

COVINGTON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2022

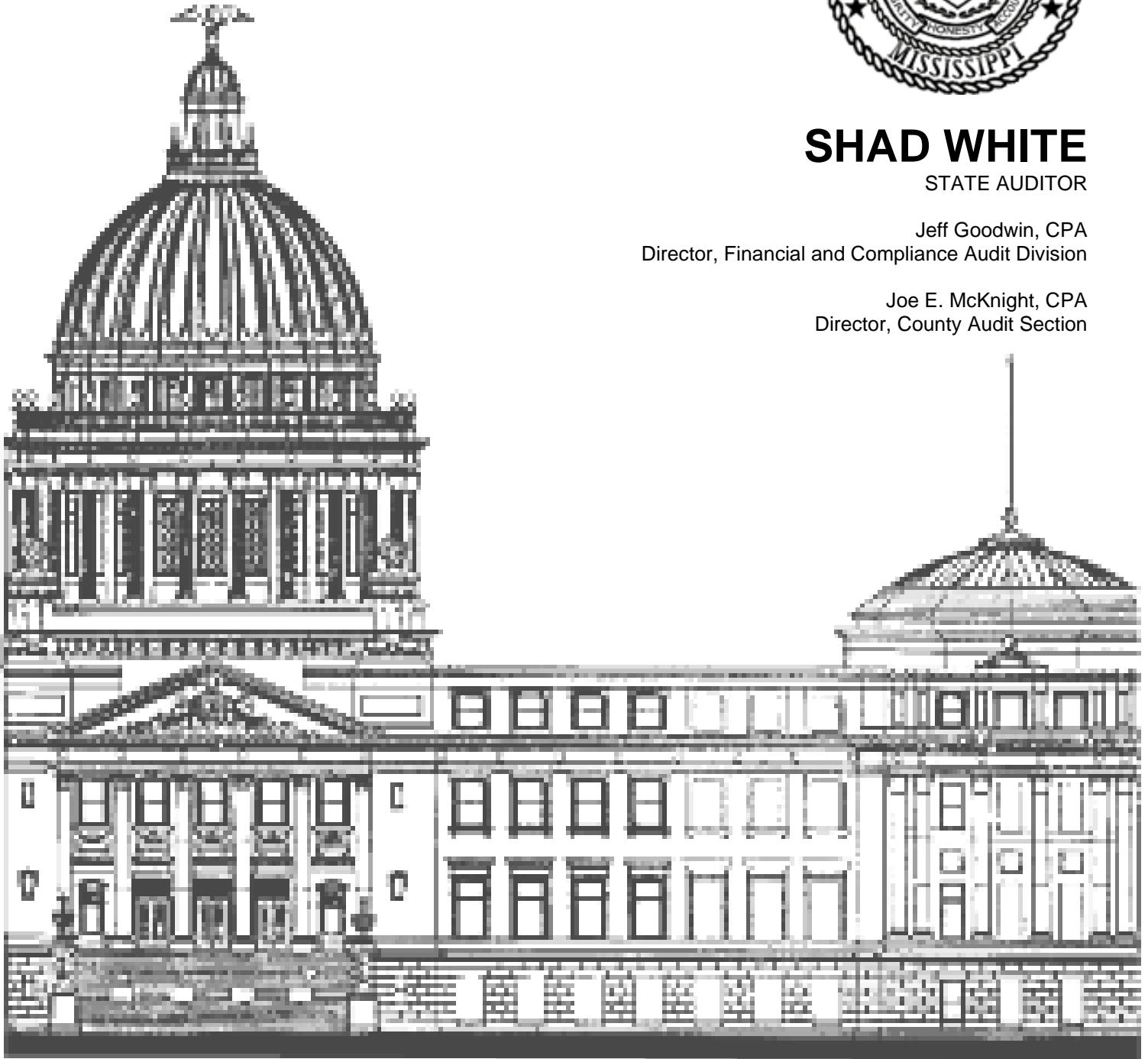


SHAD WHITE

STATE AUDITOR

Jeff Goodwin, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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

Shad White
AUDITOR

May 6, 2024

Members of the Board of Supervisors
Covington County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2022 financial and compliance audit report for Covington County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

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

Shad White

COVINGTON COUNTY

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COVINGTON COUNTY

FINANCIAL SECTION

COVINGTON COUNTY

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Covington County, Mississippi

Report on the Audit of the Financial Statements

Adverse, Qualified, and Unmodified Opinions

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the accompanying 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, 2022, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion on General Fund

In our opinion, except for the effects of such adjustments, if any, as might have been determined had we been able to examine evidence to determine the net realizable value of the fines receivable reported in the General Fund as described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of Covington County, Mississippi, as of September 30, 2022, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, ARPA Covid Relief Fund, and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, the ARPA Covid Relief Fund and the aggregate remaining fund information of Covington County, Mississippi, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse, Qualified, and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified, and unmodified opinions.

Matter Giving Rise to Adverse Opinion on 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 effects of not including the County's legally separate component units on the aggregate discretely presented component units has not been determined.

Matter Giving Rise to Qualified Opinion on General Fund

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Circuit Court and Justice Court or the aging of these fines receivable. Adequate subsidiary records were not maintained and preserved for the Circuit Court and Justice Court fines receivable aging schedules at September 30, 2022. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported on in the General Fund at \$913,205, as of September 30, 2022. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood, that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Surety Bonds for County Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2024 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.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 6, 2024

COVINGTON COUNTY

FINANCIAL STATEMENTS

COVINGTON COUNTY

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COVINGTON COUNTY
Statement of Net Position
September 30, 2022

Exhibit 1

	Primary Government
	Governmental Activities
ASSETS	
Cash	\$ 21,136,791
Property tax receivable	12,358,972
Fines receivable (net of allowance for uncollectibles of \$2,195,061)	913,205
Loans receivable	3,490,000
Leases receivable	350,008
Intergovernmental receivables	306,297
Other receivables	1,925
Capital assets:	
Land and construction in progress	647,526
Other capital assets, net of depreciation	57,505,672
Total Assets	96,710,396
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	2,453,378
Total Deferred Outflows of Resources	2,453,378
LIABILITIES	
Claims payable	612,214
Intergovernmental payables	213,869
Accrued interest payable	56,819
Unearned revenue	3,619,825
Other payables	151,227
Long-term liabilities	
Due within one year:	
Leases payable	9,749
Capital debt	1,255,290
Non-capital debt	340,000
Due in more than one year:	
Leases payable	95,398
Capital debt	3,619,713
Non-capital debt	3,150,000
Net pension liability	13,223,753
Total Liabilities	26,347,857
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to leases	357,064
Deferred revenues - property taxes	12,358,972
Total Deferred Inflows of Resources	12,716,036
NET POSITION	
Net investment in capital assets	53,173,048
Restricted for:	
Expendable:	
General government	364,212
Public safety	1,296,582
Public works	2,844,936
Culture and recreation	14,144
Economic development and assistance	53,776
Unemployment compensation	21,278
Debt service	3,657,593
Unrestricted	(1,325,688)
Total Net Position	\$ 60,099,881

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

COVINGTON COUNTY
Statement of Activities
For the Year Ended September 30, 2022

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,850,434	497,599	19,940		(3,332,895)
Public safety	4,386,091	339,294	346,246		(3,700,551)
Public works	7,830,904	32,798	2,261,139	200,000	(5,336,967)
Health and welfare	209,047		40,703		(168,344)
Culture and recreation	256,425				(256,425)
Conservation of natural resources	94,148				(94,148)
Economic development and assistance	80,031				(80,031)
Interest on long-term debt	291,808				(291,808)
Pension expense	1,665,405				(1,665,405)
Total Governmental Activities	\$ 18,664,293	869,691	2,668,028	200,000	(14,926,574)
General revenues:					
Property taxes				\$	11,908,183
Road & bridge privilege taxes					289,718
Grants and contributions not restricted to specific programs					856,112
Unrestricted interest income					33,931
Miscellaneous					853,683
Total General Revenues					13,941,627
Changes in Net Position					(984,947)
Net Position - Beginning, as previously reported					61,024,951
Prior period adjustment					59,877
Net Position - Beginning, as restated					61,084,828
Net Position - Ending				\$	60,099,881

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

COVINGTON COUNTY
Balance Sheet - Governmental Funds
September 30, 2022

Exhibit 3

	Major Funds			
	General Fund	ARPA Covid Relief Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 12,298,216	3,623,569	5,215,006	21,136,791
Property tax receivable	8,237,309		4,121,663	12,358,972
Fines receivable (net of allowance for uncollectibles of \$2,195,061)	913,205			913,205
Loans receivable			3,490,000	3,490,000
Leases receivable	350,008			350,008
Intergovernmental receivables	196,085		110,212	306,297
Other receivables	1,925			1,925
Due from other funds			64,134	64,134
Advances to other funds	72,000		7,705	79,705
Total Assets	<u>\$ 22,068,748</u>	<u>3,623,569</u>	<u>13,008,720</u>	<u>38,701,037</u>
LIABILITIES				
Liabilities:				
Claims payable	\$ 110,458		501,756	612,214
Intergovernmental payables	206,737			206,737
Due to other funds	71,266			71,266
Advances from other funds			79,705	79,705
Unearned revenue		3,619,825		3,619,825
Other payables	151,227			151,227
Total Liabilities	<u>539,688</u>	<u>3,619,825</u>	<u>581,461</u>	<u>4,740,974</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	8,237,309		4,121,663	12,358,972
Unavailable revenue - fines	913,205			913,205
Leases	357,064			357,064
Total Deferred Inflows of Resources	<u>9,507,578</u>	<u>0</u>	<u>4,121,663</u>	<u>13,629,241</u>
Fund balances:				
Nonspendable:				
Advances	72,000			72,000
Restricted for:				
General government			364,212	364,212
Public safety			1,296,582	1,296,582
Public works		3,744	2,841,192	2,844,936
Culture and recreation			14,144	14,144
Economic development and assistance			53,776	53,776
Unemployment compensation			21,278	21,278
Debt service			3,714,412	3,714,412
Assigned to:				
Public safety	73,194			73,194
Culture and recreation	201,386			201,386
Unassigned	11,674,902			11,674,902
Total Fund Balances	<u>12,021,482</u>	<u>3,744</u>	<u>8,305,596</u>	<u>20,330,822</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 22,068,748</u>	<u>3,623,569</u>	<u>13,008,720</u>	<u>38,701,037</u>

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

COVINGTON COUNTY

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2022Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 20,330,822
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 \$100,297,333.	58,153,198
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	913,205
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(8,470,150)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(13,223,753)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(56,819)
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	<u>2,453,378</u>
Total Net Position - Governmental Activities	\$ <u>60,099,881</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, 2022

	Major Funds			
	General Fund	ARPA Covid Relief Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 7,869,770		4,038,413	11,908,183
Road and bridge privilege taxes			289,718	289,718
Licenses, commissions and other revenue	244,258		16,253	260,511
Fines and forfeitures	232,114		3,277	235,391
Intergovernmental revenues	915,869		2,808,271	3,724,140
Charges for services	40,792		207,538	248,330
Interest income	22,512	3,141	8,278	33,931
Miscellaneous revenues	385,307		282,557	667,864
Total Revenues	9,710,622	3,141	7,654,305	17,368,068
EXPENDITURES				
Current:				
General government	3,876,147		259,595	4,135,742
Public safety	3,700,165		618,164	4,318,329
Public works	415,778		8,451,126	8,866,904
Health and welfare	178,585			178,585
Culture and recreation	79,457		179,602	259,059
Conservation of natural resources	91,883			91,883
Economic development and assistance	47,750			47,750
Debt service:				
Principal	209,408		1,463,352	1,672,760
Interest	99,712		196,781	296,493
Total Expenditures	8,698,885	0	11,168,620	19,867,505
Excess of Revenues over (under) Expenditures	1,011,737	3,141	(3,514,315)	(2,499,437)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			866,964	866,964
Leases issued	64,462		52,504	116,966
Proceeds from sale of capital assets	11,790		589,400	601,190
Transfers in			2,184,091	2,184,091
Transfers out	(235,702)		(1,948,389)	(2,184,091)
Total Other Financing Sources and Uses	(159,450)	0	1,744,570	1,585,120
Net Changes in Fund Balances	852,287	3,141	(1,769,745)	(914,317)
Fund Balances - Beginning	11,169,195	603	10,075,341	21,245,139
Fund Balances - Ending	\$ 12,021,482	3,744	8,305,596	20,330,822

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, 2022

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (914,317)
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 \$1,946,734 exceeded depreciation of \$1,556,916 in the current period.	389,818
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 \$185,819 and the proceeds from the sale of \$601,190 in the current period.	(415,371)
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.	125,459
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 \$1,672,760 exceeded debt proceeds of \$983,930.	688,830
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amount of decrease in accrued interest payable.	4,685
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,665,405)
Recording of contributions made during the year	<u>801,354</u>
Change in Net Position of Governmental Activities	\$ <u><u>(984,947)</u></u>

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

COVINGTON COUNTY
Statement of Fiduciary Net Position
September 30, 2022

Exhibit 5

	<u>Custodial Funds</u>
ASSETS	
Cash	\$ 25,718
Receivables:	
Due from other funds	<u>7,132</u>
Total Assets	<u><u>32,850</u></u>
NET POSITION	
Restricted for:	
Individuals, organizations and other governments	<u>32,850</u>
Total Net Position	<u><u>\$ 32,850</u></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, 2022

Exhibit 6

	<u>Custodial Funds</u>
ADDITIONS	
Tax collections for other governments	\$ 809,016
Licenses and fees collected for State	<u>265,022</u>
Total Additions	<u>1,074,038</u>
DEDUCTIONS	
Payments of tax to other governments	995,374
Payments of licenses and fees to State	<u>258,611</u>
Total Deductions	<u>1,253,985</u>
Net increase (decrease) in fiduciary net position	(179,947)
Net Position - Beginning	<u>212,797</u>
Net Position - Ending	<u>\$ 32,850</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, 2022

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing 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.

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.

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.

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

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

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

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 20, 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
Intangible assets	**	**

** Intangible assets for the County represent right-to-use leased assets and are capitalized as a group for reporting purposes. The estimated useful life is the term of the lease agreement. There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

The term "depreciation" includes the amortization of intangible assets.

I. Deferred Outflows/Inflows of Resources.

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

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

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.

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

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 leases/leases - Deferred inflows of resources measured at the initial value of the lease receivable to reflect that the receivable relates to future periods.

J. Leases.

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87), to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

The County uses the historical federal prime borrowing rate to calculate the present value of lease payments when the rate implicit in the lease is not known. The rate used to measure leases of 16th section real property was 4.00% in accordance with *Section 29-3-113, Mississippi Code of 1972 Annotated*.

K. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on financed purchases 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.

L. Pensions.

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

M. 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.

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

N. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

Restricted fund balance includes amounts that have constraints placed upon the use of the resources 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

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

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

O. 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.

P. 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.

Q. Changes in Accounting Standards.

GASB 87, *Leases*, was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2022

(2) Prior Period Adjustment.

A summary of the significant net position adjustment is as follows:

Exhibit 2 – Statement of Activities – Governmental Activities.

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in long-term debt.	\$ <u>59,877</u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2022, was \$21,162,509, and the bank balance was \$21,736,824. 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, 2022:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 64,134
Custodial Funds	General Fund	<u>7,132</u>
Total		\$ <u>71,266</u>

The receivables represent the tax and other revenue collected in September 2022, but not settled until October 2022. 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, 2022

B. Advances From/To Other Funds:

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

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

C. Transfers In/Out:

Transfers In	Transfers Out	Amount
Other Governmental Funds	General Fund	\$ 235,702
Other Governmental Funds	Other Governmental Funds	1,948,389
Total		<u>\$ 2,184,091</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, 2022, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 193,035
Disaster grant reimbursements	71,836
Emergency management performance grant reimbursement	11,621
DUI grant reimbursements	10,003
Occupant protection grant reimbursements	17,502
Housing prisoners reimbursements	2,300
Total Governmental Activities	<u>\$ 306,297</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, 2022

Loans receivable balances at September 30, 2022, 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>3,490,000</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2022:

Governmental activities:

	Balance Oct. 1, 2021	Additions	Deletions	Adjustments*	Balance Sept. 30, 2022
<u>Non-depreciable capital assets:</u>					
Land	\$ 647,526				647,526
Total non-depreciable capital assets	647,526	0	0	0	647,526
<u>Depreciable capital assets:</u>					
Infrastructure	129,005,175				129,005,175
Buildings	11,384,011				11,384,011
Mobile equipment	9,647,818	1,829,768	660,899	3,548,230	14,364,917
Furniture and equipment	2,706,855		118,085	343,166	2,931,936
Leased property under capital leases	3,891,396			(3,891,396)	0
Intangible right-to-use land		90,636			90,636
Intangible right-to-use equipment		26,330			26,330
Total depreciable capital assets	156,635,255	1,946,734	778,984	0	157,803,005
<u>Less accumulated depreciation for:</u>					
Infrastructure	85,125,550	355,628			85,481,178
Buildings	3,363,828	201,571			3,565,399
Mobile equipment	7,047,168	900,122	254,312	1,083,221	8,776,199
Furniture and equipment	2,440,140	89,051	109,301	44,123	2,464,013
Leased property under capital leases	1,127,344			(1,127,344)	0
Intangible right-to-use land		3,962			3,962
Intangible right-to-use equipment		6,582			6,582
Total accumulated depreciation	99,104,030	1,556,916	363,613	0	100,297,333
Total depreciable capital assets, net	57,531,225	389,818	415,371	0	57,505,672
Governmental activities capital assets, net	\$ <u>58,178,751</u>	<u>389,818</u>	<u>415,371</u>	<u>0</u>	<u>58,153,198</u>

Total capital assets, net, excluding intangible right-to-use assets	\$ 58,046,776
Intangible right-to-use assets, net	<u>106,422</u>

Total capital assets, net, as reported in the statement of net position	\$ <u>58,153,198</u>
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*The adjustments above for leased assets are a result of the implementation of GASB 87. Under the new guidance, leases that were previously reported as capital leases and whereby the asset conveys to the lessee at the conclusion of the lease, are now considered financed purchases. Since these assets are no longer considered leased assets, reclassifications have been made to report them in their respective category.

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental activities:	
General government	\$ 25,274
Public safety	498,796
Public works	937,107
Health and welfare	37,267
Culture and recreation	19,251
Conservation of natural resources	6,940
Economic development and assistance	<u>32,281</u>
Total governmental activities depreciation expense	<u>\$ 1,556,916</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, 2022, to January 1, 2023. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Leases.

As Lessee:

The County is a lessee for various non-cancellable leases of land and equipment. For leases that have a maximum possible term of 12 months or less at commencement, the County recognizes expense based on the provisions of the lease contract. For all other leases, other than short-term, the County recognized a lease liability and an intangible right-to-use lease asset.

At lease commencement, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in depreciation on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The County generally uses the historical federal prime borrowing rate as the discount rate for leases unless the rate that the lessor charges is known. The rate used to measure leases of 16th section real property was 4.00% in accordance with *Section 29-3-113, Mississippi Code of 1972 Annotated*.

The lease term includes the non-cancellable period of the lease plus any additional periods covered by either a county or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the County and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2022

Lease Assets

	Balance 10/1/2021	Additions	Amortization	Balance 9/30/2022
Intangible right-to-use land	\$	90,636	3,962	86,674
Intangible right-to-use equipment		26,330	6,582	19,748
Total	\$ 0	116,966	10,544	106,422

See Note 7 for further details regarding intangible right-to-use assets, which represents leased assets.

Lease Liabilities

	Balance 10/1/2021	Additions	Principal Payments	Balance 9/30/2022
Land	\$	90,636	5,245	85,391
Printer/copier lease		6,990	1,642	5,348
Postage meter leases		19,340	4,932	14,408
Total	\$ 0	116,966	11,819	105,147

From 2006 through 2017, Covington County entered into various non-cancellable lease agreements with the Covington County School District for the lease of several parcels of 16th section land owned by the School District. The leases stipulated that the lessee would pay lease payments ranging from \$1,000 to \$1,500 per year for terms of 25 to 40 years.

On October 21, 2020, Covington County entered into a lease agreement with Toshiba Business Solutions for the lease of a Toshiba printer/copier owned by Toshiba Business Solutions. The lease stipulated that the lessee would pay \$152 per month in lease payments for a term of five years.

In 2020, Covington County entered into various lease agreements with Pitney Bowes for the lease of postage meters owned by Pitney Bowes. The leases stipulated that the lessee would pay \$452 to \$884 per quarter in lease payments for terms of five years.

Description	Discount Rate	Term	Issue Date	Maturity Date	Monthly	Amount Outstanding
Radio tower	4.00%	480 months	10/2006	10/2046	\$ 83	\$ 15,247
Seminary community center	4.00%	300 months	12/2017	12/2042	125	21,885
District 2 road barn	4.00%	480 months	3/2008	3/2048	83	15,247
District 3 road barn	4.00%	360 months	4/2014	4/2044	107	18,063
District 5 road barn	4.00%	420 months	12/2008	12/2043	92	14,949
Toshiba printer/copier	3.25%	60 months	11/2020	10/2025	152	5,348
SendPro postage meter	3.25%	60 months	12/2020	12/2025	38	5,143
Pitney Bowes postage meter	3.25%	60 months	7/2020	7/2025	74	9,265
					\$ 754	\$ 105,147

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2022

The following is a schedule by years of the total payments due as of September 30, 2022:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 9,749	2,704
2024	9,426	3,630
2025	8,869	3,302
2026	2,961	3,078
2027	2,922	2,966
2028-2032	16,457	12,979
2033-2037	20,026	9,410
2038-2042	24,363	5,074
2043-2047	10,374	1,014
Total	<u>\$ 105,147</u>	<u>44,157</u>

As Lessor:

From 1982 through 1994, Covington County entered into several lease agreements with Sanderson Farms, Inc. for the lease of buildings, building improvements and equipment owned by Covington County for the purpose of operating a chicken hatchery and a chicken processing plant. The leases stipulated that the lessee would pay from \$1,250 to \$7,500 per year in lease payments for terms of 79 to 87 years. The County is to receive a total of \$14,625 in rent annually with an implicit interest rate of 3.25%.

Remaining amounts to be received associated with these leases are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 3,250	11,375
2024	3,356	11,269
2025	3,465	11,160
2026	3,577	11,048
2027	3,694	10,931
2028 - 2032	20,346	52,779
2033 - 2037	23,875	49,247
2038 - 2042	28,014	45,110
2043 - 2047	32,872	40,252
2048 - 2052	38,573	34,553
2053 - 2057	45,265	27,868
2058 - 2062	49,115	20,015
2063 - 2067	36,952	13,047
2068 - 2072	43,357	6,635
2073 - 2077	14,297	703
Total	<u>\$ 350,008</u>	<u>345,992</u>

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2022

(10) Long-term Debt.

Debt outstanding as of September 30, 2022, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
GO Refunding Bonds, Series 2015	\$ <u>3,490,000</u>	2.00-3.375%	07/2031
B. Limited Obligation Bonds:			
Certificates of Participation, Jail Project	\$ <u>2,610,000</u>	3.40%	06/2033
C. Financed Purchases:			
(10) 2018 Deepsouth custom-built fire trucks	\$ 1,092,142	4.02%	07/2027
Fire protection equipment	334,993	1.96%	03/2025
District 5 2020 Caterpillar 3164F excavator	109,868	1.42%	08/2025
District 1 2022 Mack dump truck	150,000	1.25%	10/2022
District 1 2022 New Holland tractor	56,166	2.51%	05/2025
District 4 2022 Mack dump truck (Refinanced)	135,000	3.02%	08/2023
District 5 2023 Kenworth T880 dump truck	190,000	3.02%	07/2023
District 5 2023 Kenworth T880 dump truck	<u>190,000</u>	3.02%	08/2023
Total Financed Purchases	\$ <u>2,258,169</u>		
D. Other Loans:			
Motorola body cameras	\$ <u>6,834</u>	0.00%	05/2023

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
2023	\$ 340,000	108,956	200,000	88,740
2024	350,000	98,756	205,000	81,940
2025	365,000	88,256	215,000	74,970
2026	375,000	77,307	220,000	67,660
2027	385,000	66,056	230,000	60,180
2028 - 2032	1,675,000	140,695	1,260,000	179,010
2033 - 2037			<u>280,000</u>	<u>9,520</u>
Total	\$ <u>3,490,000</u>	<u>580,026</u>	<u>2,610,000</u>	<u>562,020</u>

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2022

Year Ending September 30	Financed Purchases		Other Loans	
	Principal	Interest	Principal	Interest
2023	\$ 1,048,456	78,169	6,834	
2024	395,397	43,744		
2025	386,603	36,429		
2026	239,561	19,647		
2027	188,152	10,043		
Total	\$ 2,258,169	188,032	6,834	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, 2022, the amount of outstanding debt was equal to 1.12 percent (1.12%) of the latest property assessments.

Certificates of Participation – In accordance with *Section 31-8-1 et seq., Mississippi Code of 1972 Annotated*, 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 agreement 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 agreement, 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, 2022:

	Balance Oct. 1, 2021	Additions	Reductions	Adjustments*	Balance Sept. 30, 2022	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 3,820,000		330,000		3,490,000	340,000
Limited obligation bonds	2,805,000		195,000		2,610,000	200,000
Capital leases	2,580,189			(2,580,189)		
Financed purchases		866,964	1,129,107	2,520,312	2,258,169	1,048,456
Leases payable		116,966	11,819		105,147	9,749
Other loans	13,668		6,834		6,834	6,834
Total	\$ 9,218,857	983,930	1,672,760	(59,877)	8,470,150	1,605,039

*Adjustments above for capital leases are a result of the implementation of GASB 87. Under the new guidance, leases that were previously reported as capital leases and whereby the asset conveys to the lessee at the conclusion of the lease, are now considered financed purchases. Other adjustments are to correct prior year errors in long-term debt.

(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

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

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, 2022, 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, 2022 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, 2022, 2021 and 2020 were \$801,354, \$710,937 and \$661,794, 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, 2022, the County reported a liability of \$13,223,753 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022 net pension liability was 0.064244 percent, which was based on a measurement date of June 30, 2022. This was an increase of 0.003574 from its proportionate share used to calculate the September 30, 2021 net pension liability, which was based on a measurement date of June 30, 2021.

For the year ended September 30, 2022, the County recognized pension expense of \$1,665,405. At September 30, 2022, the County reported deferred outflows of resources related to pensions from the following sources:

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2022

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 180,885
Net difference between projected and actual earnings on pension plan investments	788,304
Changes of assumptions	431,914
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	840,378
County contributions subsequent to the measurement date	211,897
Total	\$ 2,453,378

\$211,897 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, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30	Amount
2023	\$ 829,228
2024	652,132
2025	42,564
2026	717,557
Total	\$ 2,241,481

Actuarial Assumptions. The total pension liability as of June 30, 2022 was determined by an actuarial valuation prepared as of June 30, 2021, and by the investment experience for the fiscal year ending June 30, 2022. 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 for service retirees 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% 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 log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each

COVINGTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2022

major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	25.00 %	4.60 %
International Equity	20.00	4.50
Global Equity	12.00	4.85
Fixed Income	18.00	1.40
Real Estate	10.00	3.65
Private Equity	10.00	6.00
Private Infrastructure	2.00	4.00
Private Credit	2.00	4.00
Cash Equivalents	1.00	(0.10)
Total	100.00 %	

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:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
County's proportionate share of the net pension liability	\$ 17,258,348	13,223,753	9,897,434

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

(12) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balance or net position at September 30, 2022:

Fund	Deficit Amount
District 2 Road Maintenance Fund	\$ 129,858

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

(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 \$(1,325,688) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$211,897 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, 2023. The \$2,241,481 balance of the deferred outflows of resources related to pensions at September 30, 2022, will be recognized in pension expense over the next four years.

The governmental activities' unrestricted net position amount of \$(1,325,688) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from leases. The \$357,064 balance of deferred inflows of resources at September 30, 2022, will be recognized as revenue and will increase the unrestricted net position over the next 52 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 Cities of Hattiesburg, Laurel, and Petal in a joint venture, authorized by *Section 17-17-307, Mississippi Code of 1972 Annotated*, 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.

(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 \$38,875 for support of the district in fiscal year 2022.

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 2022.

COVINGTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

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 \$549,890 for maintenance and support of the college in fiscal year 2022.

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 \$137,000 for support of the district in fiscal year 2022.

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Greene, Hancock, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry and Stone. 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 did not provide any financial support to the district in fiscal year 2022.

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 May 6, 2024, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2022, the County issued the following debt obligations:

Issue	Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
12/05/2022		3.02%	\$ 135,000	Financed purchase	Ad valorem taxes
07/31/2023		0.00%	72,533	Financed purchase	Ad valorem taxes
08/07/2023		4.97%	187,437	Financed purchase	Ad valorem taxes
8/23/2023		5.40%	190,000	Financed Purchase	Ad Valorem Taxes
8/23/2023		5.40%	190,000	Financed Purchase	Ad Valorem Taxes
1/5/2024		5.00%	298,000	Financed Purchase	Ad Valorem Taxes
3/4/2024		4.60%	460,000	Financed Purchase	Ad Valorem Taxes
5/6/2024		4.67%	498,850	Financed Purchase	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, 2022
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 7,979,388	7,963,643	7,963,643	
Licenses, commissions and other revenue	249,000	261,924	261,924	
Fines and forfeitures	240,000	226,269	226,269	
Intergovernmental revenues	847,400	2,900,315	2,900,315	
Charges for services	19,000	18,467	18,467	
Interest income	100,030	54,509	54,509	
Miscellaneous revenues	333,600	380,073	380,073	
Total Revenues	<u>9,768,418</u>	<u>11,805,200</u>	<u>11,805,200</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,243,250	4,023,658	4,023,658	
Public safety	3,699,450	3,767,209	3,767,209	
Public works	487,000	481,309	481,309	
Health and welfare	224,020	190,552	190,552	
Culture and recreation	65,600	69,633	69,633	
Education		114,826	114,826	
Conservation of natural resources	121,070	102,415	102,415	
Economic development and assistance	55,642	55,250	55,250	
Total Expenditures	<u>7,896,032</u>	<u>8,804,852</u>	<u>8,804,852</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>1,872,386</u>	<u>3,000,348</u>	<u>3,000,348</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		83,711	83,711	
Transfers in	368,500	394,000	394,000	
Transfers out	(3,625,000)	(2,589,614)	(2,589,614)	
Total Other Financing Sources and Uses	<u>(3,256,500)</u>	<u>(2,111,903)</u>	<u>(2,111,903)</u>	<u>0</u>
Net Change in Fund Balance	(1,384,114)	888,445	888,445	0
Fund Balance - Beginning	<u>10,651,400</u>	<u>10,055,742</u>	<u>10,055,742</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 9,267,286</u>	<u>10,944,187</u>	<u>10,944,187</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, 2022
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$	1,809,912	1,809,912	
Interest income		3,141	3,141	
Total Revenues	<u>0</u>	<u>1,813,053</u>	<u>1,813,053</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>1,813,053</u>	<u>1,813,053</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing uses	(1,809,913)			
Total Other Financing Sources and Uses	<u>(1,809,913)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(1,809,913)	1,813,053	1,813,053	0
Fund Balance - Beginning	<u>1,809,913</u>	<u>1,810,516</u>	<u>1,810,516</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>3,623,569</u>	<u>3,623,569</u>	<u>0</u>

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

COVINGTON COUNTY

Schedule of the County's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

For the Year Ended September 30, 2022

UNAUDITED

	2022	2021	2020	2019	2018	2017	2016	2015
County's proportion of the net pension liability (asset)	0.064244%	0.060670%	0.056298%	0.054567%	0.053453%	0.050594%	0.049267%	0.047683%
County's proportionate share of the net pension liability (asset)	\$ 13,223,753	8,967,291	10,898,639	9,599,412	8,890,822	8,410,440	8,800,317	7,370,852
Covered payroll	\$ 4,422,748	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	298.99%	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	59.93%	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, 2022

UNAUDITED

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 801,354	710,937	661,794	581,792	544,252	517,058	495,650	481,388
Contributions in relation to the contractually required contribution	<u>801,354</u>	<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>	<u>0</u>
Covered payroll	\$ 4,605,484	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%	17.40%	16.18%	15.75%	15.75%	15.75%	15.75%

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

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

COVINGTON COUNTY

Notes to the Required Supplementary Information For the Year ended September 30, 2022 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, and 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>	
	General Fund	ARPA Covid Relief Fund
Budget (Cash Basis)	\$ 888,445	1,813,053
Increase (Decrease)		
Net adjustments for revenue accruals	(2,496,037)	(1,809,912)
Net adjustments for expenditure accruals	<u>2,459,879</u>	
GAAP Basis	<u>\$ 852,287</u>	<u>3,141</u>

COVINGTON COUNTY

Notes to the Required Supplementary Information For the Year ended September 30, 2022 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 were reduced from 3.75% to 3.25%.

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

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

2019

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

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

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

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

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

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

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

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

COVINGTON COUNTY

Notes to the Required Supplementary Information For the Year ended September 30, 2022 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%.

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

B. Changes in benefit provisions.

2016

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

COVINGTON COUNTY

Notes to the Required Supplementary Information
For the Year ended September 30, 2022
UNAUDITED

C. 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, 2020 valuation for the June 30, 2022 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	27.7 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
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2022

Operating Expenditures, Cash Basis:

Salaries	\$	573,916
Expendable Commodities:		
Gasoline and petroleum products		56,778
Repair parts		59,125
Office, field and shop supplies		1,970
Gravel and fencing supplies		2,520
Tires		19,890
Repairs and maintenance		60,522
Solid waste disposal fee		152,619
Professional fees, legal advertising and other fees		1,620
Utilities		6,787
Rent on equipment		<u>82,706</u>
Solid Waste Cash Basis Operating Expenditures		1,018,453
Full Cost Expenses:		
Indirect administrative costs		1,140
Depreciation on equipment		73,526
Net effect of accrued expenses		<u>(41,156)</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>1,051,963</u></u>

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, 2022
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
Ashtin Sloan	Assistant Purchase Clerk	Western Surety Insurance Company	\$50,000
Mona Smith	Receiving Clerk	FCCI Insurance Company	\$75,000
Jacqueline Benton	Receiving Clerk	Western Surety 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
Bobby Booth	Assistant Receiving Clerk	Western Surety Insurance Company	\$50,000
Kathryn 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
Kayla West	Inventory Control Clerk	Western Surety 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
Cynthia Sullivan	Deputy Circuil 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 Owens	Deputy Justice Court Clerk	FCCI Insurance Company	\$50,000
Cindy Sanford	Tax Assessor-Collector	FCCI Insurance Company	\$100,000
Melinda Duckworth	Deputy Tax Collector	Western Surety 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
Tiffaey Watts	Deputy Tax Collector	Western Surety Insurance Company	\$50,000

COVINGTON COUNTY

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COVINGTON COUNTY

SPECIAL REPORTS

COVINGTON COUNTY

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

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

Members of the Board of Supervisors
Covington County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 6, 2024. 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. Our report also includes a qualified opinion on the General Fund because the County did not maintain and preserve adequate subsidiary records documenting the existence and valuation of the Circuit Court and Justice Court fines receivable, net, and the aging of these receivables at September 30, 2022.

Report on 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) as a basis for designing 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 were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2022-001, 2022-003, 2022-004, 2022-005 and 2022-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2022-002 and 2022-007 to be significant deficiencies.

Report on 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 financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Responses as item 2022-003.

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 May 6, 2024, included within this document.

Covington County's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Covington County, Mississippi's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. Covington County, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 6, 2024



**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, 2022. The Board of Supervisors of Covington County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

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

Board of Supervisors and Assistant Receiving Clerks.

1. The Assistant Receiving Clerks should be bonded as required by state law.

Repeat Finding No

Criteria *Section 31-7-124, Mississippi Code of 1972 Annotated*, requires each Assistant Receiving Clerk to execute a bond for Fifty Thousand Dollars (\$50,000) to be payable, conditioned and approved as provided by law.

Condition One of the Assistant Receiving Clerks was not bonded for the entire fiscal year.

Cause	The County failed to comply with state law.
Effect	Failure to comply with state law would limit the amount available for recovery if a loss occurred.
Recommendation	The County should implement procedures to ensure that all Assistant Receiving Clerks are bonded as required by state law.
Views of Responsible Official(s)	We will comply.

Board of Supervisors and Receiving Clerk.

2.	<u>The Receiving Clerk should be bonded as required by state law.</u>
Repeat Finding	No
Criteria	<i>Section 31-7-124, Mississippi Code of 1972 Annotated</i> , requires the Receiving Clerk to execute a bond for Seventy-five Thousand Dollars (\$75,000) to be payable, conditioned and approved as provided by law.
Condition	The Receiving Clerk was not bonded in fiscal year 2022.
Cause	The County failed to comply with state law.
Effect	Failure to comply with state law would limit the amount available for recovery if a loss occurred.
Recommendation	The County should implement procedures to ensure that the Receiving Clerk is bonded as required by state law.
Views of Responsible Official(s)	We will comply.

Inventory Control Clerk.

3.	<u>The Inventory Control Clerk should maintain an inventory control system.</u>
Repeat Finding	Yes
Criteria	<i>Section 31-7-107, Mississippi Code of 1972 Annotated</i> , requires the Inventory Control Clerk to maintain an inventory control system. An effective system of internal control over capital assets should include that certain 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 four 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 2022 in the amount of \$1,249,157 were not added to the capital asset records.
Cause	The Inventory Control Clerk lacked 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)	Procedures have been put into place to record all inventory with all required information. We will also be sure to spread any deletions/dispositions in the board minutes.
Purchase Clerk.	
4.	<u>The Purchase Clerk should comply with all requirements of the central purchasing system.</u>
Repeat Finding	No
Criteria	<p><i>Section 31-7-103, Mississippi Code of 1972 Annotated</i>, states that the Purchase Clerk is responsible for the purchase and acquisition of all equipment, heavy equipment, machinery, supplies, commodities, materials and services acquired for the County and maintenance of the central purchasing system. The requirements of the central purchasing system should include:</p> <ol style="list-style-type: none"> The receipt of a completed purchase requisition before a purchase order is issued; the recording of all required data on purchase orders, including issue date; the receipt of a properly completed receiving report before submitting an invoice for payment; and the maintenance and preservation of all purchasing records.
Condition	<p>During our testing of 25 invoices for compliance with the central purchasing system requirements, the following deficiencies were noted:</p> <ol style="list-style-type: none"> Purchase requisitions were not present for three purchases totaling \$155,620. No date was recorded on the purchase order for a purchase in the amount of \$10,476. A properly completed receiving report was not present for six purchases totaling \$261,762. No bids or quotes were documented for a purchase in the amount of \$10,476.
Cause	The Purchase Clerk failed to comply with state law.
Effect	Failure to follow state purchasing laws and requirements could result in unauthorized purchases and the loss or misuse of public funds.
Recommendation	<p>The Purchase Clerk should implement procedures to ensure that:</p> <ol style="list-style-type: none"> signed and dated purchase requisitions are received before issuing a purchase order and placing an order; purchase orders include all required data; a properly completed receiving report is received before submitting an invoice for payment; and all required purchasing documents are assembled and preserved for subsequent review by auditors.

Views of Responsible**Official(s)**

I will comply.

In our opinion, because of the noncompliance referred to in the preceding paragraph, Covington County, Mississippi, did not comply, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2022.

Covington County's purchasing system was not in compliance with state laws governing central purchasing for fiscal year 2022. The system was retested and as of February 29, 2024, Covington County was in compliance with the aforementioned requirements.

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

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 6, 2024

COVINGTON COUNTY

Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2022

Schedule 1

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, 2022

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
4/4/2022	Server with software	\$ 11,294	iTech Systems Group, Inc.	Server is required for public safety and previous server could not be repaired.

COVINGTON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2022

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, 2022, 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 May 6, 2024, 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. The County should distribute additional truck and bus privilege taxes to the county school district in compliance with state law.

Repeat Finding No

Criteria *Section 27-19-11, Mississippi Code of 1972 Annotated*, requires the County to distribute the proceeds of additional truck and bus privilege taxes as they would if these collections were ad valorem taxes.

Condition The amounts of the County's settlements of additional truck and bus privilege taxes to the county school district were incorrect in fiscal year 2022.

Cause The County did not comply with state law.

Effect	Failure to correctly distribute the additional truck and bus privilege taxes to the county school district resulted in incorrect settlement amounts.
Recommendation	The Board of Supervisors should implement procedures to ensure that the distribution of additional truck and bus privilege taxes is computed in accordance with state law.
Views of Responsible Official(s)	We will make the appropriate payments to the school district and be sure to follow the procedures to comply with state law going forward.
2.	<u>The County should distribute railcar ad valorem taxes to the appropriate taxing districts in compliance with state law.</u>
Repeat Finding	No
Criteria	<i>Section 27-35-519, Mississippi Code of 1972 Annotated</i> , requires the Clerk of the Board of Supervisors to distribute the county payment of railcar ad valorem taxes to the municipalities and other taxing districts in proportion to the number of miles of railroad in the municipality and other taxing districts to the number of miles of railroad in the entire county.
Condition	The amounts of the County's settlements of railcar ad valorem taxes to the municipalities and other taxes districts were incorrect in fiscal year 2022.
Cause	The County did not comply with state law.
Effect	Failure to correctly distribute the railcar ad valorem taxes to the municipalities and other taxing districts resulted in incorrect settlement amounts.
Recommendation	The Board of Supervisors should implement procedures to ensure that the distribution of railcar ad valorem taxes is computed in compliance with state law.
Views of Responsible Official(s)	We will make the appropriate payments to the school district and other taxing districts and be sure to follow the procedures to comply with state law going forward.
3.	<u>The County should distribute motor vehicle rental sales taxes to the county school district and other taxing districts in compliance with state law.</u>
Repeat Finding	No
Criteria	<i>Section 27-65-231, Mississippi Code of 1972 Annotated</i> , requires the County to distribute the proceeds of the motor vehicle rental sales tax among the municipality and applicable school district from which the tax proceeds were derived and the County in proportion to the ad valorem tax levies of the taxing districts.
Condition	During fiscal year 2022, the County did not distribute any of the motor vehicle rental sales tax proceeds to the county school district or other taxing districts.
Cause	The County did not comply with state law.
Effect	Failure to distribute motor vehicle rental sales tax proceeds to the county school district and other taxing districts resulted in the County being in direct violation of state law.
Recommendation	The Board of Supervisors should implement procedures to ensure the motor vehicle rental sales taxes are distributed to the other taxing districts as required by state law.

**Views of Responsible
Official(s)**

We will make the appropriate payments to the school district and other taxing districts and be sure to follow the procedures to comply with state law going forward.

4. The Board of Supervisors should strengthen controls to ensure compliance of accounting for restricted funds.

Repeat Finding No

Criteria *Section 23-15-5(2)(a)(i), Mississippi Code of 1972 Annotated*, states that monies distributed by the Secretary of State from the Election Support Fund shall be held in a separate fund and used solely for the purpose of acquiring, upgrading, maintaining, or repairing voting equipment, systems and supplies, hiring temporary technical support, conducting elections using such voting equipment or systems, employing such personnel to conduct an election, and training election officials.

Condition The Board of Supervisors receipted Election Support Fund monies into the General Fund which is considered unrestricted.

Cause The County did not comply with state law.

Effect Failure to correctly receipt restricted amounts into a separate fund could result in the misappropriation and misuse of restricted funds.

Recommendation The Board of Supervisors should create a separate fund to account for monies received from the Election Support Fund.

**Views of Responsible
Official(s)**

We will do a transfer to correct the error and put the funds in their correct fund. We will be mindful of this in the future.

5. The Board of Supervisors should strengthen controls to ensure compliance with collateralization of public funds.

Repeat Finding No

Criteria *Section 27-105-5(6)(b), Mississippi Code of 1972 Annotated*, requires the County, within thirty days of its fiscal year end, to provide to the State Treasurer a listing of all accounts that it had with qualified public depositories, including the deposit balance in each of those accounts, as of its fiscal year end.

Condition During our test work, it was noted that two of the County's bank accounts, with a combined balance of \$3,823,569, were omitted from the County's public depositor's annual report. Additionally, the County did not submit the report within thirty days of its fiscal year end.

Cause The County did not comply with state law.

Effect Failure to report all county bank accounts to the State Treasurer in a timely manner could result in the State Treasurer's Office having inaccurate records and increases the risk that the County's funds are not properly collateralized.

Recommendation The County should implement procedures to ensure that the public depositor's annual report is accurate and is submitted to the State Treasurer within thirty days of its fiscal year end.

**Views of Responsible
Official(s)**

We will comply.

Board of Supervisors and Circuit Clerk.

6.	<u>The Deputy Circuit Clerks should be bonded as required by state law.</u>
Repeat Finding	No
Criteria	<i>Section 9-7-123(2), Mississippi Code of 1972 Annotated</i> , requires all Deputy Circuit Clerks to be bonded for a minimum of Fifty Thousand Dollars (\$50,000).
Condition	One of the Deputy Circuit Clerks was not bonded in fiscal year 2022.
Cause	The County did not comply with state law.
Effect	Failure to ensure that all Deputy Circuit Clerks are bonded would limit the amount available for recovery if a loss occurred.
Recommendation	The County should implement procedures to ensure all Deputy Circuit Clerks are bonded as required by state law.
Views of Responsible Official(s)	We will comply.

Board of Supervisors and Payroll Clerk.

7.	<u>Part-time employees paid as full-time employees.</u>
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 four years' audit reports, we noted an employee who worked consistently over twenty hours a week and was considered a part-time employee by the County. This employee was eligible to participate in PERS; however, the County did not contribute to PERS on his behalf. We also noted part-time employees who had PERS contributions withheld from some of their checks.
Cause	The County did not follow the regulations set forth by PERS.
Effect	Failure to transition employees to full-time status and withholding PERS from the checks of part-time employees breaks the contractual obligation made to PERS, and retirement contributions settled to PERS could be misstated as a result.
Recommendation	The County should transition employees working over twenty hours a week to full-time status and should not withhold PERS contributions from the checks of those working less than twenty hours a week.
Views of Responsible Official(s)	I will work to fix these issues.
8.	<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 of 1972 Annotated</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 three 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 state law.
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)	I will fix these issues.

Board of Supervisors and Deputy Tax Collectors.

9.	<u>The Deputy Tax Collectors should be bonded as required by state law.</u>
Repeat Finding	No
Criteria	<i>Section 27-1-3, Mississippi Code of 1972 Annotated</i> , requires each Deputy Tax Collector to execute a bond to be payable, conditioned, and approved as provided by law in an amount not less than Fifty Thousand Dollars (\$50,000) for the faithful discharge of his duties.
Condition	Two of the Deputy Tax Collectors were not bonded in fiscal year 2022.
Cause	The County did not comply with state law.
Effect	Failure to comply with state law and obtain a bond for all Deputy Tax Collectors would result in an unnecessary liability being incurred by the County if a loss occurred.
Recommendation	The County should implement procedures to ensure that all Deputy Tax Collectors are bonded as required by state law.
Views of Responsible Official(s)	We will comply.

Chancery Clerk.

10.	<u>The Chancery Clerk should reconcile the land redemption account monthly.</u>
Repeat Finding	No
Criteria	An effective system of internal control over cash should include the monthly reconciliation of the land redemption bank accounts.
Condition	During our test work, an unidentified overage in the amount of \$1,732 was noted in the land redemptions bank account.
Cause	The Chancery Clerk lacked the necessary internal controls to ensure that land redemption was reconciled.

Effect	Failure to correctly reconcile the land redemption bank account on a monthly basis could result in undetected errors or misappropriation of public funds.
Recommendation	The Chancery Clerk should implement procedures to ensure the land redemption cash balance is reconciled to the unsettled releases on a monthly basis.
Views of Responsible Official(s)	We will look into it and try to resolve this issue.
Purchase Clerk.	
11.	<u>Credit card charges were not properly presented before the Board of Supervisors.</u>
Repeat Finding	Yes
Criteria	<i>Section 19-3-68, Mississippi Code of 1972 Annotated</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 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	As reported in the prior year's audit report, we noted that there were no itemized reports compiled and presented to the Board of Supervisors in fiscal year 2022 and there was no sufficient documentation for credit card charges during the fiscal year.
Cause	The Purchase Clerk did not comply with state law.
Effect	Failure to enforce these requirements could result in the misuse of the credit card for unauthorized and unallowable 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.	
12.	<u>The Sheriff should ensure meal logs are in compliance with state law.</u>
Repeat Finding	Yes
Criteria	<i>Section 19-25-74, Mississippi Code of 1972 Annotated</i> , 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 two years' audit reports, we noted that meal logs were not filed monthly with the Board of Supervisors.
Cause	The Sheriff did not comply with state law.

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)	Meal log is maintained at the Covington County Jail. The log will be sent to the Board of Supervisors on a monthly basis.

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, 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

May 6, 2024

COVINGTON COUNTY

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COVINGTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

COVINGTON COUNTY

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COVINGTON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2022

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Unmodified
Aggregate discretely presented component units	Adverse
General Fund	Qualified
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? Yes

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2022-001. Internal controls should be strengthened to include adequate segregation of duties for the County's general accounting functions.

Repeat Finding Yes

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

Condition As reported in the prior year's audit report, 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 receiving clerk receipts 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 the misappropriation of public 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 and inventory accounting functions.

COVINGTON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2022

**Views of Responsible
Official(s)**

We will comply by looking at the budget to add extra personnel in the future.

Significant Deficiency

2022-002. Controls over the recording of revenues should be strengthened.

Repeat Finding Yes

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

Condition As reported in the prior year's audit report, during the audit, we noted numerous coding errors in the recording of revenues.

Cause The Board of Supervisors lacked the necessary controls to ensure 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.

**Views of Responsible
Official(s)**

We have made the adjustments to our system and will be mindful of the accounting manual when recording revenues in the future.

**Material Weakness
Material Noncompliance**

2022-003. Controls over the repayment of interfund advances should be strengthened.

Repeat Finding No

Criteria The Mississippi Code is silent regarding the authority of the County to make interfund loans.

Condition The County has interfund loans that were outstanding for over one year. These loans were made in prior years to correct errors in the posting of receipts. However, these loans were not repaid as of September 30, 2022.

Cause The County failed to repay outstanding interfund loans.

Effect Failure of the Board of Supervisors to ensure payment of these loans is an illegal diversion of restricted funds.

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

COVINGTON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2022

**Views of Responsible
Official(s)**

We will submit an interfund transfer to the board for approval. Upon approval, the loan will be repaid correcting this error.

Circuit Clerk.

Material Weakness

2022-004. The Circuit Clerk should ensure effective controls over fines receivable.

Repeat Finding No

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

Condition Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for the Circuit Court fines and aging of fines receivable as of September 30, 2022.

Cause The Circuit Clerk lacked adequate internal controls over fines receivable.

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

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

**Views of Responsible
Official(s)**

The program is designed to cut off at September 30th no matter when the report is printed. It will not pick up any receipt after September 30th.

Auditor's Note The fines receivable system used by the Circuit Clerk is a live system that reports the current balances regardless of the date requested.

Inventory Control Clerk.

Material Weakness

2022-005. 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 four 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 2022 in the amount of \$1,249,157 were not added to the capital asset records.

COVINGTON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2022

Cause	The Inventory Control Clerk lacked 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)	Procedures have been put in place to record all inventory with all required information. We will also be sure to spread any deletions/dispositions in the board minutes.
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Justice Court Clerk.

Material Weakness

2022-006.	<u>The Justice Court Clerk should ensure effective controls over fines receivable.</u>
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Repeat Finding	No
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Criteria	An effective system of internal control over fines receivable records should include maintaining adequate subsidiary records to substantiate the total fines receivable balance.
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Condition	Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for the Justice Court fines and aging of fines receivable as of September 30, 2022.
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Cause	The Justice Court Clerk lacked adequate internal controls over fines receivable.
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Effect	The Independent Auditor's Report includes a qualified opinion on the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.
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Recommendation	The Justice Court Clerk should implement procedures to ensure documentation of the existence and valuation of the Justice Court fines receivable, including the aging schedule of fines receivable.
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Views of Responsible Official(s)	Due to unforeseen personal circumstances, I forgot to run my report on time.
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Payroll Clerk.

Significant Deficiency

2022-007.	<u>The Payroll Clerk should maintain adequate records for compensated absences liability.</u>
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Repeat Finding	Yes
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COVINGTON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2022

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 four 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)	We will work toward implementing this into our system.