>	<u>852,785</u>	<u>156,635,255</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	84,769,922	355,628			85,125,550
Buildings	3,162,257	201,571			3,363,828
Mobile equipment	6,932,046	474,570	359,448		7,047,168
Furniture and equipment	2,348,762	91,378			2,440,140
Leased property under capital leases	<u>789,977</u>	<u>389,567</u>	<u>52,200</u>		<u>1,127,344</u>
Total accumulated depreciation	<u>98,002,964</u>	<u>1,512,714</u>	<u>411,648</u>	<u>0</u>	<u>99,104,030</u>
Total depreciable capital assets, net	<u>57,415,338</u>	<u>(76,529)</u>	<u>660,369</u>	<u>852,785</u>	<u>57,531,225</u>
Governmental activities capital assets, net	\$ <u>58,663,409</u>	<u>175,721</u>	<u>660,379</u>	<u>0</u>	<u>58,178,751</u>

*Adjustments are for the reclassification of completed construction in progress to infrastructure.

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 21,869
Public safety	512,428
Public works	879,877
Health and welfare	35,566
Culture and recreation	23,753
Conservation of natural resources	6,940
Economic development and assistance	32,281
	<hr/>
Total governmental activities depreciation expense	\$ <u>1,512,714</u>

(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, 2021, to January 1, 2022. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2021:

Classes of Property	Governmental Activities
	<hr/>
Mobile equipment	\$ 3,891,396
Less: Accumulated depreciation	<u>(1,127,344)</u>
	<hr/>
Leased Property Under Capital Leases	\$ <u>2,764,052</u>

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

The following is a schedule by years of the total payments due as of September 30, 2021:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2022	\$ 975,932	73,908
2023	361,509	54,437
2024	372,893	38,644
2025	381,130	29,177
2026	239,561	19,647
2027 - 2031	249,164	10,043
Total	\$ 2,580,189	225,856

(10) Long-term Debt.

Debt outstanding as of September 30, 2021, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
GO Refunding Bonds, Series 2015	\$ 3,820,000	2.00-3.375%	07/2031
B. Limited Obligation Bonds:			
Certificates of Participation, Jail Project	\$ 2,805,000	3.40%	06/2033
C. Capital Leases:			
(10) 2018 Deepsouth custom-built fire trucks	\$ 1,357,779	4.02%	07/2028
Fire protection equipment	441,250	1.96%	03/2025
John Deere compact truck loader	13,379	3.25%	06/2022
District 1 2022 Mack dump truck	150,000	1.25%	07/2022
District 4 2022 Mack dump truck	150,000	1.25%	07/2022
District 5 2020 Caterpillar 3164F excavator	155,981	1.42%	08/2025
District 5 (2) 2022 Kenworth T880 dump trucks	311,800	1.51%	03/2022
Total Capital Leases	\$ 2,580,189		
D. Other Loans:			
Motorola body cameras	\$ 13,668	0.00%	05/2023

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 330,000	118,856	195,000	95,370
2023	340,000	108,956	200,000	88,740
2034	350,000	98,756	205,000	81,940
2025	365,000	88,256	215,000	74,970
2026	375,000	77,307	220,000	67,660
2027 - 2031	2,060,000	206,751	1,220,000	220,490
2032 - 2036			550,000	28,220
Total	\$ 3,820,000	698,882	2,805,000	657,390

Year Ending September 30	Other Loans	
	Principal	Interest
2022	\$ 6,834	
2023	6,834	
Total	\$ 13,668	0

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, 2021, the amount of outstanding debt was equal to 1.30 percent (1.30%) of the latest property assessments.

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

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2021:

	Balance Oct. 1, 2020	Additions	Reductions	Balance Sept. 30, 2021	Amount due within one year
Governmental Activities:					
General obligation bonds	\$ 4,145,000		325,000	3,820,000	330,000
Limited obligation bonds	2,990,000		185,000	2,805,000	195,000
Capital leases	2,349,962	1,349,362	1,119,135	2,580,189	975,932
Other loans	297,743	20,502	304,577	13,668	6,834
Total	\$ 9,782,705	1,369,864	1,933,712	9,218,857	1,507,766

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

(11) Defined Benefit Pension Plan.

General Information about the Pension Plan

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

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

Contributions. At September 30, 2021, 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, 2021 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, 2021, 2020 and 2019 were \$710,937, \$661,794, and \$581,792, 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, 2021, the County reported a liability of \$8,967,291 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021 net pension liability was 0.060670 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.004372 percent from its proportionate share of 0.056298 percent used to calculate the

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

September 30, 2020 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended September 30, 2021, the County recognized pension expense of \$916,982. At September 30, 2021, 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	\$ 138,938	
Net difference between projected and actual earnings on pension plan investments		2,738,579
Changes of assumptions	687,173	
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	793,334	
County contributions subsequent to the measurement date	180,101	
Total	\$ 1,799,546	2,738,579

\$180,101 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30	Amount
2022	\$ (5,121)
2023	(66,082)
2024	(243,178)
2025	(804,753)
Total	\$ (1,119,134)

Actuarial Assumptions. The total pension liability as of June 30, 2021 was determined by an actuarial valuation prepared as of June 30, 2020, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the four-year period ending June 30, 2020, and by the investment experience for the fiscal year ending June 30, 2021. The following actuarial assumptions are applied to all periods in the measurement:

Inflation	2.40 percent
Salary increases	2.65 – 17.90 percent, including inflation
Investment rate of return	7.55 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, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97%

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the four-year period from July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.60 %
International Equity	22.00	4.50
Global Equity	12.00	4.80
Fixed Income	20.00	(0.25)
Real Estate	10.00	3.75
Private Equity	8.00	6.00
Cash Equivalents	1.00	(1.00)
Total	<u>100.00 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.55 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 7.55 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 (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
County's proportionate share of the net pension liability	\$ 12,699,787	8,967,291	5,891,418

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

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances or net position at September 30, 2021:

Fund	Deficit Amount
Court Fund	\$ 743
Beat 4 Community Center Fund	95
Richmond Precinct Fund	5,283
911 Emergency Communications Fund	55,613
Emergency Management Fund	86,733

(13) Contingencies.

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

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

(14) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of \$(1,769,383) 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 \$180,101 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, 2022. The \$1,619,445 balance of the deferred outflows of resources related to pensions at September 30, 2021, will be recognized in pension expense over the next three years. The \$2,738,579 balance of the deferred inflows of resources related to pensions at September 30, 2021, will be recognized in pension expense over the next four years.

(15) Joint Venture.

The County participates in the following joint venture:

Covington County is a participant with the Counties of Jones and Perry and the Cities of Hattiesburg, Laurel, and Petal in a joint venture, authorized by *Section 17-17-307, Mississippi Code Annotated (1972)*, to operate the Pine Belt Regional Solid Waste Authority. The joint venture was created to dispose of solid waste in members of the authority. The Covington County Board of Supervisors appoints one of twelve members to the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Pine Belt Regional Solid Waste Authority can be obtained from P.O. Box 1898, Hattiesburg, MS 39403.

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2021

(16) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Covington County Board of Supervisors appoints one of the 27 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County appropriated \$27,375 for support of the district in the fiscal year 2021.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Covington County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$35,000 for support of the entity in fiscal year 2021.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Covington County Board of Supervisors appoints two of the 20 members of the college board of trustees. The County appropriated \$551,228 for maintenance and support of the college in fiscal year 2021.

Southeast Mississippi Air Ambulance District operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Covington County Board of Supervisors appoints one of the nine members of the board of directors. The County appropriated \$97,500 for support of the district in fiscal year 2021.

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Covington County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants. The County appropriated \$10,000 for support of the district in fiscal year 2021.

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.

(17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the Statement of Net Position date, require disclosure in the accompanying notes. Management of Covington County evaluated the activity of the County through September 19, 2022, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2021

Subsequent to September 30, 2021, the County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/05/2021	1.25%	\$ 150,000	Capital lease	Ad valorem taxes
6/4/2022	2.51%	\$66,964	Capital Lease	Ad Valorem Taxes
7/18/2022	3.02%	\$190,000	Capital Lease	Ad Valorem Taxes
8/14/2022	3.02%	\$135,000	Capital Lease	Ad Valorem Taxes
8/14/2022	3.02%	\$135,000	Capital Lease	Ad Valorem Taxes

COVINGTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

COVINGTON COUNTY

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COVINGTON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2021
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 7,406,021	7,531,184	7,531,184	
Licenses, commissions and other revenue	250,000	250,586	250,586	
Fines and forfeitures	230,000	242,571	242,571	
Intergovernmental revenues	923,850	6,310,938	6,310,938	
Charges for services	8,900	19,855	19,855	
Interest income	306,633	94,089	94,089	
Miscellaneous revenues	293,100	333,128	333,128	
Total Revenues	<u>9,418,504</u>	<u>14,782,351</u>	<u>14,782,351</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,343,250	3,600,967	3,600,967	
Public safety	3,274,450	3,115,208	3,115,208	
Public works	87,000	60,302	60,302	
Health and welfare	224,020	233,260	233,260	
Culture and recreation	68,200	36,133	36,133	
Conservation of natural resources	121,070	98,731	98,731	
Economic development and assistance	55,642	47,486	47,486	
Debt service:				
Principal		185,000	185,000	
Interest		105,410	105,410	
Total Expenditures	<u>7,173,632</u>	<u>7,482,497</u>	<u>7,482,497</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>2,244,872</u>	<u>7,299,854</u>	<u>7,299,854</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		7,137	7,137	
Transfers in	367,500	6,205,495	6,205,495	
Transfers out	(3,915,000)	(8,494,825)	(8,494,825)	
Total Other Financing Sources and Uses	<u>(3,547,500)</u>	<u>(2,282,193)</u>	<u>(2,282,193)</u>	<u>0</u>
Net Change in Fund Balance	(1,302,628)	5,017,661	5,017,661	0
Fund Balances - Beginning	<u>8,725,300</u>	<u>5,038,081</u>	<u>5,038,081</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 7,422,672</u>	<u>10,055,742</u>	<u>10,055,742</u>	<u>0</u>

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

COVINGTON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 District 5 Road Maintenance Fund
 For the Year Ended September 30, 2021
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 377,133	376,847	376,847	
Road and bridge privilege taxes	49,500	62,774	62,774	
Licenses, commissions and other revenue	750			
Intergovernmental revenues	125,000	231,563	231,563	
Interest income	5,000	1,912	1,912	
Miscellaneous revenues	6,000	106	106	
Total Revenues	<u>563,383</u>	<u>673,202</u>	<u>673,202</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	652,200	917,294	917,294	
Debt service:				
Principal		75,086	75,086	
Interest		4,794	4,794	
Total Expenditures	<u>652,200</u>	<u>997,174</u>	<u>997,174</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(88,817)</u>	<u>(323,972)</u>	<u>(323,972)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		311,800	311,800	
Total Other Financing Sources and Uses	<u>0</u>	<u>311,800</u>	<u>311,800</u>	<u>0</u>
Net Change in Fund Balance	(88,817)	(12,172)	(12,172)	0
Fund Balances - Beginning	<u>100,000</u>	<u>375,032</u>	<u>375,032</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 11,183</u>	<u>362,860</u>	<u>362,860</u>	<u>0</u>

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

COVINGTON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 ARPA Covid Relief Fund
 For the Year Ended September 30, 2021
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$	603	603	
Total Revenues	0	603	603	0
EXPENDITURES				
Current:				
Public works				
Total Expenditures	0	0	0	0
Excess of Revenues over (under) Expenditures	0	603	603	0
OTHER FINANCING SOURCES (USES)				
Transfers in		3,619,825	3,619,825	
Transfers out		(1,809,912)	(1,809,912)	
Total Other Financing Sources and Uses	0	1,809,913	1,809,913	0
Net Change in Fund Balance	0	1,810,516	1,810,516	0
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	\$ 0	1,810,516	1,810,516	0

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

COVINGTON COUNTY
Schedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2021
UNAUDITED

	2021	2020	2019	2018	2017	2016	2015
County's proportion of the net pension liability (asset)	0.060670%	0.056298%	0.054567%	0.053453%	0.050594%	0.049267%	0.047683%
County's proportionate share of the net pension liability (asset) \$	8,967,291	10,898,639	9,599,412	8,890,822	8,410,440	8,800,317	7,370,852
Covered payroll \$	4,033,968	3,748,881	3,553,808	3,413,504	3,245,654	3,151,708	2,978,984
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	222.29%	290.72%	270.12%	260.46%	259.13%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

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

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

COVINGTON COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2021
UNAUDITED

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 710,937	661,794	581,792	544,252	517,058	495,650	481,388
Contributions in relation to the contractually required contribution	<u>710,937</u>	<u>661,794</u>	<u>581,792</u>	<u>544,252</u>	<u>517,058</u>	<u>495,650</u>	<u>481,388</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 4,085,845	3,803,414	3,595,748	3,455,568	3,282,906	3,146,981	3,056,431
Contributions as a percentage of covered payroll	17.40%	17.40%	16.18%	15.75%	15.75%	15.75%	15.75%

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

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

COVINGTON COUNTY

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COVINGTON COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2021
UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>District 5 Road Maintenance Fund</u>	<u>ARPA Covid Relief Fund</u>
Budget (Cash Basis)	\$ 5,017,661	(12,172)	1,810,516
Increase (Decrease)			
Net adjustments for revenue accruals	(8,347,818)	886,719	(3,619,825)
Net adjustments for expenditure accruals	<u>8,048,718</u>	<u>(895,012)</u>	<u>1,809,912</u>
GAAP Basis	<u>\$ 4,718,561</u>	<u>(20,465)</u>	<u>603</u>

COVINGTON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2021 UNAUDITED

Pension Schedules

A. Changes of assumptions.

2015

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

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

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

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

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

2016

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

2017

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

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

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

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.

COVINGTON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2021 UNAUDITED

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%.

2021

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

For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.

For females, 84% of female rates up to age 72, 100% for ages above 76.

Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

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

For males, 134% of male rates at all ages.

For females, 121% of female rates at all ages.

Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:

For males, 97% of male rates at all ages.

For females, 110% of female rates at all ages.

Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

he percentage of active member deaths assumed to be in in the line of duty was decreased from 6% to 4%

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.

COVINGTON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2021 UNAUDITED

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, 2019 valuation for the June 30, 2021 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	28.8 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

COVINGTON COUNTY

SUPPLEMENTARY INFORMATION

COVINGTON COUNTY

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COVINGTON COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal AL Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation Passed-through the Mississippi Department of Public Safety Highway safety cluster:			
National priority safety programs	20.616	M5X-2021-MD-11-61	\$ 17,166
Total Highway safety cluster			<u>17,166</u>
Total U.S. Department of Transportation			<u>17,166</u>
U.S. Department of the Treasury Passed-through the Mississippi Secretary of State's Office Coronavirus relief fund	21.019	Unknown	<u>9,258</u>
Passed-through the Supreme Court of Mississippi Coronavirus relief fund	21.019	1728-16CH-10022020	<u>3,319</u>
Total U.S. Department of the Treasury			<u>12,577</u>
U.S. Department of Homeland Security Passed-through the Mississippi Emergency Management Agency			
Disaster grants - public assistance (Presidentially declared disasters)*	97.036	FEMA-3544-DR-MS	57,967
Disaster grants - public assistance (Presidentially declared disasters)*	97.036	FEMA-4536-DR-MS	3,465,710
Disaster grants - public assistance (Presidentially declared disasters)*	97.036	FEMA-4551-DR-MS	153,551
Subtotal			<u>3,677,228</u>
Hazard mitigation grant program	97.039	HMGP-4314-DR-MS	157,986
Hazard mitigation grant program	97.039	HMGP-4350-DR-MS	31,219
Subtotal			<u>189,205</u>
Emergency management performance grants	97.042	Unknown	<u>31,677</u>
Total U.S. Department of Homeland Security			<u>3,898,110</u>
Total Expenditures of Federal Awards			\$ <u>3,927,853</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Covington County under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Covington County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Covington County.

Note B - Summary of Significant Accounting Policies

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

Note C - Indirect Cost Rate

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

Note D - Hazard mitigation grant program

Of the federal expenditures presented in the Schedule, Covington County provided federal awards totaling \$189,205 to subrecipients during the year ended September 30, 2021.

* Denotes major federal award program

COVINGTON COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2021

Operating Expenditures, Cash Basis:

Salaries	\$	490,413
Expendable Commodities:		
Gasoline and petroleum products		43,211
Repair parts		25,742
Maintenance		14,421
Contractual services		412,956
Supplies		4,925
Equipment		<u>22,510</u>

Solid Waste Cash Basis Operating Expenditures		1,014,178
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Full Cost Expenses:

Indirect administrative costs		4,726
Depreciation on equipment		<u>56,953</u>

Solid Waste Full Cost Operating Expenses	\$	<u><u>1,075,857</u></u>
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COVINGTON COUNTY

OTHER INFORMATION

COVINGTON COUNTY

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COVINGTON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2021
UNAUDITED

Name	Position	Company	Bond
John Sterling Craft	Supervisor District 1	FCCI Insurance Company	\$100,000
John N. Holifield	Supervisor District 2	FCCI Insurance Company	\$100,000
Jimmy D. White	Supervisor District 3	Western Surety Insurance Company	\$100,000
Fenton Pope	Supervisor District 4	FCCI Insurance Company	\$100,000
Arthur Keys	Supervisor District 5	FCCI Insurance Company	\$100,000
Guy Easterling	Chancery Clerk	FCCI Insurance Company	\$100,000
Guy Easterling	Purchase Clerk	FCCI Insurance Company	\$100,000
Brandy Lee	Assistant Purchase Clerk	FCCI Insurance Company	\$50,000
Mona Smith	Receiving Clerk	FCCI Insurance Company	\$75,000
Richard Sanford	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
Donald McRaney	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
Joe Ponder	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
Jason McNair	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
James Barnes	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
Bobby Booth	Assistant Receiving Clerk	Western Surety Insurance Company	\$50,000
Katherine Brewer	Assistant Receiving Clerk	FCCI Insurance Company	\$50,000
Shona Holifield	Assistant Receiving Clerk	Western Surety Insurance Company	\$50,000
Krystal Bonds	Inventory Control Clerk	FCCI Insurance Company	\$75,000
Roger Dickens	Constable	FCCI Insurance Company	\$50,000
Joe Ponder	Constable	Western Surety Insurance Company	\$50,000
Melissa Duckworth	Circuit Clerk	FCCI Insurance Company	\$100,000
Mary Ann Shoemake	Deputy Circuit Clerk	FCCI Insurance Company	\$50,000
Darrell Perkins	Sheriff	FCCI Insurance Company	\$100,000
John Sanford	Justice Court Judge	FCCI Insurance Company	\$50,000
Bobby Mooney	Justice Court Judge	FCCI Insurance Company	\$50,000
Cassity Booker	Justice Court Clerk	Western Surety Insurance Company	\$50,000
Paula Owen	Deputy Justice Court Clerk	FCCI Insurance Company	\$50,000
Cindy Mooney	Deputy Justice Court Clerk	FCCI Insurance Company	\$50,000
Cindy Aultman Sanford	Tax Assessor-Collector	FCCI Insurance Company	\$100,000
Dianne Speed	Deputy Tax Collector	FCCI Insurance Company	\$50,000
Dannie Jean Abercrombie	Deputy Tax Collector	FCCI Insurance Company	\$50,000
Virginia Coulter	Deputy Tax Collector	FCCI Insurance Company	\$50,000
Laurie Williamson	Deputy Tax Collector	Western Surety Insurance Company	\$50,000
Laura Walker	Deputy Tax Collector	FCCI Insurance Company	\$50,000
Tiffaey Watts	Deputy Tax Collector	Western Surety Insurance Company	\$50,000
Anita Humphrey	Deputy Tax Collector	FCCI Insurance Company	\$50,000

COVINGTON COUNTY

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COVINGTON COUNTY

SPECIAL REPORTS

COVINGTON COUNTY

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

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

Members of the Board of Supervisors
Covington County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Covington County, Mississippi (the County), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 19, 2022. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Covington County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Covington County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2021-001 and 2021-004 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 2021-002, 2021-003 and 2021-005 to be significant deficiencies.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Covington County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated September 19, 2022, included within this document.

Covington County's Responses to Findings

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

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

September 19, 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
Covington County, Mississippi

Report on Compliance for the Major Federal Program

We have audited Covington County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Covington County, Mississippi's major federal program for the year ended September 30, 2021. Covington County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Covington County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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



JOE E. MCKNIGHT CPA
Director, County Audit Section

September 19, 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, MISSISSIPPI CODE OF 1972 ANNOTATED)**

Members of the Board of Supervisors
Covington County, Mississippi

We have examined Covington County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with *Sections 31-7-101 through 31-7-127, Mississippi Code of 1972 Annotated* and compliance with the purchasing requirements in accordance with bid requirements of *Section 31-7-13, Mississippi Code of 1972 Annotated* during the year ended September 30, 2021. The Board of Supervisors of Covington County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

The results of our audit procedures disclosed 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:

Inventory Control Clerk.

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

Repeat Finding Yes

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

and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation.

Condition	As reported in the prior three years' audit reports, we noted that some assets that were disposed of, but were not approved to be disposed of in the Board of Supervisors' minutes. We also noted that assets purchased in fiscal year 2021 in the amount of \$974,346 were not added to the capital asset records.
Cause	The Inventory Control Clerk lacks the necessary control procedures to accurately maintain an inventory control system and adequate subsidiary records.
Effect	The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increase the possibility of loss or misappropriation of public funds.
Recommendation	The Inventory Control Clerk should implement control procedures to maintain accurate inventory records which document the existence, valuation, and completeness of capital assets, and the Board of Supervisors should approve all disposals in the minutes.

**Views of Responsible
Official(s)**

We will comply.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Covington County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2021.

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

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

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

September 19, 2022

COVINGTON COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2021

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

COVINGTON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2021

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
12/11/2020	Bridge repair	\$ 225,000	Ellis Dozer, LLC	Emergency repair after closure by State
09/07/2021	2008 Utility truck	22,510	Deep South Truck	Health hazard was created after County terminated professional services previously authorized to cover rubbish at the south rubbish site.

COVINGTON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2021

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

COVINGTON COUNTY

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

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Covington County, Mississippi

In planning and performing our audit of the financial statements of Covington County, Mississippi for the year ended September 30, 2021, we considered Covington County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Covington County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 19, 2022, on the financial statements of Covington County, Mississippi.

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

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

Board of Supervisors.

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

Repeat Finding Yes

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

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

Cause	The County did not follow the regulations set forth by PERS.
Effect	Failure to transition employees to full-time status breaks the contractual obligation made to PERS, and retirement settled to PERS could be directly understated as a result.
Recommendation	The County should transition employees working over twenty hours a week to full-time status.
Views of Responsible Official(s)	This will be corrected.

Board of Supervisors and Payroll Clerk.

2.	<u>Required forms for re-employment should be completed for PERS retirees after retirement.</u>
Repeat Finding	Yes
Criteria	<i>Section 25-11-127(4)(a), Mississippi Code Annotated (1972)</i> , requires retirees to receive no more than one-half of the salary in effect for the position at the time of employment in a fiscal year. Furthermore, counties hiring PERS service retirees are required to file PERS Form 4B, "Certificate/Acknowledgement of Re-employment of Retiree", with the PERS office within five (5) days from the date of employment of the retiree.
Condition	As reported in the prior two years' audit reports, we noted that the PERS Form 4Bs were not completed for any retired employee.
Cause	Controls were not in place to ensure compliance with the state laws.
Effect	By not completing the required PERS Form 4Bs, the County is not in compliance with the state legal requirements.
Recommendation	The County should complete the required PERS Form 4Bs and maintain evidence of the filing dates of the retiree forms.
Views of Responsible Official(s)	We will comply.

Purchase Clerk.

3.	<u>Credit card charges were not properly presented before the Board of Supervisors.</u>
Repeat Finding	No
Criteria	<i>Section 19-3-68, Mississippi Code Annotated (1972)</i> , specifies the requirements governing the use of a county credit card for travel. The Chancery Clerk or Purchase Clerk shall maintain complete records of all credit card numbers and all receipts and other documentation relating to the use of such credit cards. The supervisors and county employees shall furnish receipts for the use of such credit cards each month to the Chancery Clerk or Purchase Clerk, who shall submit a written report monthly to the Board of Supervisors. The report shall include an itemized list of all expenditures and the use of the credit card for the month, and such expenditures may be allowed for payment by the County in the same manner as other items in the claims docket.
Condition	During our audit, we noted that there were no itemized reports compiled and presented to the Board of Supervisors from October 2020 to September 2021, and subsequently there was not sufficient documentation for credit card charges in the fiscal year.
Cause	The Purchase Clerk did not comply with state laws.

Effect Failure to enforce these requirements could result in the misuse of the credit card for unauthorized and disallowed expenditures, and could result in the loss of public funds.

Recommendation The Purchase Clerk should ensure that a monthly report itemizing the expenditures and use of the credit card is submitted to the Board of Supervisors, and that all receipts and documentation of credit card use is maintained.

Views of Responsible Official(s) We will comply.

Sheriff.

4. The Sheriff should ensure meal logs are in compliance with state laws.

Repeat Finding Yes

Criteria *Section 19-25-74, Mississippi Code Annotated (1972)*, states the Sheriff shall maintain a meal log of prisoners being fed daily, which will include the prisoner's name, the date and time of incarceration and release, and number of meals served to prisoners at each meal time, and the hours of the day served. This log must also be filed monthly with the Board of Supervisors. In addition, the Board is not allowed to pay claims for food expenses if this report has not been filed.

Condition As reported in the prior year's audit report, we noted that meal logs were not filed monthly with the Board of Supervisors.

Cause The Sheriff did not comply with state laws.

Effect Failure to file inmate meal logs with the Board of Supervisors could result in loss or misappropriation of public funds.

Recommendation The Sheriff should ensure that meal logs are presented monthly to the Board of Supervisors.

Views of Responsible Official(s) A meal log will be given to the Board of Supervisors monthly.

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

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

September 19, 2022

COVINGTON COUNTY

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COVINGTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COVINGTON COUNTY

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COVINGTON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Unmodified
Aggregate discretely presented component units	Adverse
General Fund	Unmodified
District 5 Road Maintenance Fund	Unmodified
Hospital Bond Series 2015 Fund	Unmodified
ARPA Covid Relief Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? Yes
3. Noncompliance material to the financial statements noted? No

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:

AL # 97.036, Disaster grants - public assistance (Presidentially declared disasters)
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)? Yes

COVINGTON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2021-001. Internal Controls should be strengthened to include adequate segregation of duties for the County's general accounting functions.

Repeat Finding No

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

Condition The County's accounting system is not adequately segregated to ensure a proper internal control structure. Based on test work, we noted the following internal control weaknesses in the County's accounting structure:

- a) The comptroller is also the inventory control clerk.
- b) The comptroller performs all the payroll functions.
- c) The receiving clerk receipts the cash, prepares the bank deposits, records the receipts in the general ledger, and reconciles all bank statements.

Cause The Board of Supervisors lacks the proper segregation of duties necessary to maintain effective internal controls.

Effect These conditions could result in unrecorded transactions, undetected errors and/or misappropriation of funds.

Recommendation The Board of Supervisors should implement effective internal control policies that allow for the proper segregation of duties with respect to control of the general ledger, receipting revenues, payroll and inventory accounting functions.

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

Significant Deficiency.

2021-002. Controls over the recording of revenues should be strengthened.

Repeat Finding No

Criteria An effective system of internal control over the recording of transactions should include the proper classification of revenues.

Condition During the audit, we noted numerous coding errors in the recording of revenues.

Cause The Board of Supervisors lacks the necessary controls to ensure that revenues are classified correctly.

Effect The failure to properly classify revenues could result in the misclassification of revenues in the financial statements.

Recommendation The Board of Supervisors should implement control procedures to ensure all revenues are recorded in the correct general ledger account.

COVINGTON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

**Views of Responsible
Official(s)**

See Auditee's Corrective Action Plan.

Board of Supervisors and Payroll Clerk.

Significant Deficiency

2021-003. An adequate system of internal control over payroll procedures should be implemented.

Repeat Finding No

Criteria An effective system of internal control over the payroll function should include keeping accurate and complete records of each employee's work hours and compensation.

Condition During our test work, we noted the following deficiencies in the County's payroll records:

- a. Payroll for salaried employees was processed without any documentation of the hours worked or leave taken.
- b. The County did not maintain any payroll records or documentation for salaried employees.

Cause The Board of Supervisors and Payroll Clerk lack the necessary controls to ensure that the time worked and leave taken for salaried employees is recorded and maintained.

Effect Without proper controls, unauthorized or inaccurate payroll checks could be processed.

Recommendation The Board of Supervisors and Payroll Clerk should implement effective internal controls over the County's payroll function to ensure payroll is accurate and complete. Furthermore, timesheets for all employees should be reviewed and submitted to the Payroll Clerk prior to each pay period, and all documentation should be maintained in the County's records.

**Views of Responsible
Official(s)**

See Auditee's Corrective Action Plan.

Inventory Control Clerk

Material Weakness

2021-004. The Inventory Control Clerk should maintain an inventory control system.

Repeat Finding Yes

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

Condition As reported in the prior three years' audit reports, we noted that some assets that were disposed of, but were not approved to be disposed of in the Board of Supervisors' minutes. We also noted that assets purchased in fiscal year 2021 in the amount of \$974,346 were not added to the capital asset records.

COVINGTON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Cause	The Inventory Control Clerk lacks the necessary control procedures to accurately maintain an inventory control system and adequate subsidiary records.
Effect	The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increases the possibility of loss or misappropriation of public funds.
Recommendation	The Inventory Control Clerk should implement control procedures to maintain accurate inventory records which document the existence, valuation, and completeness of capital assets, and the Board of Supervisors should approve all disposals in the minutes.
Views of Responsible Official(s)	See Auditee's Corrective Action Plan.

Payroll Clerk.

Significant Deficiency

2021-005. The Payroll Clerk should maintain adequate records for compensated absences liability.

Repeat Finding Yes

Criteria The County has adopted a policy of compensated absences for its employees. The Payroll Clerk should maintain records that account for the number of leave hours each employee accumulates on a monthly basis and the current hourly rate for each employee. This information is needed to calculate the end of the year compensated absences liability. Generally accepted accounting principles require the resulting liability to be reported in the financial statements.

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

Cause The Payroll Clerk failed to maintain adequate documentation for leave balances.

Effect The failure to properly account for compensated absences could result in the incorrect payments being made to employees leaving County service, and result in not reporting the compensated absences liability in the financial statements.

Recommendation The Payroll Clerk should maintain adequate records so the total compensated absences liability can be calculated and reported in the financial statements as required by generally accepted accounting principles.

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

Section 3: Federal Award Findings and Questioned Costs

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

COVINGTON COUNTY

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

COVINGTON COUNTY

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

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

DAVID SHOEMAKE
GERALD MARTIN
Chancery Judges

GUY EASTERLING
Chancery Clerk

TOMMY BOTT ROGERS
Board Attorney

CORRECTIVE ACTION PLAN

September 8, 2022

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

Gentlemen:

Covington County respectfully submits the following corrective action plan for the year ended September 30, 2021.

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 1: Summary of Auditor's Results, does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

2021-001. Corrective Action Planned: We will comply.

Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective Action:
Guy Easterling, Chancery Clerk

2021-002. Corrective Action Planned: We will comply.

Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective Action:
Guy Easterling, Chancery Clerk

2021-003. Corrective Action Planned: We will comply.

Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective
Action: Guy Easterling, Chancery Clerk

2021-004. Corrective Action Planned: We will comply.

Anticipated Completion Date: Unknown


Name of Contact Person Responsible for Corrective Action:
Guy Easterling, Chancery Clerk

2021-005. Corrective Action Planned: This will be corrected.

Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective Action:
Guy Easterling, Chancery Clerk

Sincerely yours,



President, Board of Supervisors

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

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Chancery Clerk

TOMMY BOTT ROGERS
Board Attorney

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

September 8, 2022

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

Gentleman:

The Covington County Board of Supervisors respectfully submits the following Summary Schedule of Prior Audit Findings for the year ended September 30, 2021.

The findings from the prior year's Schedule of Findings and Questioned Cost 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

- 2019-001. The Circuit Clerk should ensure effective controls over fines receivable.
CORRECTED; Repeated as 2020-001.
- 2019-002. The Justice Court Clerk should ensure effective controls over fines receivable.
CORRECTED; Repeated as 2020-002.
- 2018-001. The Inventory Control Clerk should maintain an inventory control system.
NOT CORRECTED; Repeated as 2019-003, 2020-003 and 2021-004.
No corrective action has been taken at this time.
- 2018-002. The Payroll Clerk should maintain adequate records for compensated absences liability.
NOT CORRECTED; Repeated as 2019-004, 2020-004 and 2021-005.
No corrective action has been taken at this time.

SECTION 3: FEDERAL AWARD FINDINGS

There were no prior year findings and questioned costs related to federal awards.

Sincerely yours,

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

President, Board of Supervisors