

SMITH COUNTY, MISSISSIPPI

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

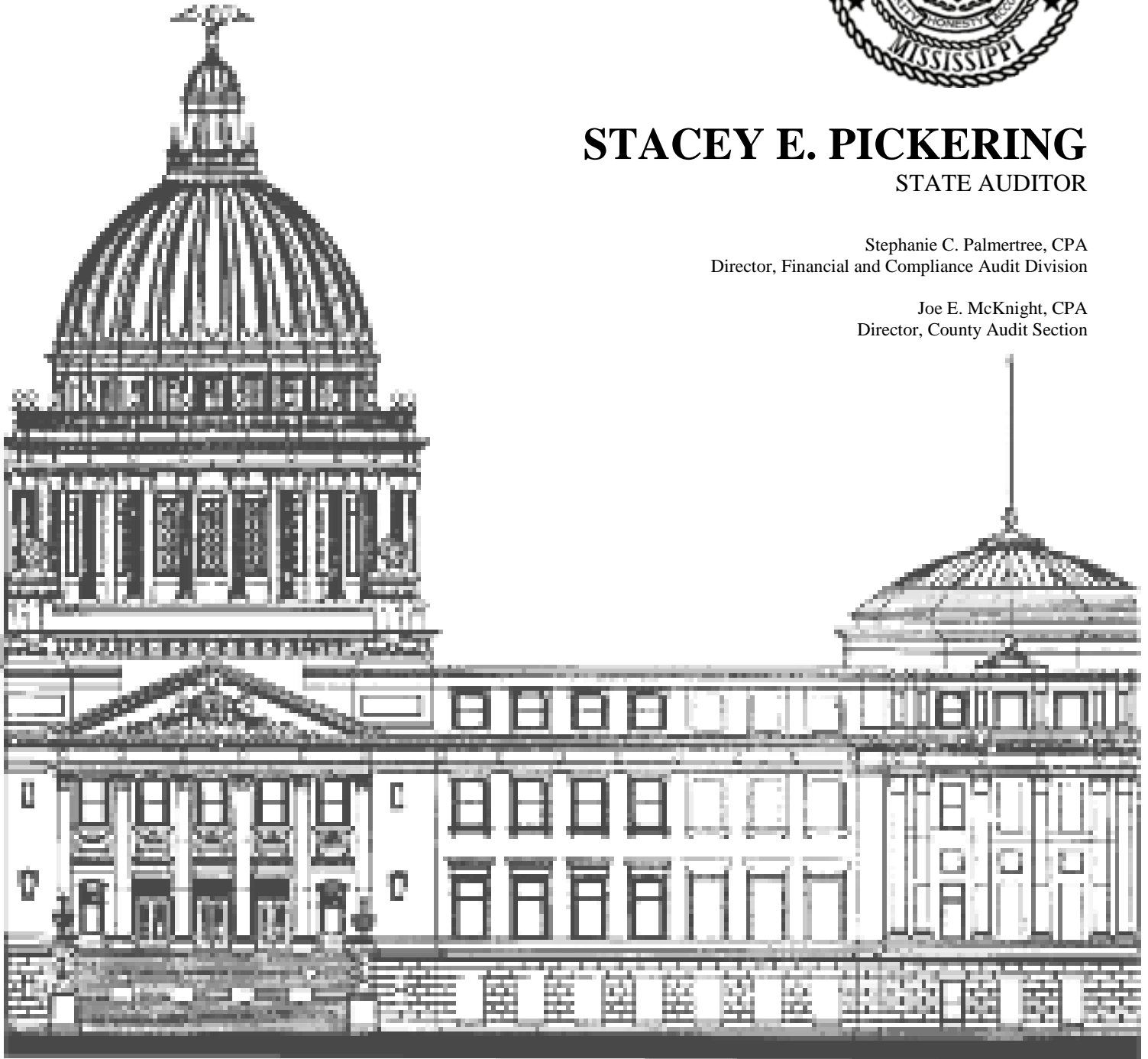


STACEY E. PICKERING

STATE AUDITOR

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

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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

November 28, 2017

Members of the Board of Supervisors
Smith County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2015 financial and compliance audit report for Smith 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 Smith County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Smith 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". The signature is fluid and cursive, with the first name "Stacey" being more prominent.

Stacey E. Pickering
State Auditor

SMITH COUNTY

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SMITH COUNTY

FINANCIAL SECTION

SMITH 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
Smith County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Smith 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 basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of Smith County, Mississippi, as of September 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on the General Fund

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivables of the Circuit Clerk or the aging of these fines receivable. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported in the General Fund at \$177,400, as of September 30, 2015. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined had we been able to examine evidence to determine the net realizable value of the Circuit Court fines receivable reported in the General Fund as described in the "Basis for Qualified Opinion on the General Fund" paragraph, the financial statements referred to previously presented fairly, in all material respects, the financial position of the General Fund of Smith County, Mississippi, as of September 30, 2015, and the changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the Countywide Road and Bridge Fund, the 2005 Chancery Building and Jail GO Bond Fund and the aggregate remaining fund information of Smith County, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of 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


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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017 on our consideration of Smith 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 Smith County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Joe E. McKnight".

JOE E. MCKNIGHT, CPA
Director, County Audit Section

November 28, 2017

SMITH COUNTY

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SMITH COUNTY

FINANCIAL STATEMENTS

SMITH COUNTY

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SMITH COUNTY
Statement of Net Position
September 30, 2015

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 9,715,224	944,769	10,659,993
Property tax receivable	7,221,310		7,221,310
Accounts receivable (net of allowance for uncollectibles of \$464,687)		493,516	493,516
Fines receivable (net of allowance for uncollectibles of \$839,205)	177,400		177,400
Intergovernmental receivables	103,402		103,402
Other receivables	4,254		4,254
Internal balances	11,796	(11,796)	0
Capital assets:			
Land and construction in progress	4,814,792		4,814,792
Other capital assets, net	32,385,147	166,623	32,551,770
Total Assets	54,433,325	1,593,112	56,026,437
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,280,984	76,276	1,357,260
Total Deferred Outflows of Resources	1,280,984	76,276	1,357,260
LIABILITIES			
Claims payable	512,843	25,804	538,647
Intergovernmental payables	233,512		233,512
Accrued interest payable	6,752		6,752
Unearned revenue	181,289	65,928	247,217
Other payables	61,347		61,347
Long-term liabilities			
Net pension liability	6,213,284	369,979	6,583,263
Due within one year:			
Capital debt	660,413		660,413
Due in more than one year:			
Capital debt	3,468,191		3,468,191
Total Liabilities	11,337,631	461,711	11,799,342
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues - property taxes	7,221,310		7,221,310
Total Deferred Inflows of Resources	7,221,310	0	7,221,310
NET POSITION			
Net investment in capital assets	33,071,335	166,623	33,237,958
Restricted for:			
Expendable:			
General government	587,075		587,075
Public safety	496,863		496,863
Public works	2,146,900	1,041,054	3,187,954
Culture and recreation	52,843		52,843
Economic development and assistance	24,115		24,115
Debt service	1,775,281		1,775,281
Unrestricted	(999,044)		(999,044)
Total Net Position	\$ 37,155,368	1,207,677	38,363,045

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

SMITH 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	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,575,350	238,854	30,790	1,304	(2,304,402)		(2,304,402)
Public safety	2,214,433	169,522	123,884	779,067	(1,141,960)		(1,141,960)
Public works	3,949,219		972,366		(2,976,853)		(2,976,853)
Health and welfare	120,425		13,533		(106,892)		(106,892)
Culture and recreation	189,899				(189,899)		(189,899)
Education	139,979		139,979				
Conservation of natural resources	80,425				(80,425)		(80,425)
Economic development and assistance	55,213				(55,213)		(55,213)
Interest on long-term debt	139,137				(139,137)		(139,137)
Bond issue costs	40,000				(40,000)		(40,000)
Pension expense	804,750				(804,750)		(804,750)
Total Governmental Activities	<u>10,308,830</u>	<u>408,376</u>	<u>1,280,552</u>	<u>780,371</u>	<u>(7,839,531)</u>		<u>(7,839,531)</u>
Business-type activities:							
Solid Waste	569,509	635,049				65,540	65,540
Total Business-type Activities	<u>569,509</u>	<u>635,049</u>	<u>0</u>	<u>0</u>		<u>65,540</u>	<u>65,540</u>
Total Primary Government	<u>\$ 10,878,339</u>	<u>1,043,425</u>	<u>1,280,552</u>	<u>780,371</u>	<u>(7,839,531)</u>	<u>65,540</u>	<u>(7,773,991)</u>
General revenues:							
Property taxes					\$ 6,902,852		6,902,852
Road & bridge privilege taxes					204,873		204,873
Grants and contributions not restricted to specific programs					944,294		944,294
In lieu taxes - salt dome					442,704		442,704
Unrestricted interest income					55,430	1,706	57,136
Miscellaneous					426,906	75	426,981
Gain on sale of capital asset						25,190	25,190
Total General Revenues					<u>8,977,059</u>	<u>26,971</u>	<u>9,004,030</u>
Changes in Net Position					<u>1,137,528</u>	<u>92,511</u>	<u>1,230,039</u>
Net Position - Beginning, as previously reported					40,554,529	1,385,310	41,939,839
Prior period adjustments					<u>(4,536,689)</u>	<u>(270,144)</u>	<u>(4,806,833)</u>
Net Position - Beginning, as restated					<u>36,017,840</u>	<u>1,115,166</u>	<u>37,133,006</u>
Net Position - Ending					<u>\$ 37,155,368</u>	<u>1,207,677</u>	<u>38,363,045</u>

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

SMITH COUNTY
Balance Sheet - Governmental Funds
September 30, 2015

Exhibit 3

	Major Funds				
	General Fund	Countywide Road & Bridge Fund	2005 Chy. Bldg. & Jail GO Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 4,255,458	396,202	1,704,879	3,358,685	9,715,224
Property tax receivable	4,270,510	1,928,550	665,000	357,250	7,221,310
Fines receivable (net of allowance for uncollectibles of \$839,205)	177,400				177,400
Intergovernmental receivables	103,402				103,402
Other receivables	4,254				4,254
Due from other funds	11,796	25,415	9,089	21,832	68,132
Advances to other funds	47,882				47,882
Total Assets	<u>\$ 8,870,702</u>	<u>2,350,167</u>	<u>2,378,968</u>	<u>3,737,767</u>	<u>17,337,604</u>
LIABILITIES					
Liabilities:					
Claims payable	\$ 315,741	10,726		186,376	512,843
Intergovernmental payables	229,630				229,630
Due to other funds	60,218				60,218
Advances from other funds				47,882	47,882
Unearned revenue				181,289	181,289
Other payables	61,347				61,347
Total Liabilities	<u>666,936</u>	<u>10,726</u>	<u>0</u>	<u>415,547</u>	<u>1,093,209</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	4,270,510	1,928,550	665,000	357,250	7,221,310
Unavailable revenue - fines	177,400				177,400
Total deferred inflows of resources	<u>4,447,910</u>	<u>1,928,550</u>	<u>665,000</u>	<u>357,250</u>	<u>7,398,710</u>
Fund balances:					
Nonspendable:					
Advances	47,882				47,882
Restricted for:					
General government				587,075	587,075
Public safety				496,863	496,863
Public works		410,891		1,736,009	2,146,900
Culture and recreation				52,843	52,843
Economic development and assistance				24,115	24,115
Debt service			1,713,968	68,065	1,782,033
Unassigned	3,707,974				3,707,974
Total Fund Balances	<u>3,755,856</u>	<u>410,891</u>	<u>1,713,968</u>	<u>2,964,970</u>	<u>8,845,685</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,870,702</u>	<u>2,350,167</u>	<u>2,378,968</u>	<u>3,737,767</u>	<u>17,337,604</u>

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

SMITH 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	\$ 8,845,685
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 \$32,385,147.	37,199,939
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	177,400
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(4,128,604)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(6,213,284)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(6,752)
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>1,280,984</u>
Total Net Position - Governmental Activities	\$ <u><u>37,155,368</u></u>

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

SMITH COUNTY

Exhibit 4

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

	Major Funds				
	General	Countywide	2005 Chy. Bldg.	Other	Total
	Fund	Road & Bridge	& Jail GO Bond	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
REVENUES					
Property taxes	\$ 4,097,893	1,810,124	646,053	348,782	6,902,852
Road and bridge privilege taxes				204,873	204,873
Licenses, commissions and other revenue	112,853			3,858	116,711
Fines and forfeitures	136,606			6,398	143,004
In lieu taxes - salt dome	292,704	150,000			442,704
Intergovernmental revenues	526,157	13,776		2,465,284	3,005,217
Charges for services	16,141			128,807	144,948
Interest income	45,428	1,000	2,991	6,011	55,430
Miscellaneous revenues	231,541			195,365	426,906
Total Revenues	5,459,323	1,974,900	649,044	3,359,378	11,442,645
EXPENDITURES					
Current:					
General government	2,636,101			10,607	2,646,708
Public safety	4,129,127			1,186,159	5,315,286
Public works		333,180		3,802,187	4,135,367
Health and welfare	120,425				120,425
Culture and recreation	145,000			55,196	200,196
Education	139,979				139,979
Conservation of natural resources	71,618			8,897	80,515
Economic development and assistance	23,850			31,363	55,213
Debt service:					
Principal	38,628	38,553	3,600,000	407,978	4,085,159
Interest	1,284	499	125,018	18,130	144,931
Bond issue costs				40,000	40,000
Total Expenditures	7,306,012	372,232	3,725,018	5,560,517	16,963,779
Excess of Revenues over (under) Expenditures	(1,846,689)	1,602,668	(3,075,974)	(2,201,139)	(5,521,134)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	112,086		3,364,760	242,728	3,719,574
Proceeds from sale of capital assets	3,240			18,345	21,585
Transfers in	40,000		240	1,565,384	1,605,624
Transfers out	(1,275)	(1,562,000)		(42,349)	(1,605,624)
Total Other Financing Sources and Uses	154,051	(1,562,000)	3,365,000	1,784,108	3,741,159
Net Changes in Fund Balances	(1,692,638)	40,668	289,026	(417,031)	(1,779,975)
Fund Balances - Beginning	5,448,494	370,223	1,424,942	3,382,001	10,625,660
Fund Balances - Ending	\$ 3,755,856	410,891	1,713,968	2,964,970	8,845,685

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

SMITH 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	\$ (1,779,975)
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 \$3,838,781 exceeded depreciation of \$875,535 in the current period.	2,963,246
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$3,639 and the proceeds from the sale of \$21,585 in the current period.	(25,224)
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.	3,713
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 \$4,085,159 exceeded debt proceeds of \$3,719,574.	365,585
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:	
Decrease in accrued interest payable	5,794
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	(804,750)
Recording of contributions made during the year	409,139
Change in Net Position of Governmental Activities	\$ <u>1,137,528</u>

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

SMITH COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2015

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 944,769
Accounts receivable (net of allowance for uncollectibles of \$464,687)	493,516
Total Current Assets	<u>1,438,285</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	166,623
Total Noncurrent Assets	<u>166,623</u>
Total Assets	<u>1,604,908</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	76,276
Total Deferred Outflows of Resources	<u>76,276</u>
LIABILITIES	
Current liabilities:	
Claims payable	25,804
Due to other funds	11,796
Unearned revenue	65,928
Total Current Liabilities	<u>103,528</u>
Noncurrent liabilities:	
Net pension liability	369,979
Total Noncurrent Liabilities	<u>369,979</u>
Total Liabilities	<u>473,507</u>
NET POSITION	
Net investment in capital assets	166,623
Restricted for:	
Public works	1,041,054
Total Net Position	\$ <u><u>1,207,677</u></u>

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

SMITH COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2015

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 635,049
Miscellaneous	75
Total Operating Revenues	<u>635,124</u>
Operating Expenses	
Cost of sales	
Personal services	232,868
Pension expense	47,919
Contractual services	112,352
Materials and supplies	109,611
Depreciation expense	54,963
Indirect administrative cost	11,796
Total Operating Expenses	<u>569,509</u>
Operating Income (Loss)	<u>65,615</u>
Nonoperating Revenues (Expenses)	
Interest income	1,706
Gain (loss) on sale of capital assets	25,190
Net Nonoperating Revenue (Expenses)	<u>26,896</u>
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	<u>92,511</u>
Changes in Net Position	<u>92,511</u>
Net Position - Beginning, as previously reported	1,385,310
Prior period adjustment	(270,144)
Net Position - Beginning, as restated	<u>1,115,166</u>
Net Position - Ending	<u>\$ 1,207,677</u>

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

SMITH COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2015

Exhibit 7

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 577,389
Payments to suppliers	(109,635)
Payments to employees	(257,228)
Payments for contractual services	(112,194)
Payments to General Fund for indirect costs	(11,602)
Miscellaneous	75
Net Cash Provided (Used) by Operating Activities	86,805
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	45,105
Net Cash Provided (Used) by Capital and Related Financing Activities	45,105
Cash Flows From Investing Activities	
Interest on deposits	1,706
Net Cash Provided (Used) by Investing Activities	1,706
Net Increase (Decrease) in Cash and Cash Equivalents	133,616
Cash and Cash Equivalents at Beginning of Year	811,153
Cash and Cash Equivalents at End of Year	\$ 944,769
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 65,615
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	54,963
Provision for uncollectible accounts	58,181
Changes in assets and liabilities:	
(Increase) decrease in accounts receivables	(116,633)
Increase (decrease) in claims payable	134
Increase (decrease) in unearned revenue	792
Increase (decrease) in interfund payables	194
Increase (decrease) in pension liability and deferred outflows, net	23,559
Total Adjustments	21,190
Net Cash Provided (Used) by Operating Activities	\$ 86,805

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

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

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 376,352
Due from other funds	3,882
Total Assets	\$ <u>380,234</u>
LIABILITIES	
Amounts held in custody for others	\$ 361,119
Intergovernmental payables	19,115
Total Liabilities	\$ <u>380,234</u>

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

SMITH COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Smith 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 Smith County to present these financial statements on the primary government and its component unit which have significant operational or financial relationships with the County.

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

- Smith County Economic Development Authority

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

SMITH COUNTY

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

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/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

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

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

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

The County reports the following major Governmental Funds:

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

Countywide Road and Bridge Fund - This fund is used to account for resources designated and used for maintenance of the County's infrastructure system.

2005 Chancery Building & Jail GO Bonds Fund - This fund is used to account for retirement of long-term debt of the County.

The County reports the following major Enterprise Fund:

Solid Waste Fund - This fund is used to account for the County's activities of disposal of solid waste within the County.

Additionally, the County reports the following fund types:

SMITH COUNTY

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

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

SMITH COUNTY

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

activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

H. Capital Assets.

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

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

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

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

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

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

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.

SMITH COUNTY

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

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 periods 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.

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.

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

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."

SMITH COUNTY

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

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

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.

SMITH COUNTY

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

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

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* 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
<u>Governmental Activities:</u>	
Implementation of GASB 68 and 71:	
Net pension liability as of 9/30/2014	\$ (4,634,985)
Deferred outflows - contributions	98,296
Total governmental activities prior period adjustments	\$ <u>(4,536,689)</u>
<u>Business-type Activities:</u>	
Implementation of GASB 68 and 71:	
Net pension liability as of 9/30/2014	\$ (275,997)
Deferred outflows - contributions	5,853
Total business-type activities prior period adjustments	\$ <u>(270,144)</u>

SMITH COUNTY

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

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

Explanation	Amount
Implementation of GASB 68 and 71:	
Net pension liability as of 9/30/2014	\$ (275,997)
Deferred outflows - contributions made	5,853
Total prior period adjustment	\$ <u>(270,144)</u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$11,036,345, and the bank balance was \$11,290,738. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

(4) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 11,796
Countywide Road and Bridge Fund	General Fund	25,415
2005 Chancery Building & Jail GO Bond Fund	General Fund	9,089
Other Governmental Funds	General Fund	21,832
Agency Funds	General Fund	3,882
Total		\$ <u>72,014</u>

The receivables represent the tax revenue collected in September, 2015, but not settled until October, 2015, and the indirect cost from the Solid Waste Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ <u>47,882</u>

SMITH COUNTY

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

The advances represent operating loans. These advances are not expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 40,000
2005 Chancery Building & Jail GO Bond Fund	Other Governmental Funds	240
Other Governmental Funds	General Fund	1,275
Other Governmental Funds	Countywide Road & Bridge Fund	1,562,000
Other Governmental Funds	Other Governmental Funds	2,109
Total		<u>\$ 1,605,624</u>

The principal purpose of interfund transfers was to allocate amounts to the individual road maintenance funds, to transfer specified funds for accounting purposes, or the transfer of funds for operating purposes. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

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

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 102,410
Reimbursement for housing prisoners	64
Welfare reimbursement	928
Total Governmental Activities	<u>\$ 103,402</u>

(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
<u>Non-depreciable capital assets:</u>					
Land	\$ 442,544				442,544
Construction in progress	1,646,624	2,725,624			4,372,248
Total non-depreciable capital assets	<u>2,089,168</u>	<u>2,725,624</u>	<u>0</u>	<u>0</u>	<u>4,814,792</u>
<u>Depreciable capital assets:</u>					
Infrastructure	68,946,620	628,115			69,574,735
Buildings	5,888,604				5,888,604
Improvements other than buildings	99,407	14,130			113,537
Mobile equipment	4,901,382	81,966	200,030	689,776	5,473,094
Furniture and equipment	672,684	42,799		109,840	825,323
Leased property under capital leases	2,009,803	346,147		(799,616)	1,556,334
Total depreciable capital assets	<u>82,518,500</u>	<u>1,113,157</u>	<u>200,030</u>	<u>0</u>	<u>83,431,627</u>

SMITH COUNTY

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

Governmental activities (cont'd)

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments*	Balance Sept. 30, 2015
<u>Less accumulated depreciated for:</u>					
Intrastructure	43,532,922	333,876			43,866,798
Buildings	1,358,591	108,703			1,467,294
Improvements other than buildings	7,954	4,826			12,780
Mobile equipment	4,023,892	246,277	174,806	346,143	4,441,506
Furniture and equipment	599,556	20,886		53,536	673,978
Leased property under capital leases	822,836	160,967		(399,679)	584,124
Total accumulated depreciation	<u>50,345,751</u>	<u>875,535</u>	<u>174,806</u>	<u>0</u>	<u>51,046,480</u>
Total depreciable capital assets, net	<u>32,172,749</u>	<u>237,622</u>	<u>25,224</u>	<u>0</u>	<u>32,385,147</u>
Governmental activities capital assets, net \$	<u>34,261,917</u>	<u>2,963,246</u>	<u>25,224</u>	<u>0</u>	<u>37,199,939</u>

Business-type activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments	Balance Sept. 30, 2015
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 504,476		199,142		305,334
Total depreciable capital assets	<u>504,476</u>	<u>0</u>	<u>199,142</u>	<u>0</u>	<u>305,334</u>
<u>Less accumulated depreciated for:</u>					
Mobile equipment	262,975	54,963	179,227		138,711
Total accumulated depreciation	<u>262,975</u>	<u>54,963</u>	<u>179,227</u>	<u>0</u>	<u>138,711</u>
Total depreciable capital assets, net	<u>241,501</u>	<u>(54,963)</u>	<u>19,915</u>	<u>0</u>	<u>166,623</u>
Business-type activities capital assets, net \$	<u>241,501</u>	<u>(54,963)</u>	<u>19,915</u>	<u>0</u>	<u>166,623</u>

*Adjustments are for the reclassification of equipment transferred to mobile equipment from paid off leases.

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 94,232
Public safety	84,829
Public works	688,661
Culture and recreation	6,454
Conservation of natural resources	<u>1,359</u>
Total governmental activities depreciation expense	<u>\$ 875,535</u>
Business-type activities:	
Solid waste	<u>\$ 54,963</u>

SMITH COUNTY

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

Commitments with respect to unfinished capital projects at September 30, 2015, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Jail	\$ 197,600	November, 2015

(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 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 Activities</u>
Mobile equipment	\$ 1,374,228
Furniture and equipment	182,106
Total	1,556,334
Less: Accumulated depreciation	(584,124)
Leased Property Under Capital Leases	<u>\$ 972,210</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	\$ 280,413	10,201
2017	253,563	4,997
2018	76,368	2,096
2019	58,260	542
Total	<u>\$ 668,604</u>	<u>17,836</u>

SMITH COUNTY

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

(9) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Smith 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 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 \$433,500, \$390,848 and \$351,825, 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 \$6,583,263 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 0.042588 percent, which was an increase of 0.002129 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$804,750. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SMITH COUNTY

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

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 101,313
Net difference between projected and actual earnings on pension plan investments	385,191
Changes of assumptions	567,126
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	185,119
County contributions subsequent to the measurement date	118,511
Total	\$ 1,357,260

\$118,511 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:

2016	\$ 410,106
2017	410,106
2018	322,239
2019	96,298
	\$ 1,238,749

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:

SMITH COUNTY

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

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected</u>
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.

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:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
County's proportionate share of the net pension liability	\$ 8,677,346	6,583,263	4,845,569

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:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
G.O. refunding bonds, Series 2015	\$ 3,405,000	1.09%-3.12%	03/2025
Agriculture complex	<u>55,000</u>	3.85%-5.60%	03/2016
Total General Obligation Bonds	<u>\$ 3,460,000</u>		

SMITH COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
B. Capital Leases:			
Chevrolet Tahoe & two Ford Crown Victorias	\$ 7,792	2.46%	02/2016
Static shelving	1,475	2.00%	02/2016
Broce broom	6,765	1.95%	02/2016
Caterpillar 140M motor grader	27,836	2.15%	06/2016
John Deere tractor w/ boom mower	21,606	2.32%	07/2016
Kubota tractor	10,377	2.01%	05/2016
2014 Dodge Ram 1500	11,717	2.12%	03/2017
Caterpillar 140M motor grader	48,682	1.99%	02/2017
2013 Dodge Ram 1500 truck	11,931	1.80%	05/2017
Kubota tractor	10,686	2.01%	05/2016
Caterpillar PS-150 pneumatic compactor	21,140	2.10%	01/2017
Motorgrader	6,824	2.12%	04/2016
John Deere 5093 tractor w/ rotary cutter	16,340	2.11%	09/2016
John Deere motor grader	161,837	1.61%	03/2017
John Deere 5093E tractor	7,932	2.01%	05/2016
2015 Ford police interceptor	20,793	1.93%	03/2019
2015 Dodge Ram 1500 truck	22,902	2.43%	03/2019
2015 Dodge 1500 crew truck	22,313	1.93%	06/2019
2015 Dodge 1500 crew truck	22,313	1.93%	06/2019
Fingerprint equipment	16,285	2.12%	08/2019
John Deere rotary cutter w/ stump jumper	13,005	2.04%	02/2017
E-911 system	117,741	2.17%	08/2019
John Deere 6130 tractor w/ loader	60,312	1.93%	03/2019
Total Capital Leases	\$ <u>668,604</u>		

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	
	Principal	Interest
2016	\$ 380,000	77,708
2017	315,000	71,986
2018	320,000	66,649
2019	325,000	60,406
2020	330,000	53,329
2021 - 2025	1,790,000	132,662
Total	\$ <u>3,460,000</u>	462,740

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

SMITH COUNTY

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

the public roads of the County. As of September 30, 2015, the amount of outstanding debt was equal to 1.54% of the latest property assessments.

Current Refunding - On May 1, 2015, the County issued \$3,405,000 in general obligation bonds with an average interest rate of 2.826%. The net proceeds of \$3,364,760 (after payment of \$40,240 in issuance costs) were used to refund the Series 2005 General Obligation Bonds issued March 1, 2005, with an interest rate of 3.75% to 4.25%. The principal amount refunded was \$3,340,000.

The County refunded these bonds to reduce its total debt service payments over the next 10 years by \$255,601 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$219,733.

Issue	Average Interest Rate	Outstanding Amount Refunded
General Obligation Bond, Series 2005	3.84%	\$ 3,364,760

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:						
General obligation bonds	\$ 3,705,000	3,405,000	3,650,000		3,460,000	380,000
Capital leases	789,189	314,574	435,159		668,604	280,413
Total	\$ 4,494,189	3,719,574	4,085,159	0	4,128,604	660,413

(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:

Smith County is a participant with Rankin, Scott 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 free library service to the public and is governed by a five-member board of 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 \$145,000 in fiscal year 2015. Complete financial statements for the Central Mississippi Regional Library System can be obtained from 3470 Highway 80 East, Pearl, MS 39208.

SMITH COUNTY

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

(13) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

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 Smith County Board of Supervisors appoints two of the 26 members of the board. The County provided no financial support for the district in fiscal year 2015.

Region Ten Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Smith County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$20,840 for support of the commission in fiscal year 2015.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Smith County Board of Supervisors appoints two of the 20 members of the college board of trustees. The County appropriated \$294,089 for maintenance and support of the college for the fiscal year 2015.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Smith County Board of Supervisors appoints one of the 15 members of the board of directors. The County appropriated \$9,616 for support of the district in 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 \$21,750 for support of the district in fiscal year 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 Smith County evaluated the activity of the County through November 28, 2017, 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 Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
04/25/2016	2.00%	\$ 40,000	Capital lease	Ad valorem taxes
06/10/2016	1.65%	25,564	Capital lease	Ad valorem taxes
07/18/2016	1.84%	150,000	Special road construction note	Ad valorem taxes
07/21/2016	1.90%	31,447	Capital lease	Ad valorem taxes
07/21/2016	1.90%	31,258	Capital lease	Ad valorem taxes
08/01/2016	1.65%	27,225	Capital lease	Ad valorem taxes
08/01/2016	1.65%	27,225	Capital lease	Ad valorem taxes
08/26/2016	1.81%	13,994	Capital lease	Ad valorem taxes
04/17/2017	1.75%	58,450	Capital lease	Ad valorem taxes
05/05/2017	1.83%	140,000	Capital lease	Ad valorem taxes

SMITH COUNTY

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SMITH COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SMITH COUNTY

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SMITH 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	\$ 3,970,550	4,100,892	4,100,892	
Licenses, commissions and other revenue	80,000	111,761	111,761	
Fines and forfeitures	110,000	132,303	132,303	
In lieu taxes - salt dome	300,000	292,704	292,704	
Intergovernmental revenues	892,500	709,062	709,062	
Charges for services	10,000	16,206	16,206	
Interest income	17,850	45,039	45,039	
Miscellaneous revenues	113,000	253,718	253,718	
Total Revenues	<u>5,493,900</u>	<u>5,661,685</u>	<u>5,661,685</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,642,045	3,008,745	3,008,745	
Public safety	3,713,016	3,952,864	3,952,864	
Health and welfare	106,849	119,995	119,995	
Culture and recreation	145,000	145,000	145,000	
Education	542,000			
Conservation of natural resources	73,588	72,029	72,029	
Economic development and assistance	40,250	23,850	23,850	
Debt service:				
Principal	17,000	40,119	40,119	
Interest		6,593	6,593	
Total Expenditures	<u>7,279,748</u>	<u>7,369,195</u>	<u>7,369,195</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,785,848)</u>	<u>(1,707,510)</u>	<u>(1,707,510)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	57,000	126,602	126,602	
Transfers out	(75,000)	(75,395)	(75,395)	
Other financing sources		132,451	132,451	
Total Other Financing Sources and Uses	<u>(18,000)</u>	<u>183,658</u>	<u>183,658</u>	<u>0</u>
Net Change in Fund Balance	(1,803,848)	(1,523,852)	(1,523,852)	0
Fund Balances - Beginning	<u>5,029,066</u>	<u>5,543,734</u>	<u>5,543,734</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 3,225,218</u>	<u>4,019,882</u>	<u>4,019,882</u>	<u>0</u>

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

SMITH COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road and Bridge 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	\$ 1,704,500	1,806,569	1,806,569	
In lieu taxes - salt dome	150,000	150,000	150,000	
Intergovernmental revenues	9,000	13,776	13,776	
Interest income	1,000	1,000	1,000	
Miscellaneous revenues	150			
Total Revenues	<u>1,864,650</u>	<u>1,971,345</u>	<u>1,971,345</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	439,000	343,421	343,421	
Debt service:				
Principal	45,000	38,553	38,553	
Interest		499	499	
Total Expenditures	<u>484,000</u>	<u>382,473</u>	<u>382,473</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>1,380,650</u>	<u>1,588,872</u>	<u>1,588,872</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,230,000)	(1,562,000)	(1,562,000)	
Other financing uses	(150,000)			
Total Other Financing Sources and Uses	<u>(1,380,000)</u>	<u>(1,562,000)</u>	<u>(1,562,000)</u>	<u>0</u>
Net Change in Fund Balance	650	26,872	26,872	0
Fund Balances - Beginning	<u>300,000</u>	<u>369,330</u>	<u>369,330</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 300,650</u>	<u>396,202</u>	<u>396,202</u>	<u>0</u>

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

SMITH 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)	0.042588%
County's proportionate share of the net pension liability (asset)	\$ 6,583,263
County's covered-employee payroll	\$ 2,660,635
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 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

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

	<u>2015</u>
Contractually required contribution	\$ 433,500
Contributions in relation to the contractually required contribution	<u>433,500</u>
Contribution deficiency (excess)	\$ <u>-</u>
County's covered-employee payroll	\$ 2,752,381
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.

SMITH 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 the major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	Countywide Road & Bridge Fund
Budget (Cash Basis)	\$ (1,523,852)	26,872
Increase (Decrease)		
Net adjustments for revenue accruals	(306,089)	3,555
Net adjustments for expenditure accruals	137,303	10,241
GAAP Basis	<u>\$ (1,692,638)</u>	<u>40,668</u>

SMITH 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.

SMITH COUNTY

OTHER INFORMATION

SMITH COUNTY

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

Name	Position	Company	Bond
Kenneth R. Cain	Supervisor District 1	Western Surety	\$100,000
Dwight D. Norris	Supervisor District 2	Western Surety	\$100,000
Benjie Ford	Supervisor District 3	Western Surety	\$100,000
Danny W. Arender	Supervisor District 4	Western Surety	\$100,000
Howard Hammons	Supervisor District 5	Western Surety	\$100,000
Cindy Austin	Chancery Clerk	Western Surety	\$100,000
Rita McDonald	Purchase Clerk	Western Surety	\$75,000
Justin Lowery Middleton	Assistant Purchase Clerk	Western Surety	\$50,000
Kathryn L. Scott	Receiving Clerk	Western Surety	\$75,000
Marsha Ivy	Assistant Receiving Clerk	Western Surety	\$50,000
L.D. Haynes	Assistant Receiving Clerk	Western Surety	\$50,000
John Hodge	Assistant Receiving Clerk	Western Surety	\$50,000
LA Ronnie Moffett	Assistant Receiving Clerk	Western Surety	\$50,000
Joseph Nickson	Assistant Receiving Clerk	Western Surety	\$50,000
Tex Walley	Assistant Receiving Clerk	Western Surety	\$50,000
Mavis Seaberry	Inventory Control Clerk	Western Surety	\$75,000
David Easterling	Constable	Western Surety	\$50,000
Dennis Jones	Constable	Western Surety	\$50,000
Anthony Grayson	Circuit Clerk	Western Surety	\$100,000
Hope Westbrook	Deputy Circuit Clerk	Western Surety	\$50,000
Amber Craft	Deputy Circuit Clerk	Western Surety	\$50,000
Clara Brown	Deputy Circuit Clerk	Western Surety	\$50,000
Charlie Crumpton	Sheriff	Western Surety	\$100,000
Marty Patterson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Hulon West	Justice Court Judge	Western Surety	\$50,000
Jerry Baldwin	Justice Court Judge	Western Surety	\$50,000
Melissa Walker	Justice Court Clerk	Western Surety	\$50,000
Arthur Newman	Deputy Justice Court Clerk	Western Surety	\$50,000
Teresa Stewart	Deputy Justice Court Clerk	Western Surety	\$50,000
Becky Martin	Tax Assessor-Collector	Western Surety	\$100,000
Jamie Moore	Deputy Tax Assessor	Western Surety	\$10,000
Sharon Ellis	Deputy Tax Collector	Western Surety	\$50,000
Jeannie Easterling/Sullivan	Deputy Tax Collector	Western Surety	\$50,000
Kayla Crumpton	Deputy Tax Collector	Western Surety	\$50,000
Jennifer Ory	Solid Waste Clerk	Western Surety	\$50,000
Justin Lowery Middleton	Solid Waste Clerk	Western Surety	\$50,000
Kathryn L. Scott	Solid Waste Clerk	Western Surety	\$50,000
Mavis Seaberry	Solid Waste Clerk	Western Surety	\$50,000

SMITH COUNTY

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SMITH COUNTY

SPECIAL REPORTS

SMITH 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
Smith County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Smith 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 November 28, 2017. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. The report is qualified on the General Fund because the County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of Circuit Court fines receivables as required by accounting principles generally accepted in the United States of America. Except for the limitations related to the Circuit Court fines receivables, 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Smith 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 Smith County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2015-001 and 2015-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2015-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Smith 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 Smith County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated November 28, 2017, included within this document.

Smith County's Responses to Finding

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

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

November 28, 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
Smith County, Mississippi

We have examined Smith 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 Smith 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 Smith County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

Board of Supervisors.

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

Finding

Section 31-7-13(m), Miss. Code Ann. (1972), requires the Board of Supervisors to authorize and document purchases made noncompetitively from a sole source on its minutes. The Board of Supervisors did not document the approval of a sole source purchase on its minutes. The lack of proper approval and documentation could result in unauthorized purchases.

Recommendation

The Board of Supervisors should approve and document in its minutes all purchases made noncompetitively from a sole source.

Board of Supervisors' Response

This issue has been corrected.

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

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

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

November 28, 2017

SMITH COUNTY

Schedule of Purchases From Other Than the Lowest Bidder

For the Year Ended September 30, 2015

Schedule 1

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

SMITH COUNTY

Schedule 2

Schedule of Emergency Purchases

For the Year Ended September 30, 2015

Our tests did not identify any emergency purchases.

SMITH COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2015

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
7/6/2015	Live fingerprint/palm scanner	\$	16,617	AD&S, Inc.

SMITH 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
Smith County, Mississippi

In planning and performing our audit of the financial statements of Smith County, Mississippi for the year ended September 30, 2015, we considered Smith 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 Smith County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated November 28, 2017, on the financial statements of Smith County, Mississippi.

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

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

Board of Supervisors.

1. The Board of Supervisors should ensure the Deputy Justice Court Clerk is bonded.

Finding

Section 9-11-29(2), Miss. Code Ann. (1972), requires that all Deputy Justice Court Clerks be bonded for three percent of the prior year's taxes with a minimum of \$50,000 and a maximum of \$100,000. As reported in the prior year's audit report, it was determined that a Deputy Justice Court Clerk was not bonded during the 2015 fiscal year. Failure to secure a bond as required by state code could result in the loss of public funds.

Recommendation

The Board of Supervisors should ensure that all Deputy Justice Court Clerks obtain a bond as stated in the state code.

Board of Supervisors' Response

All Deputy Justice Court Clerks are now bonded.

2. Controls over the levying of ad valorem taxes should be strengthened.

Finding

An effective system of internal control over the levying of ad valorem taxes should include the appropriate statute granting authority to levy taxes. During our audit procedures, we noted that the fire protection levy was erroneously authorized by law pursuant to statute 19-9-109 rather than 83-1-39(5)(d). The failure to cite the appropriate statute to authorize the levying of ad valorem taxes could result in the County having a tax levy for unauthorized purposes and/or the possibility of collecting incorrect amounts from taxpayers.

Recommendation

The Board of Supervisors should cite the appropriate statute from the Mississippi Code to authorize the levying of taxes for each tax levy.

Board of Supervisors' Response

It was a typo error. Board Attorney has corrected the problem.

3. Inter-fund transfers were not approved by the Board of Supervisors.

Finding

Section 19-3-27, Miss. Code Ann. (1972), requires a complete and correct record be maintained for all proceedings of the Board of Supervisors. As reported in the prior year's audit report, inter-fund transfers were made without board orders being spread on the minutes. The failure to obtain board approval for inter-fund transfers could result in erroneous amounts reported and increases the possibility of the loss or misuse of public funds.

Recommendation

The Board of Supervisors should spread complete orders on the minutes relative to inter-fund transfers.

Board of Supervisors' Response

The issue was addressed and the issue has been corrected.

4. The County should create a rotation of backups offsite.

Finding

As reported in the prior year's audit report, the County is currently using an automated system to perform daily backups of the AS400. Upon clarification of the backup processes, it was determined that the tapes should be taken off-site, as no other copy of county data was being stored at an off-site location. Without proper off-site storage of backup 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 backup 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), in case of a disaster situation that required recovery and problems in reading recovery tapes were experienced.

Board of Supervisors' Response

This has been implemented.

5. The County should establish and test a disaster recovery process.

Finding

As noted in the prior three years' audit reports, during our review of the information system controls of the County, we noted that the County has not established a disaster recovery process. As a result, the County cannot fully ensure that 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. *Control 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 County'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 minimized the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. 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 formal, documented disaster recover 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 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

Our budget will not allow.

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

Finding

As noted in the prior three years' audit reports, 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 security application and internet protocol.

Recommendation

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

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

For further clarification, simply saying that passwords need to be strong is not sufficient. In this case, the policy should state that passwords should be at least eight characters for normal users and 13 characters for those users that have elevated privileges. In addition, complexity requiring numbers and special characters should also be specified.

Board of Supervisors' Response

Board Attorney will begin preparation to prepare a policy. Delta Computer only has an eight limit capacity for password.

Board of Supervisors and Payroll Clerk.

7. PERS Retirees should not be paid more than one-half salary of their position.

Finding

Section 25-11-127(4)(a), Miss. Code Ann. (1972), requires retirees to receive no more than one-half of the salary in effect for the position at the time of employment in a fiscal year. As reported in the prior year's audit report, we noted that two PERS retirees were paid more than one-half of the salary for their positions during the fiscal year 2015. By overpaying PERS retirees, the County is not in compliance with state legal requirements.

Recommendation

The County should ensure that PERS retirees are not being paid more than the allowable amount.

Board of Supervisors' and Payroll Clerk's Response

The issue has been corrected.

Circuit Clerk.

8. Internal controls should be strengthened in the Circuit Clerk's office.

Finding

An effective system of internal control over cash should include daily bank deposits and settlement of funds to the proper authorities each month. As reported in the prior eight years' audit reports, we noted that bank deposits were not being made on a daily basis, which is a deficiency in internal control. Additionally, criminal and civil settlements are not being made in a timely manner, and it was noted that the Clerk is preparing deposits, taking deposits to the bank, preparing cash journals, preparing settlements, disbursing checks, and reconciling accounts each month. The failure to implement proper controls and have proper segregation of duties could result in the loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should ensure that bank deposits are made daily and settlements from the civil and criminal accounts are being made each month. Additionally, duties should be segregated between personnel in the Circuit Clerk's office.

Circuit Clerk's Response

Efforts will be made to correct the problems.

Sheriff and Board of Supervisors.

9. Sheriff should improve controls over special drug fund.

Finding

Section 99-3-39, Miss. Code Ann. (1972), requires that the amount available for monetary rewards for information leading to the apprehension of any person subsequently convicted of any crime or misdemeanor committed within the state shall be fixed by the Board of Supervisors. The Smith County Sheriff's Office has an account which they use to purchase information and evidence. As reported in the prior two years' audit reports, during our audit procedures, it was noted that the Board of Supervisors had not approved a set limit for the amount of cash to be appropriated to the Sheriff for the purchase of information and evidence. Without a set limit, the Sheriff's Office could build up a material amount of cash on hand and increase the risk of misappropriation of public funds.

Recommendation

The Board of Supervisors should approve a limit of cash that the Sheriff's office can have on hand for the purchase of information and evidence.

Board of Supervisors' and Sheriff's Response

March 20, 2017, Board of Supervisors passed order to allow the Sheriff Department maximum \$1,500 for buy money per request.

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

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

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

November 28, 2017

SMITH COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

SMITH COUNTY

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SMITH COUNTY

Schedule of Findings and Responses 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:

Governmental activities	Unmodified
Business-type activities	Unmodified
Aggregate discretely presented component units	Adverse
General Fund	Qualified
Countywide Road and Bridge Fund	Unmodified
2005 Chancery Building & Jail GO Bond Fund	Unmodified
Solid Waste Fund	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:

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

3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2015-001. The component unit should be included in the financial statements.

Finding

Generally Accepted Accounting Principles require the financial data for the County's component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data of the County's legally separate component unit. As reported in the prior eight years' audit reports, the financial statements do not include the financial data for the County's legally separate component unit. The failure to properly comply with Generally Accepted Accounting Principles resulted in an adverse opinion on the discretely presented component unit for the inclusion in the County's financial statements.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component unit for the inclusion in the County's financial statements.

Board of Supervisors' Response

Issue was addressed with Economic Development. They were to hire an accounting firm to perform an independent audit.

SMITH COUNTY

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

Circuit Clerk.

Material Weakness

2015-002. Controls over fines receivable aging reports in the Circuit Clerk's office should be strengthened.

Finding

An effective system of internal control over Circuit Clerk fines receivable should include maintaining adequate subsidiary records to substantiate the total fines receivable balance. As reported in the prior three years' audit reports, management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for Circuit Clerk fines at year end. Therefore, the Independent Auditor's Report includes a qualified opinion on the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Circuit Clerk's fines receivable. Failure to establish control procedures over aging of Circuit Clerk fines receivable could result in erroneous amounts being reported in the financial statements.

Recommendation

The Circuit Clerk should establish procedures documenting the existence and valuation of Circuit Court fines receivable for inclusion in the financial statements.

Circuit Clerk's Response

Efforts to print this report on Sept. 30th will be made. However, when I purchased this accounting program, I was assured that the effective date not necessarily the actual date would be sufficient.

Payroll Clerk.

Significant Deficiency

2015-003. Payroll Clerk should maintain adequate records for compensated absences liability.

Finding

The County has adopted a policy of compensated absences for its employees. The Payroll Clerk should maintain records that account for the number of leave hours each employee accumulates on a monthly basis and the current hourly rate of pay for each employee. This information is needed to calculate the end of the year compensated absences liability. Generally accepted accounting principles require the resulting liability to be reported in the financial statements. As reported in the prior year's audit report, the Payroll Clerk did not maintain the necessary records to calculate the compensated absences liability. Failure to properly account for compensated absences could result in the incorrect payments being made to employees leaving County service, and result in not reporting the compensated absences liability in the financial statements.

Recommendation

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

Payroll Clerk's Response

Conferring with Delta Computer System to devise a program to correct this issue.