

SCOTT COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2015

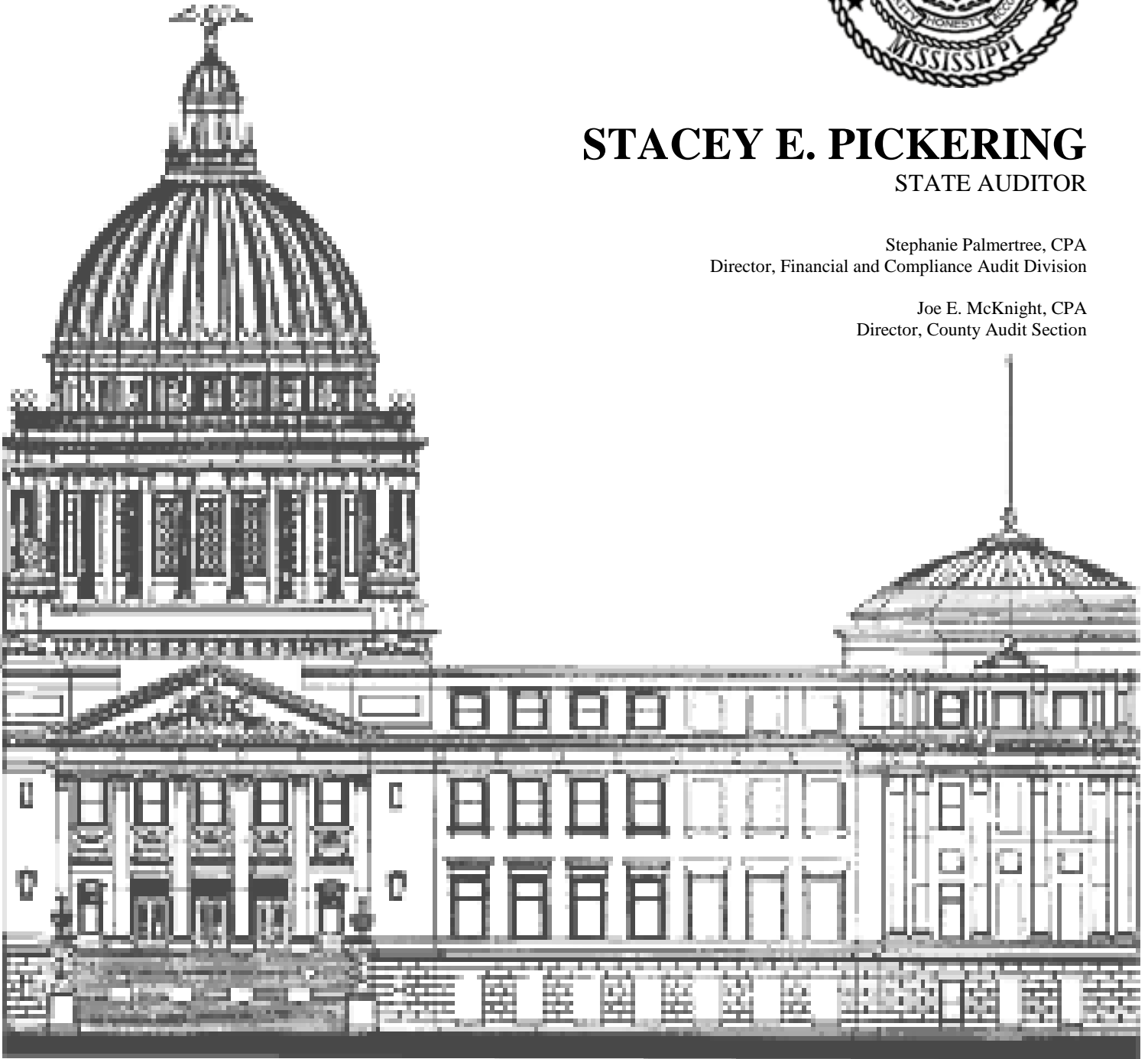


STACEY E. PICKERING

STATE AUDITOR

Stephanie Palmertree, 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
STACEY E. PICKERING
AUDITOR

June 27, 2017

Members of the Board of Supervisors
Scott County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2015 financial and compliance audit report for Scott 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 Scott County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Scott 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 "Stacey E. Pickering", written in a cursive style.

Stacey E. Pickering
State Auditor

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SCOTT COUNTY

FINANCIAL SECTION

SCOTT COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Scott County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Scott County, Mississippi, (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Scott County, Mississippi, as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Scott County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the accompanying Reconciliation of Operating Costs of Solid Waste are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2017 on our consideration of Scott 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 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 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 Scott County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" and last name "McKnight" clearly legible.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

June 27, 2017

SCOTT COUNTY

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SCOTT COUNTY

FINANCIAL STATEMENTS

SCOTT COUNTY

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SCOTT COUNTY
Statement of Net Position
September 30, 2015

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 10,818,905
Property tax receivable	8,870,700
Accounts receivable (net of allowance for uncollectibles of \$847,964)	458,297
Fines receivable (net of allowance for uncollectibles of \$1,507,112)	261,556
Intergovernmental receivables	239,893
Other receivables	39,831
Capital assets:	
Land and construction in progress	2,800,337
Other capital assets, net	22,545,059
Total Assets	<u>46,034,578</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,928,412
Deferred amount on refunding	860,173
Total Deferred Outflows of Resources	<u>2,788,585</u>
LIABILITIES	
Claims payable	538,455
Intergovernmental payables	245,106
Accrued interest payable	247,557
Unearned revenue	142,465
Other payables	1,908
Long-term liabilities	
Net pension liability	10,555,514
Due within one year:	
Capital debt	981,233
Due in more than one year:	
Capital debt	10,192,147
Non-capital debt	203,823
Total Liabilities	<u>23,108,208</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenues - property taxes	8,870,700
Total Deferred Inflows of Resources	<u>8,870,700</u>
NET POSITION	
Net investment in capital assets	15,032,189
Restricted for:	
Expendable:	
General government	89,382
Public safety	580,250
Public works	4,152,830
Conservation of natural resources	35,301
Debt service	1,301,747
Unemployment compensation	140,896
Unrestricted	(4,488,340)
Total Net Position	<u>\$ 16,844,255</u>

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

SCOTT COUNTY
Statement of Activities
For the Year Ended September 30, 2015

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,353,624	821,149	26,897		(2,505,578)
Public safety	4,065,296	681,436	153,203	10,668	(3,219,989)
Public works	3,906,578	681,421	2,725,260		(499,897)
Health and welfare	318,341		29,902		(288,439)
Culture and recreation	232,106				(232,106)
Education	163,910		163,910		
Conservation of natural resources	143,955		75,074		(68,881)
Economic development and assistance	85,708				(85,708)
Interest on long-term debt	359,397				(359,397)
Fiscal agents' fees	5,874				(5,874)
Pension expense	1,278,775				(1,278,775)
Total Governmental Activities	\$ 13,913,564	2,184,006	3,174,246	10,668	(8,544,644)
General revenues:					
Property taxes				\$ 8,999,805	
Road & bridge privilege taxes				345,809	
Grants and contributions not restricted to specific programs				749,501	
Unrestricted interest income				106,724	
Miscellaneous				376,899	
Total General Revenues				10,578,738	
Changes in Net Position					2,034,094
Net Position - Beginning, as previously reported					22,830,534
Prior period adjustments					(8,020,373)
Net Position - Beginning, as restated					14,810,161
Net Position - Ending				\$	16,844,255

SCOTT COUNTY
Balance Sheet - Governmental Funds
September 30, 2015

Exhibit 3

	<u>Major Funds</u>				
	General Fund	Countywide Road Maintenance Fund	Combined GO Debt Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 4,287,644	34,088	1,371,148	5,126,025	10,818,905
Property tax receivable	6,265,100	85,500	946,000	1,574,100	8,870,700
Accounts receivable (net of allowance for uncollectibles of \$847,964)				458,297	458,297
Fines receivable (net of allowance for uncollectibles of \$1,507,112)	261,556				261,556
Intergovernmental receivables	231,663			8,230	239,893
Other receivables	22,195			17,636	39,831
Due from other funds		3,575	18,168	55,816	77,559
Total Assets	<u>\$ 11,068,158</u>	<u>123,163</u>	<u>2,335,316</u>	<u>7,240,104</u>	<u>20,766,741</u>
LIABILITIES					
Liabilities:					
Claims payable	\$ 135,900	18,208		384,347	538,455
Intergovernmental payables	238,105				238,105
Due to other funds	84,560				84,560
Unearned revenue				142,465	142,465
Other payables	1,908				1,908
Total Liabilities	<u>\$ 460,473</u>	<u>18,208</u>	<u>0</u>	<u>526,812</u>	<u>1,005,493</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	6,265,100	85,500	946,000	1,574,100	8,870,700
Unavailable revenue - fines	261,556				261,556
Unavailable revenue - accounts receivable				458,297	458,297
Total deferred inflows of resources	<u>\$ 6,526,656</u>	<u>85,500</u>	<u>946,000</u>	<u>2,032,397</u>	<u>9,590,553</u>
Fund balances:					
Restricted for:					
General government				89,382	89,382
Public safety				580,250	580,250
Public works		19,455		3,675,078	3,694,533
Conservation of natural resources				35,301	35,301
Debt service			1,389,316	159,988	1,549,304
Unemployment compensation				140,896	140,896
Unassigned	4,081,029				4,081,029
Total Fund Balances	<u>\$ 4,081,029</u>	<u>19,455</u>	<u>1,389,316</u>	<u>4,680,895</u>	<u>10,170,695</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,068,158</u>	<u>123,163</u>	<u>2,335,316</u>	<u>7,240,104</u>	<u>20,766,741</u>

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

SCOTT COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2015

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,170,695
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 \$12,688,333.	25,345,396
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	719,853
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(11,377,203)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(10,555,514)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(247,557)
Deferred amount on refunding	860,173
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	<u>1,928,412</u>
Total Net Position - Governmental Activities	\$ <u><u>16,844,255</u></u>

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

SCOTT COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2015

	Major Funds				
	General Fund	Countywide Road Maintenance Fund	Combined GO Debt Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 6,234,991	152,824	1,054,200	1,557,790	8,999,805
Road and bridge privilege taxes				345,809	345,809
Licenses, commissions and other revenue	326,127			178,912	505,039
Fines and forfeitures	299,225			7,864	307,089
Intergovernmental revenues	593,478	1,791,765	1,815	1,547,357	3,934,415
Charges for services	361,446			947,912	1,309,358
Interest income	86,307		3,210	17,207	106,724
Miscellaneous revenues	255,759	77		40,644	296,480
Total Revenues	8,157,333	1,944,666	1,059,225	4,643,495	15,804,719
EXPENDITURES					
Current:					
General government	3,145,823			482,981	3,628,804
Public safety	3,604,370			1,106,811	4,711,181
Public works	775	1,931,624		3,665,029	5,597,428
Health and welfare	266,514			9,899	276,413
Culture and recreation	236,043				236,043
Education				163,910	163,910
Conservation of natural resources	149,941				149,941
Economic development and assistance	88,304				88,304
Debt service:					
Principal	64,085		605,000	311,467	980,552
Interest	1,764		204,631	23,732	230,127
Fiscal agents' fees			5,874		5,874
Total Expenditures	7,557,619	1,931,624	815,505	5,763,829	16,068,577
Excess of Revenues over (under) Expenditures	599,714	13,042	243,720	(1,120,334)	(263,858)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued				738,977	738,977
Proceeds from sale of capital assets				116,594	116,594
Total Other Financing Sources and Uses	0	0	0	855,571	855,571
Net Changes in Fund Balances	599,714	13,042	243,720	(264,763)	591,713
Fund Balances - Beginning, as previously reported	3,481,315	6,413	1,145,596	4,945,658	9,578,982
Fund Balances - Ending	\$ 4,081,029	19,455	1,389,316	4,680,895	10,170,695

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

SCOTT 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, 2015

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 591,713
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$3,000,283 exceeded depreciation of \$1,084,074 in the current period.	1,916,209
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 \$80,419 and the proceeds from the sale of \$116,594 in the current period.	(36,175)
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.	9,022
Solid waste 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.	53,500
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 \$980,552 exceeded debt proceeds of \$738,977.	241,575
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 increase in compensated absences	(10,507)
The amount of increase in accrued interest payable	(69,164)
The amortization of refunding bond premium	6,487
The amortization of deferred refunding charges	(66,593)
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	(1,278,775)
Recording of contributions made during the year	676,802
Change in Net Position of Governmental Activities	<u>\$ 2,034,094</u>

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

SCOTT COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2015

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 283,455
Due from other funds	7,001
Total Assets	\$ <u>290,456</u>
LIABILITIES	
Intergovernmental payables	\$ 290,456
Total Liabilities	\$ <u>290,456</u>

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

SCOTT COUNTY

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SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Scott 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 Scott County to present these financial statements on the primary government. There are no outside organizations that should be included as component units of the County's reporting entity.

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

The Statement of Net Position presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing 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, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

C. Measurement Focus and Basis of Accounting.

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

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

The County reports the following major Governmental Funds:

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

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

Combined GO Debt Fund - This fund is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing used for road projects.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

FIDUCIARY FUND TYPE

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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

H. Capital Assets.

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

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

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:

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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

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

I. Deferred Outflows/Inflows of Resources:

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

Deferred amount on refunding – For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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 9 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.

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

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

Unavailable revenue – accounts receivable – 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.

J. Pensions.

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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

K. Long-term Liabilities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

When an 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.

Fund Financial Statements:

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

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

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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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

Fund Balance Flow Assumption:

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

M. Property Tax Revenues:

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

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

Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

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

N. Intergovernmental Revenues in Governmental Funds.

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

O. Compensated Absences.

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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

P. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*; GASB Statement No. 69, *Government Combinations and Disposal of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into the financial statements and notes.

(2) Prior Period Adjustments.

A summary of the significant fund equity adjustments is as follows:

Exhibit 2 – Statement of Activities.

Explanation	Amount
Implementation of GASB 68 and 71:	
Net Pension Liability as of 9/30/2014	\$ (8,202,853)
Deferred outflows - contributions made during fiscal year 2014	177,723
To correct error in capital assets, net	4,757
Total prior period adjustments	(8,020,373)

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$11,102,360, and the bank balance was \$11,515,874. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. 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.

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2015:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Maintenance Fund	General Fund	\$ 3,575
Combined GO Debt Fund	General Fund	18,168
Other Governmental Funds	General Fund	55,816
Agency Funds	General Fund	<u>7,001</u>
Total		<u>\$ 84,560</u>

The receivables represent the tax revenue, Justice Court fine revenue, and Circuit Court fine revenue collected in September 2015, but not settled until October, 2015. All interfund balances are expected to be repaid within one year from the date of the financial statements.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2015, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 124,944
Reimbursements for housing prisoners	19,260
Reimbursements for welfare	2,784
Reimbursements for emergency management grants	14,199
Reimbursements for solid waste grants	5,009
Reimbursements from Mississippi Power Company	71,139
Other	<u>2,558</u>
Total Governmental Activities	<u>\$ 239,893</u>

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2015:

Governmental activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments*	Balance Sept. 30, 2015
Non-depreciable capital assets:					
Land	\$ 562,101				562,101
Construction in progress	637,662	1,594,536		6,038	2,238,236
Total non-depreciable capital assets	1,199,763	1,594,536	-	6,038	2,800,337
Depreciable capital assets:					
Infrastructure	8,229,636				8,229,636
Buildings	15,858,035	150,636			16,008,671
Mobile equipment	7,557,934	323,905	361,742	384,698	7,904,795
Furniture and equipment	485,272	14,890			500,162
Leased property under capital leases	2,058,510	916,316		(384,698)	2,590,128
Total depreciable capital assets	34,189,387	1,405,747	361,742	-	35,233,392
Less accumulated depreciated for:					
Infrastructure	1,284,354	208,751		1,274	1,494,379
Buildings	3,240,480	320,186			3,560,666
Mobile equipment	6,221,191	273,989	325,567	138,497	6,308,110
Furniture and equipment	443,633	33,801		2	477,436
Leased property under capital leases	738,888	247,347		(138,493)	847,742
Total accumulated depreciation	11,928,546	1,084,074	325,567	1,280	12,688,333
Total depreciable capital assets, net	22,260,841	321,673	36,175	(1,280)	22,545,059
Governmental activities capital assets, net	\$ 23,460,604	1,916,209	36,175	4,758	25,345,396

*Adjustments to Construction in Progress and Infrastructure were made to correctly state the beginning balances.

*Other adjustments were for transfers of completed capital leases to the proper classification.

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 100,524
Public safety	376,186
Public works	554,037
Health and welfare	53,327
Total governmental activities depreciation expense	\$ 1,084,074

(7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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, 2015, to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

<u>Classes of Property</u>	<u>Governmental</u>
Mobile equipment	\$ 2,541,221
Furniture and equipment	48,907
Total	2,590,128
Less: Accumulated depreciation	(847,742)
Leased Property Under Capital Leases	<u>\$ 1,742,386</u>

The following is a schedule by years of the total payments due as of September 30, 2015:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 316,733	25,984
2017	234,404	19,770
2018	267,755	13,439
2019	203,958	9,207
2020	47,880	6,706
2021 - 2025	244,356	14,926
Total	<u>\$ 1,315,086</u>	<u>90,032</u>

(9) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Scott 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. Benefit provisions are established by state law 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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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, 2015, 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, 2015 was 15.75% 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, 2015, 2014 and 2013 were \$676,802, \$656,056 and \$604,017, 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, 2015, the County reported a liability of \$10,555,514 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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. At June 30, 2015, the County's proportion was 0.068285 percent, which was an increase of .0706 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$1,278,775. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 162,444	-
Net difference between projected and actual earnings on pension plan investments	617,611	-
Changes of assumptions	909,322	-
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	56,412	-
County contributions subsequent to the measurement date	182,623	-
Total	\$ 1,928,412	-

\$182,623 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Year ending September 30:

2016	\$	569,174
2017		569,174
2018		453,038
2019		154,403
Total	\$	<u>1,745,789</u>

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34.00 %	5.20 %
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
Total	<u>100.00 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. 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 employer contribution rate (15.75%). 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.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 13,913,135	10,555,514	7,769,317

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

(10) Long-term Debt.

Debt outstanding as of September 30, 2015, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Series 2010 Building Bonds	\$ 34,500	3.50%	11/2015
Series 2014 Refunding Bonds	8,140,000	0.65/3.50%	11/2027
Total General Obligation Bonds	\$ 8,174,500		
B. Limited Obligation Bonds:			
Jail Bond - Series 2007	\$ 1,600,000	4.00/5.00%	11/2017
C. Capital Leases:			
AS400 Computer	\$ 902	3.35%	10/2015
2002 Durapatcher	5,373	2.24%	04/2016
2006 Ford dump truck	5,700	2.10%	05/2016
2002 Durapatcher	8,909	2.29%	04/2017
2012 John Deere 6430 tractor/mower	15,223	1.97%	04/2017
2012 Ambulance	10,455	2.04%	07/2017
2012 Hydraulic excavator	28,854	1.93%	07/2017
2007 Cat 140H motor grader - refinanced	47,410	2.54%	08/2017
2012 Cat 430F backhoe	73,950	2.00%	10/2017
2008 Cat 12M motor grader	56,819	2.54%	12/2017
2008 Motor grader	49,111	2.54%	12/2017
2011 New Holland tractor	30,408	1.88%	05/2018
2014 Chargers	58,973	1.75%	10/2016
2014 Mini excavator	9,933	1.95%	02/2017
2014 Motor grader	222,538	2.08%	02/2019
2015 Mack garbage truck	170,136	1.80%	01/2018
2015 Peterbilt pumps	472,326	2.48%	06/2025
2015 New Holland tractor	15,656	1.95%	01/2018
2015 Ford F250 truck	15,201	1.87%	10/2017
2015 Ford F350 truck	17,210	1.87%	10/2017
Total Capital Leases	\$ 1,315,087		

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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
2016	\$ 154,500	186,962	510,000	64,700
2017	120,000	185,578	530,000	41,250
2018	120,000	183,988	560,000	28,000
2019	705,000	175,738		
2020	715,000	161,538		
2021 - 2025	3,830,000	579,895		
2026 - 2028	2,530,000	114,163		
Total	\$ 8,174,500	1,587,862	1,600,000	133,950

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, 2015, the amount of outstanding debt was equal to 5.44% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2015, \$8,174,500 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Additions	Reductions	Adjustments	Balance Sept. 30, 2015	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 193,316	10,507	-	-	203,823	-
General obligation bonds	8,322,500		148,000		8,174,500	154,500
Add:						
Premiums	90,281		6,487		83,794	
Limited obligation bonds	2,090,000		490,000		1,600,000	510,000
Capital leases	918,661	738,977	342,552		1,315,086	316,733
Total	\$ 11,614,758	749,484	987,039	-	11,377,203	981,233

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Road Maintenance Funds, Emergency 911 Fund, and Solid Waste Fund.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

(11) 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.

(12) Joint Venture.

The County participates in the following joint venture:

Scott County is a participant with Rankin, Smith and Simpson counties in a joint venture, authorized by Section 39-3-9, Miss Code Ann. (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide library services to the public and is governed by a five-member board, which two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the County's appropriation to the joint venture was \$196,301 in the fiscal year 2015. Complete financial statements for the Central Mississippi Regional Library System can be obtained from the following address: 3470 Highway 80 East; Pearl, MS 39208.

(13) Jointly Governed Organizations.

The County participates in the following jointly governed organizations.

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott and Winston. The Scott County Board of Supervisors appoints six of the 30 members of the college board of trustees. The County levy collected in 2015 the following amounts: \$361,163 for maintenance and support, \$62,955 for buildings and renovations and \$57,985 for construction of a girl's dormitory.

Central Mississippi Emergency Medical Services District operates in a district composed of the counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Scott County Board of Supervisors appoints two of the 26 board members. The County provides only modest financial support for the district.

East Central Planning and Development District operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Newton, Neshoba, Scott and Smith. The Scott County Board of Supervisors appoints one of the 15 members of the board of directors. The County provided \$16,284 in support for the district in fiscal year 2015.

Region Ten Mental Health – Mental Retardation Commission operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Scott County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$31,000 for support of the commission in the fiscal year 2015.

Mid-Mississippi Development District operates in a district composed of the counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was organized to foster, encourage and facilitate economic development in the member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The County appropriated \$45,750 for support to the district in fiscal year 2015.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

(14) 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 Scott County evaluated the activity of the County through June 27, 2017, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2015, the County issued the following debt obligations:

<u>Issue</u>	<u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Amount</u>	<u>Type of</u>	<u>Financing</u>	<u>Source of</u> <u>Financing</u>
12/11/2015		1.99%	\$ 19,735	Capital lease		Ad valorem taxes
01/15/2016		1.91%	45,188	Capital lease		Ad valorem taxes
05/09/2016		1.92%	99,778	Capital lease		Ad valorem taxes
05/09/2016		2.00%	56,870	Capital lease		Ad valorem taxes
05/10/2016		2.07%	24,750	Capital lease		Ad valorem taxes
09/15/2016		1.79%	162,006	Capital lease		Ad valorem taxes
12/09/2016		2.04%	104,400	Capital lease		Ad valorem taxes
08/01/2016		1.79%	162,006	Capital lease		Ad valorem taxes
02/06/2017		2.54%	40,732	Capital lease		Ad valorem taxes
04/03/2017		2.60%	112,000	Capital lease		Ad valorem taxes
06/26/2017		2.36%	21,485	Capital lease		Ad valorem taxes

SCOTT COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCOTT COUNTY

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SCOTT COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2015
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 6,013,100	6,230,951	6,230,951	
Licenses, commissions and other revenue	350,150	399,903	399,903	
Fines and forfeitures	258,000	290,175	290,175	
Intergovernmental revenues	530,000	549,984	549,984	
Charges for services	390,000	469,739	469,739	
Interest income	40,025	87,302	87,302	
Miscellaneous revenues	110,000	314,666	314,666	
Total Revenues	<u>7,691,275</u>	<u>8,342,720</u>	<u>8,342,720</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,680,290	3,286,723	3,286,723	
Public safety	3,714,990	3,677,772	3,681,918	(4,146)
Public works		775	775	
Health and welfare	286,655	267,792	267,792	
Culture and recreation	236,601	236,044	236,044	
Conservation of natural resources	157,702	147,660	147,660	
Economic development and assistance	96,184	88,357	88,357	
Debt service:				
Principal	56,000	64,085	64,085	
Interest		1,764	1,764	
Total Expenditures	<u>8,228,422</u>	<u>7,770,972</u>	<u>7,775,118</u>	<u>(4,146)</u>
Excess of Revenues over (under) Expenditures	<u>(537,147)</u>	<u>571,748</u>	<u>567,602</u>	<u>(4,146)</u>
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(537,147)	571,748	567,602	(4,146)
Fund Balances - Beginning	<u>557,490</u>	<u>3,396,308</u>	<u>3,371,633</u>	<u>(24,675)</u>
Fund Balances - Ending	<u>\$ 20,343</u>	<u>3,968,056</u>	<u>3,939,235</u>	<u>(28,821)</u>

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

SCOTT COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2015
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 58,500	157,780	157,780	
Intergovernmental revenues	134,000	89,356	89,356	
Miscellaneous revenues		77	77	
Total Revenues	<u>192,500</u>	<u>247,213</u>	<u>247,213</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>205,525</u>	<u>233,967</u>	<u>233,967</u>	
Total Expenditures	<u>205,525</u>	<u>233,967</u>	<u>233,967</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(13,025)</u>	<u>13,246</u>	<u>13,246</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(13,025)	13,246	13,246	
Fund Balances - Beginning	<u>8,600</u>	<u>20,843</u>	<u>20,843</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (4,425)</u>	<u>34,089</u>	<u>34,089</u>	<u>0</u>

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

SCOTT COUNTY

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

Last 10 Fiscal Years*

For the Year Ended September 30, 2015

	<u>2015</u>
County's proportion of the net pension liability (asset)	0.068285%
County's proportionate share of the net pension liability (asset)	\$ 10,555,514
County's covered-employee payroll	\$ 4,266,044
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.43%
Plan fiduciary net position as a percentage of the total pension liability	61.70%

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30, 2015. 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.

SCOTT COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2015

	<u>2015</u>
Contractually required contribution	\$ 676,802
Contributions in relation to the contractually required contribution	<u>676,802</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>
County's covered-employee payroll	\$ 4,297,149
Contributions as a percentage of covered-employee payroll	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.

SCOTT COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2015

UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ 567,602	13,246
Increase (Decrease)		
Net adjustments for revenue accruals	(185,388)	1,697,453
Net adjustments for expenditure accruals	217,500	(1,697,657)
GAAP Basis	\$ <u>599,714</u>	<u>13,042</u>

SCOTT COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2015

UNAUDITED

Pension Schedules

A. Changes of assumptions

In 2015 and later, 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. In 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. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

SCOTT COUNTY

SUPPLEMENTARY INFORMATION

SCOTT COUNTY

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SCOTT COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/ Passed-through the Mississippi Office of the State Treasurer Federal Forestry Service Schools and roads - grants to states*	10.665	N/A	\$ 514,450
U.S. Department of Housing and Urban Development- Office of Community Planning and Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program and non-entitlement grants in Hawaii	14.228	1128-11-062-PF-01	10,504
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 081 B(62)	29,290
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance	97.036	123-99123-00	3,221
Emergency management performance grants	97.042	15EMPL00	30,176
Total U.S. Department of Homeland Security			33,397
Total Expenditures of Federal Awards			\$ 587,641

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - Schools and roads - grants to states

Of the federal expenditures presented in the schedule, the County provided federal awards totaling \$266,089 to subrecipients during the year ended September 30, 2015.

* Denotes major federal award program

SCOTT COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2015

Operating Expenditures, Cash Basis:

Personal Services	\$	240,760
Contractual services		159,503
Consumable materials and supplies		136,393
Capital outlay		<u>210,000</u>

Solid Waste Cash Basis Operating Expenditures	746,656
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Full Cost Expenses:

Indirect administrative costs	30,003
Depreciation on equipment	46,315
Interest on debt	2,843
Net effect of other accrued expenses	<u>26,487</u>

Solid Waste Full Cost Operating Expenses	\$	<u><u>852,304</u></u>
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SCOTT COUNTY

OTHER INFORMATION

SCOTT COUNTY

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SCOTT COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2015
UNAUDITED

Name	Position	Company	Bond
Jackie Bradford	Supervisor District 1	Brierfield	\$100,000
Tim Sorey	Supervisor District 2	Brierfield	\$100,000
Steven Crotwell	Supervisor District 3	Western Surety	\$100,000
Johnny P. Harrell	Supervisor District 4	Western Surety	\$100,000
Bruce McMillan	Supervisor District 5	Brierfield	\$100,000
Lee Anne Livingston Palmer	Chancery Clerk	Western Surety	\$100,000
Shirley Evans	Purchase Clerk	Brierfield	\$75,000
Rodney Phillips	Assistant Purchase Clerk	Western Surety	\$50,000
Kim Fultz	Receiving Clerk	Western Surety	\$75,000
Tony Macon	Assistant Receiving Clerk	Brierfield	\$50,000
Terry Price	Assistant Receiving Clerk	Brierfield	\$50,000
Ike Gray	Assistant Receiving Clerk	Brierfield	\$50,000
John Jones	Assistant Receiving Clerk	Western Surety	\$50,000
Carolyn Ford	Assistant Receiving Clerk	Western Surety	\$50,000
Eldridge Peterson	Assistant Receiving Clerk	Brierfield	\$50,000
Tommy Earls	Inventory Control Clerk	Brierfield	\$75,000
Bill Harmon Wilbourne	Constable	Western Surety	\$50,000
Richard Prestage	Constable	Western Surety	\$50,000
Ruth Weems	Circuit Clerk	Brierfield	\$100,000
Elvie R. Gray	Deputy Circuit Clerk	Brierfield	\$50,000
Tracy D. Turnage	Deputy Circuit Clerk	Western Surety	\$50,000
Mike Lee	Sheriff	Brierfield	\$100,000
Willie J. Anderson	Sheriff's Deputy	Brierfield	\$50,000
Steven Brad Ellis	Sheriff's Deputy	RLI	\$50,000
Richard Gregory	Sheriff's Deputy	RLI	\$50,000
Marcus G. Lingle	Sheriff's Deputy	Western Surety	\$50,000
Michael Manning	Sheriff's Deputy	Western Surety	\$50,000
Joe H. McDougale	Sheriff's Deputy	Western Surety	\$50,000
Julian Parker	Sheriff's Deputy	RLI	\$50,000
Billy Preston Patrick	Sheriff's Deputy	Western Surety	\$50,000
Derrick Qualls	Sheriff's Deputy	RLI	\$50,000
Donald Simpson	Sheriff's Deputy	Western Surety	\$50,000
Roger Stokely	Sheriff's Deputy	Western Surety	\$50,000
Norlyne Taylor	Sheriff's Deputy	RLI	\$50,000
Kennedy Warnsley	Sheriff's Deputy	Western Surety	\$50,000
Scotty Yarbrough	Sheriff's Deputy	Brierfield	\$50,000
Kevin D. Walker	Sheriff's Deputy	Western Surety	\$50,000
Scotty R. McPhail	Sheriff's Deputy	Western Surety	\$50,000
Thornton Gray Jr.	Sheriff's Deputy	RLI	\$50,000
Wilbur McCurdy	Justice Court Judge	Western Surety	\$50,000
Bill Freeman	Justice Court Judge	Western Surety	\$50,000
Betty Odom	Justice Court Clerk	Travelers	\$50,000
Edwina Jones	Deputy Justice Court Clerk	Brierfield	\$50,000
Heather Street	Deputy Justice Court Clerk	Brierfield	\$50,000
Betty Qualls	Tax Assessor-Collector	Brierfield	\$100,000
Myra Murrell Davis	Tax Assessor-Collector	Brierfield	\$100,000
Mary Elizabeth Watson	Deputy Tax Assessor	Brierfield	\$10,000
Alison Crapps	Deputy Tax Assessor	Brierfield	\$10,000
Lisa White	Deputy Tax Collector	Western Surety	\$50,000
Shameka Spivey Longmire	Deputy Tax Collector	Western Surety	\$50,000
Denise Hill	Deputy Tax Collector	Western Surety	\$50,000

SCOTT COUNTY

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SCOTT COUNTY

SPECIAL REPORTS

SCOTT COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
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
Scott County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Scott County, Mississippi (the County), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 27, 2017.

Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2015-001 and 2015-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Scott County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated June 27, 2017, included within this document.

Scott County's Responses to Findings

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

Purpose of this Report

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

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

June 27, 2017



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Supervisors
Scott County, Mississippi

Report on Compliance for the Major Federal Program

We have audited Scott County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Scott County, Mississippi's major federal program for the year ended September 30, 2015. Scott County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Scott County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Scott County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Scott County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of Scott County, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Scott County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report

on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Joe E. Mcknight". The signature is fluid and cursive, with the first name "Joe" and last name "Mcknight" clearly distinguishable.

JOE E. MCKNIGHT CPA
Director, County Audit Section

June 27, 2017



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Scott County, Mississippi

We have examined Scott County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2015. The Board of Supervisors of Scott 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 Scott 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.

In our opinion, Scott County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

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

This report is intended for use in evaluating Scott 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.

A handwritten signature in black ink, appearing to read "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" being prominent.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

June 27, 2017

SCOTT COUNTY

Schedule 1Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2015

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
11/25/2014	Garbage truck	\$ 189,700	Tri-State Truck Center	\$ 163,260	Tri-State Truck Center's garbage truck had the best buyback provision.

SCOTT COUNTY

Schedule 2

Schedule of Emergency Purchases

For the Year Ended September 30, 2015

Our tests did not identify any emergency purchases.

SCOTT COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2015

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

SCOTT COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Scott County, Mississippi

In planning and performing our audit of the financial statements of Scott County, Mississippi for the year ended September 30, 2015, we considered Scott 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 Scott County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 27, 2017, on the financial statements of Scott County, Mississippi.

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

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Controls over solid waste accounts receivable should be strengthened.

Finding

An effective system of internal controls over accounts receivable should include assurance that management has properly approved the allowance for doubtful accounts. As reported in the prior year's audit report, our test work indicated that the allowance for doubtful accounts was not properly authorized by management. Failure to approve the allowance for doubtful accounts could result in a loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should spread on the minutes the allowance for doubtful accounts percentages and amounts.

Board of Supervisors' Response

This is corrected in the 15-16 fiscal year.

2. Interest income was not properly allocated among funds.

Finding

Section 19-9-29(c), Miss. Code Ann. (1972), states that any interest derived from special purpose funds which are outside the function of general county government shall be paid into that special purpose fund. The County only recorded interest earned from the County's combined checking account in the General Fund instead of all funds from which the investment was made. Failure to prorate interest earned among funds included in the combined checking account could result in the funds being spent for the wrong purpose.

Recommendation

The Board of Supervisors should prorate the interest earned on the combined checking account among all funds that have cash in the checking accounts, as required by law.

Board of Supervisors' Response

Interest from monthly Certificates of Deposit are allocated by fund. We will allocate interest earned by funds.

3. The County should implement a formal information security policy.

Finding

As reported in the prior year's audit report, the County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internet protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity I Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for the County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that the County create a plan of compliance with industry standards to ensure progress towards a robust, documented information security plan. This policy should be reviewed and approved by County supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors' Response

We will present these findings to our new IT company to address and remedy these problems.

4. The County should create a rotation of back-ups offsite.

Finding

As reported in the prior year's audit report, the County is currently using an automated system to perform daily back-ups of AS400, and back-up copies are not being stored in a secure offsite location. Without proper off-site storage of back-up files and applications, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that the County implement a plan to ensure that all back-up files are taken offsite on a regular basis and stored in a safe and secure location. This process should be documented in the County's Disaster Recovery Plan. With close proximity of a bank, it would be convenient and safe to place the back-up tapes in the night deposit drop, and then place them in a safe deposit box the next day. It is further recommended that tapes be kept at the bank for several days (e.g. two weeks) to expedite recovery and to prevent problems in reading recovery tapes in the event of a disaster situation.

Board of Supervisors' Response

The County will make arrangements to leave tapes with our depository each day.

5. The County should perform periodic physical and logical access reviews.

Finding

We noted during our review, that the County does not have both formal policies and procedures that cover granting or removing logical access for terminated employees. We also noted that the County does not periodically review the levels of access that active users have been granted and determine if the access is appropriate.

These reviews should include both physical and logical access. Physical access would be inclusive of buildings, rooms or cages where physical computer hardware and the supporting infrastructure such as wiring, environmental controls, etc. are housed. In dealing with physical access, reviews should include keys, proximity cards and biometric devices. An accurate inventory of such items issued for access should be kept and include the job title of persons with such access to facilitate review for appropriateness by management and auditors. Also, security of systems that control access such as personal computers that control proximity card access should also be under tight security controls.

Logical access usually refers to access to data and associated computer environments such as application software and operating systems. Areas that should be kept in mind in determining proper logical access are technical issues such as alternate indexes and back doors such as function keys and ability to travel directly from one menu to another. As with physical access user IDs, such as those used for network, application, or database security administration should be highly restricted and protected.

Recommendation

We recommend that the County implement periodic reviews of access for all individual users. These reviews should include both physical and logical access. Documentation of such reviews should be retained for reference and audit purposes for a reasonable period. Such retention should be according to guidelines such as policies of the County and regulations such as Internal Revenue Service guidelines. The County should seek legal counsel in determining retention periods.

In determining the appropriateness of both physical and logical access, the reviewer should remain cognizant of job responsibilities, prior job responsibilities (which persons may have held that are no longer pertinent), level of expertise of the user, segregation of duties and regulatory guidelines which may be applicable. Both logical and physical access should be covered by a formal written policy for granting, terminating and changing access. These policies should be approved by management and distributed to employees with access to information assets indicate in writing or electronically that they have read and understand the policies and agree to follow them.

Board of Supervisors' Response

We will take whatever action is needed to correct this.

6. Circuit Clerk should settle amount in excess of fee cap to the County.

Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Circuit Clerk to \$90,000 after making deduction for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be deposited by the clerk into the County's General Fund on or before April 15th for the preceding calendar year. The Clerk retired half way through the calendar year at June 30, 2015. Therefore, the salary cap was \$45,000. The Clerk exceeded the salary cap by \$8,560 from January to June of the 2015 calendar year and failed to settle the funds to the County's General Fund by April 15, 2016. Failure to settle the amount in excess of the salary cap could result in the loss of public funds.

Recommendation

The Circuit Clerk should immediately settle the \$8,560 over the salary cap to the County's General Fund and ensure that future excess fees are settled in a timely manner.

Auditor's Note

The Circuit Clerk chose not to respond. However, the Circuit Clerk did reimburse the County \$8,560 for salary cap overages on February 7, 2017, as evidenced by receive warrant number 7095.

7. Interim Circuit Clerk should settle amount in excess of fee cap to the County.

Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Circuit Clerk to \$90,000 after making deduction for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be deposited by the clerk into the County's General Fund on or before April 15th for the preceding calendar year. The Interim Clerk was appointed by the Board of Supervisors beginning July 2015, after the prior clerk retired at June 30, 2015. Therefore, the salary cap was \$45,000. The Interim Clerk exceeded the salary cap by \$5,508 from July to December of the 2015 calendar year and failed to settle the funds to the County's General Fund by April 15, 2016. Failure to settle the amount in excess of the salary cap could result in the loss of public funds.

Recommendation

The Interim Circuit Clerk should immediately settle the \$5,508 over the salary cap to the County's General Fund and ensure that future excess fees are settled in a timely manner.

Circuit Clerk's Response

I am repaying fees in excess of cap.

Auditor's Note

The Interim Circuit Clerk reimbursed the County \$5,508 for salary cap overages on December 28, 2016, as evidenced by receive warrant number 7077.

8. The Circuit Clerk should not receive jury commission compensation.

Finding

Section 13-5-6(2)(c), Miss. Code Ann. (1972), states that a jury commissioner shall not be an elected public official. As reported in the two prior years' audit reports, during the testing of the Circuit Clerk's fee journal and annual financial report, it was noted that the Clerk was paid per diem in the amount of \$160.00 for services rendered as a jury commissioner. Due to the Circuit Clerk receiving \$160.00 in per diem for serving as a jury commissioner, the Circuit Clerk is not in compliance with Miss. Code Section 13-5-6(2)(c). However, no repayment is due for this matter because the clerk was already over the salary cap for 2015. The failure to comply with this statute could result in the loss or misuse of public funds.

Recommendation

The Circuit Clerk should not receive per diem for any services rendered as a jury commissioner.

Auditor's Note

The Circuit Clerk chose not to respond to this finding.

9. Scott County should establish a disaster recovery process.

Finding

As reported in the prior four years' audit reports, during our review of the information systems controls of the County, we noted that the County has not established a disaster recovery process. As a result, the County cannot fully ensure the information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Controls Objectives for Information and Related Technology* (CobIT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the agency's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and securely storing them at an off-site location. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

The County is currently creating back-up files, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that the County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including County personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

We also recommend that the County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

We will work with our IT Company to develop a disaster recovery plan.

10. The County should expire all individual passwords on a periodic basis.

Finding

As reported in the prior year's audit report, a review of the County's security setting revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by the County using best business practices guidelines.

Recommendation

We recommend that a policy be implemented to ensure that passwords are expired on a regular basis. In addition, the County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response

We will work with our IT company to address the county expiring individual passwords periodically.

11. The County should perform a network security assessment.

Finding

Factors noted during the Information Technology General Control (ITGC) assessment at the County, as reported in the prior year's audit report, indicate a network assessment is warranted.

Best business practices as well as standards for information technology provide various guidelines for frequency and criteria for performing network reviews. The Mississippi Enterprise Security Policy requires network reviews be performed, at minimum, every three years or more frequently whenever business situations change that might raise the level of risk for unauthorized access to an entity's data assets. Examples of such change criteria would be:

- A major change in the network topology
- Implementation of new financial applications
- Length of time since the last network review
- Recent network penetration or malware infection (and possible data loss) due to the activity of unauthorized parties
- Changes in support levels for hardware and software
- Lack of security event monitoring
- Insufficient anti-virus

Network reviews should include vulnerability scans as well as penetration tests. A vulnerability scan or assessment looks for known vulnerabilities in your systems and reports potential exposures, many times in the form of a risk assessment. A penetration test is designed to actually exploit weaknesses in the architecture of systems.

Hacks into networks, especially internet facing networks, are a common occurrence in today's information technology environment. Data breaches can cost breached entities fines, regulatory oversight, bad public relations, customer distrust and personnel time to correct issues caused by unauthorized access. Consequences can be both short-term (e.g., notification of breached parties) and long-term (e.g., lawsuits).

Recommendation

It is recommended that the County perform a network security assessment as soon as possible. All factors that might increase the risk of unauthorized access to an entity's data assets should be considered when determining the exact scope of the network review to be performed. This review should consist of risk assessments, vulnerability scans and penetration tests. These type tests should be conducted by qualified personnel that specialize in such assessments.

Board of Supervisors' Response

We will have a network security assessed performed.

12. The County should strengthen password parameters.

Finding

We noted during our review that the County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for the County's information.

Gaining access to data assets can often open doors to highly confidential information such as Personally Identifiable Information (PII), confidential governmental reports, and security information related to governmental entities. Through this type of unauthorized access, situations such as data breaches and denial of service attacks can be initiated.

Attack methods can be slowed down significantly or even defeated through the use of strong passwords. Therefore, whenever possible, computer users should use strong passwords for all of their computer accounts.

Recommendation

We recommend that the County improve its password strength by changing password parameters to comply with password management best practices and industry standards. Characteristics of strong passwords include requirements for sufficient length, complexity (combinations of numbers, letters and special characters), and periodic change of passwords.

Board of Supervisors' Response

We will work with our IT company to address our strengthening county passwords.

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

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

June 27, 2017

SCOTT COUNTY

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SCOTT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCOTT COUNTY

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SCOTT COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified? | No |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Internal control over major federal programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit finding disclosed that is required to be reported in accordance with Section ___ .510(a) of OMB Circular A-133? | No |
| 7. | Identification of major federal programs: | |
| | a. CFDA #10.665 , Schools and roads - grants to states | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | No |

Section 2: Financial Statement Findings

Tax Collector.

Material Weakness

2015-001. Controls over cash collections in the Tax Collector's office should be strengthened.

Finding

An effective system of internal control over the collection, recording, and disbursement of cash in the Tax Collector's office should include an adequate segregation of duties. As reported in the prior two years' audit reports, the cash collections and disbursement functions in the Tax Collector's office were not adequately segregated for effective internal controls. The bookkeeper reconciles cash collections and receipts, prepares daily check-up sheets, prepares daily bank deposits, posts to the cash journal, and writes checks for all disbursements, and is responsible for reconciling the bank statements. Failure to have an adequate segregation of duties could result in the loss of public funds.

SCOTT COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

Recommendation

The Tax Collector should take steps to ensure there is an adequate segregation of duties in the collection and disbursement functions of the office.

Tax Collector's Response

Audit was for 2014-2015, this was under prior Assessor/Collector. As of January 1, 2016 all issues have been addressed and corrected.

Material Weakness

2015-002. The Tax Collector should maintain a cash journal and reconcile it monthly.

Finding

An effective system of internal control over the collection, recording, and disbursement of cash in the Tax Collector's office should include proper maintenance of a cash journal and reconciling the bank account to the cash journal monthly. As reported in the prior seven years' audit reports, we noted that the Tax Collector was not reconciling the bank account due to the lack of a reliable cash journal to reconcile with. During our test work, we noted a difference of \$2,457 at September 30, 2015 between the reconciled balance and the cash journal. Failure to reconcile the bank account could result in the inability to make timely settlements due to insufficient funds in the bank account and the loss or misuse of public funds.

Recommendation

The Tax Collector should properly maintain a cash journal, ensuring that it reconciles to the bank account monthly.

Tax Collector's Response

Audit covered 2014-2015 which was under previous Assessor/Collector. As of January 1, 2016, issues have been corrected and cash journal and bank reconciliation are being done monthly.

SCOTT COUNTY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

SCOTT COUNTY

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**SCOTT COUNTY
BOARD OF SUPERVISORS**

Post Office Drawer 630 Phone: 601-469-1926
FAX: 601-469-5058

FOREST, MISSISSIPPI 39074

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For Year Ended September 30, 2015

BOARD ATTORNEY:
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FOREST, MS 39074
PHONE: 601-469-2721

COMPTROLLER:
KIM ERWIN
P.O. BOX 630
FOREST, MS 39074
PHONE: 601-469-1926

June 20, 2017

Office of the State Auditor
P O Box 956
Jackson, MS 39205

Gentlemen:

Scott County respectfully submits the following summary schedule of prior audit findings relative to federal awards.

SCHOOLS AND ROADS – GRANTS TO STATES

2014 – 010: U.S. Department of Agriculture – Forest Service, Passed thru the Mississippi Office of the State Treasurer, CFDA 10.665

Condition: The County should establish controls to ensure than an annual certification is submitted to the Secretary of Agriculture.

Recommendation: The Board of Supervisors should implement internal controls to ensure the County submits the required annual certification of the Secretary of Agriculture by February 1 of the year after the year in which any Title III were expended and include the amount of the Title III funds not obligated by September 30 of the previous year.

Current Status: The current year report was submitted on time, November 2, 2015.

Sincerely,



Tim Sorey
President

— SUPERVISORS —

— DISTRICT 1 —
JACKIE BRADFORD
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