

SCOTT COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2016



STACEY E. PICKERING

STATE AUDITOR

Stephanie C. Palmertree, CPA
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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

May 22, 2018

Members of the Board of Supervisors
Scott County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2016 financial and compliance audit report for Scott County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

SCOTT COUNTY

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SCOTT COUNTY

FINANCIAL SECTION

SCOTT COUNTY

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Scott County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Scott County, Mississippi, (the County) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on Governmental Activities

As discussed in Note 8 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities is not reasonably determinable.

Also, management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Circuit Court 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 on the Statement of Net Position and in the General Fund at \$861,200, as of September 30, 2016. 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 the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Scott County, Mississippi, as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

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

Supplementary and Other Information

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

The accompanying Reconciliation of Operating Costs of Solid Waste is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2018 on our consideration of Scott County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scott County, Mississippi's internal control over financial reporting and compliance.

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

May 22, 2018

SCOTT COUNTY

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SCOTT COUNTY

FINANCIAL STATEMENTS

SCOTT COUNTY

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SCOTT COUNTY
Statement of Net Position
September 30, 2016

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 11,404,010
Property tax receivable	9,108,100
Accounts receivable (net of allowance for uncollectibles of \$945,516)	503,891
Fines receivable (net of allowance for uncollectibles of \$1,788,889)	861,200
Intergovernmental receivables	189,856
Other receivables	24,408
Capital assets:	
Land and construction in progress	2,987,018
Other capital assets, net	21,703,779
Total Assets	<u>46,782,262</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	2,807,511
Deferred amount on refunding	793,579
Total Deferred Outflows of Resources	<u>3,601,090</u>
LIABILITIES	
Claims payable	688,838
Intergovernmental payables	350,555
Accrued interest payable	238,229
Unearned revenue	144,455
Other payables	1,001
Long-term liabilities	
Net pension liability	12,629,858
Due within one year:	
Capital debt	956,496
Due in more than one year:	
Capital debt	9,471,837
Non-capital debt	208,509
Total Liabilities	<u>24,689,778</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	33,562
Deferred revenues - property taxes	9,108,100
Total deferred inflows of resources	<u>9,141,662</u>
NET POSITION	
Net investment in capital assets	15,056,043
Restricted for:	
Expendable:	
General government	102,364
Public safety	199,724
Public works	4,130,501
Unemployment compensation	147,380
Debt service	1,664,097
Unrestricted	(4,748,197)
Total Net Position	<u>\$ 16,551,912</u>

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

SCOTT COUNTY
Statement of Activities
For the Year Ended September 30, 2016

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,377,857	1,321,397	6,349		(2,050,111)
Public safety	4,364,049	412,526	269,743	18,500	(3,663,280)
Public works	4,894,728	737,339	1,924,593		(2,232,796)
Health and welfare	341,310		46,738		(294,572)
Culture and recreation	239,811				(239,811)
Education	201,423				(201,423)
Conservation of natural resources	195,767		233,080		37,313
Economic development and assistance	90,067				(90,067)
Interest on long-term debt	330,321				(330,321)
Fiscal agents' fees	7,600				(7,600)
Pension expense	1,923,314				(1,923,314)
Total Governmental Activities	\$ 15,966,247	2,471,262	2,480,503	18,500	(10,995,982)
General revenues:					
Property taxes				\$	9,315,362
Road & bridge privilege taxes					349,270
Grants and contributions not restricted to specific programs					663,052
Unrestricted interest income					111,827
Miscellaneous					264,128
Total General Revenues					10,703,639
Changes in Net Position					(292,343)
Net Position - Beginning					16,844,255
Net Position - Ending				\$	16,551,912

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

SCOTT COUNTY
Balance Sheet - Governmental Funds
September 30, 2016

Exhibit 3

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Combined GO Debt Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 4,826,615	1,589,654	4,987,741	11,404,010
Property tax receivable	6,416,000	804,000	1,888,100	9,108,100
Accounts receivable (net of allowance for uncollectibles of \$945,516)			503,891	503,891
Fines receivable (net of allowance for uncollectibles of \$1,788,889)	861,200			861,200
Intergovernmental receivables	163,515		26,341	189,856
Other receivables	3,687		20,721	24,408
Due from other funds		15,056	49,723	64,779
Total Assets	<u>\$ 12,271,017</u>	<u>2,408,710</u>	<u>7,476,517</u>	<u>22,156,244</u>
LIABILITIES				
Liabilities:				
Claims payable	\$ 122,461		566,377	688,838
Intergovernmental payables	344,751			344,751
Due to other funds	70,583			70,583
Unearned revenue			144,455	144,455
Other payables	1,001			1,001
Total Liabilities	<u>538,796</u>	<u>0</u>	<u>710,832</u>	<u>1,249,628</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	6,416,000	804,000	1,888,100	9,108,100
Unavailable revenue - fines	861,200			861,200
Unavailable revenue - accounts receivable			503,891	503,891
Total Deferred Inflows of Resources	<u>7,277,200</u>	<u>804,000</u>	<u>2,391,991</u>	<u>10,473,191</u>
Fund balances:				
Restricted for:				
General government			102,364	102,364
Public safety			199,724	199,724
Public works			3,626,610	3,626,610
Debt service		1,604,710	297,616	1,902,326
Unemployment compensation			147,380	147,380
Unassigned	4,455,021			4,455,021
Total Fund Balances	<u>4,455,021</u>	<u>1,604,710</u>	<u>4,373,694</u>	<u>10,433,425</u>
Total Liabilities and Fund Balances	<u>\$ 12,271,017</u>	<u>2,408,710</u>	<u>7,476,517</u>	<u>22,156,244</u>

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

SCOTT COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2016

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,433,425
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$12,946,870.	24,690,797
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,365,091
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(10,636,842)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(12,629,858)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(238,229)
Deferred amount on refunding	793,579
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	2,807,511
Deferred inflows of resources related to pensions	<u>(33,562)</u>
Total Net Position - Governmental Activities	\$ <u><u>16,551,912</u></u>

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

SCOTT COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2016

	Major Funds		Other	Total
	General	Combined	Governmental	Governmental
	Fund	GO Debt	Funds	Funds
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 6,460,140	1,087,586	1,767,636	9,315,362
Road and bridge privilege taxes			349,270	349,270
Licenses, commissions and other revenue	303,516		13,553	317,069
Fines and forfeitures	397,073		7,611	404,684
Intergovernmental revenues	679,794	12,188	2,470,073	3,162,055
Charges for services	158,107		946,164	1,104,271
Interest income	90,330	4,273	17,224	111,827
Miscellaneous revenues	139,735		21,300	161,035
Total Revenues	8,228,695	1,104,047	5,592,831	14,925,573
EXPENDITURES				
Current:				
General government	3,141,774		350,555	3,492,329
Public safety	4,057,499		485,140	4,542,639
Public works			5,130,011	5,130,011
Health and welfare	292,028		9,841	301,869
Culture and recreation	243,750			243,750
Education			201,423	201,423
Conservation of natural resources	136,193		66,958	203,151
Economic development and assistance	92,602			92,602
Debt service:				
Principal	55,300	630,000	461,587	1,146,887
Interest	599	251,053	27,890	279,542
Bond issue costs		7,600		7,600
Total Expenditures	8,019,745	888,653	6,733,405	15,641,803
Excess of Revenues over (under) Expenditures	208,950	215,394	(1,140,574)	(716,230)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	162,006		246,321	408,327
Proceeds from sale of capital assets	3,036		501,134	504,170
Compensation for loss of capital assets			66,463	66,463
Total Other Financing Sources and Uses	165,042	0	813,918	978,960
Net Changes in Fund Balances	373,992	215,394	(326,656)	262,730
Fund Balances - Beginning	4,081,029	1,389,316	4,700,350	10,170,695
Fund Balances - Ending	\$ 4,455,021	1,604,710	4,373,694	10,433,425

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

SCOTT COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2016

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 262,730
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 depreciation of \$1,034,788 exceeded the capital outlays of \$847,729 in the current period.	(187,059)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$103,093 and the proceeds from the sale of \$504,170 and the compensation for loss of \$66,463 in the current period.	(467,540)
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.	599,644
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	45,594
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$1,146,887 exceeded debt proceeds of \$408,327.	738,560
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences	(4,686)
The amount of decrease in accrued interest payable	9,328
The amortization of refunding bond premium	6,487
The amortization of deferred refunding charges	(66,594)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,923,314)
Recording of contributions made during the year	694,507
Change in Net Position of Governmental Activities	\$ <u>(292,343)</u>

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

SCOTT COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2016

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 298,641
Due from other funds	<u>5,804</u>
Total Assets	<u>\$ 304,445</u>
LIABILITIES	
Intergovernmental payables	\$ <u>304,445</u>
Total Liabilities	<u>\$ 304,445</u>

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

SCOTT COUNTY

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SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Scott County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Scott County to present these financial statements on the primary government. There are no outside organizations that should be included as component units of the County's reporting entity.

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

C. Measurement Focus and Basis of Accounting.

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

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

The County reports the following major Governmental Funds:

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

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

FIDUCIARY FUND TYPE

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

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.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

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

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

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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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

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

I. Deferred Outflows/Inflows of Resources.

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

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

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 8 for additional details.

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

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

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

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

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 8 for additional details.

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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the current period.

L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

When an 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:

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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

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

M. Property Tax Revenues:

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

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

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

N. Intergovernmental Revenues in Governmental Funds.

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

O. Compensated Absences.

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

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2016, was \$11,702,651, and the bank balance was \$11,796,105. 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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2016:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Combined GO Debt Fund	General Fund	\$ 15,056
Other Governmental Funds	General Fund	49,723
Agency Funds	General Fund	5,804
Total		<u>\$ 70,583</u>

The receivables represent the tax revenue, Justice Court fine revenue, and Circuit Court fine revenue collected in September 2016, but not settled until October 2016. All interfund balances are expected to be repaid within one year from the date of the financial statements.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2016, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 106,275
Reimbursements for housing prisoners	34,440
Reimbursements for welfare	6,458
Reimbursements for emergency management grants	3,796
Reimbursements for solid waste grants	26,341
Reimbursements for election grants	6,349
Other	6,197
Total Governmental Activities	<u>\$ 189,856</u>

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2016

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2016:

Governmental activities:

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments*	Balance Sept. 30, 2016
Non-depreciable capital assets:					
Land	\$ 562,101				562,101
Construction in progress	2,238,236	186,681			2,424,917
Total non-depreciable capital assets	2,800,337	186,681	-	-	2,987,018
Depreciable capital assets:					
Infrastructure	8,229,636				8,229,636
Buildings	16,008,671				16,008,671
Mobile equipment	7,904,795	195,850	1,054,091	137,324	7,183,878
Furniture and equipment	500,162			48,907	549,069
Leased property under capital leases	2,590,128	465,198	189,700	(186,231)	2,679,395
Total depreciable capital assets	35,233,392	661,048	1,243,791	-	34,650,649
Less accumulated depreciated for:					
Infrastructure	1,494,379	208,751			1,703,130
Buildings	3,560,666	320,186			3,880,852
Mobile equipment	6,308,110	218,783	759,178	44,454	5,812,169
Furniture and equipment	477,436	6,866		48,418	532,720
Leased property under capital leases	847,742	280,202	17,073	(92,872)	1,017,999
Total accumulated depreciation	12,688,333	1,034,788	776,251	-	12,946,870
Total depreciable capital assets, net	22,545,059	(373,740)	467,540	-	21,703,779
Governmental activities capital assets, net	\$ 25,345,396	(187,059)	467,540	-	24,690,797

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

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 88,981
Public safety	388,577
Public works	503,923
Health and welfare	53,307
Total governmental activities depreciation expense	\$ 1,034,788

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

(6) 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, 2016, to January 1, 2017. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2016:

<u>Classes of Property</u>	<u>Governmental</u>
Mobile equipment	\$ 2,679,395
Less: Accumulated depreciation	<u>(1,017,999)</u>
Leased Property Under Capital Leases	<u>\$ 1,661,396</u>

The following is a schedule by years of the total payments due as of September 30, 2016:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 306,496	23,850
2018	252,038	17,336
2019	296,404	11,936
2020	74,818	8,262
2021	115,994	6,366
2022 - 2026	<u>195,276</u>	<u>9,421</u>
Total	<u>\$ 1,241,026</u>	<u>77,171</u>

(8) Other Postemployment Benefits.

Plan Description

The Scott County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Scott County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the Plan. The County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

(9) Defined Benefit Pension Plan.

General Information about the Pension Plan

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

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

Contributions. At September 30, 2016, 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, 2016 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, 2016, 2015 and 2014 were \$694,507, \$676,802 and \$656,056, 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, 2016, the County reported a liability of \$12,629,858 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2016 net pension liability was 0.070706 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.002421 percent from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

For the year ended September 30, 2016, the County recognized pension expense of \$1,923,314. At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected actual experience	\$ 208,352	
Net difference between projected and actual earnings on pension plan investments	998,023	
Remaining balances of prior years	1,176,616	
Changes of assumptions		33,562
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	259,797	
County's contributions subsequent to the measurement date	164,723	
Total	\$ 2,807,511	33,562

\$164,723 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

2017	\$ 993,917
2018	877,781
2019	488,022
2020	249,506
Total	\$ 2,609,226

Actuarial Assumptions. The total pension liability in the June 30, 2016 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, 2016 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.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</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, no change 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	\$ 16,194,309	12,629,858	9,672,518

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

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2016

(10) Long-term Debt.

Debt outstanding as of September 30, 2016, 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:			
Series 2014 Refunding Bonds	\$ <u>8,020,000</u>	0.65/3.50%	11/2027
B. Limited Obligation Bonds:			
Jail Bond - Series 2007	\$ <u>1,090,000</u>	4.00/5.00%	11/2017
C. Capital Leases:			
2002 Durapatcher	\$ 3,320	2.29%	04/2017
2012 John Deere 6430 tractor/mower	5,664	1.97%	04/2017
2012 Hydraulic excavator	13,242	1.93%	07/2017
2007 Cat 140H motor grader - refinanced	22,962	2.54%	08/2017
2012 Cat 430F backhoe	66,995	2.00%	10/2017
2008 Cat 12M motor grader	31,966	2.54%	12/2017
2008 Motor grader	27,629	2.54%	12/2017
2011 New Holland tractor	19,183	1.88%	05/2018
2014 Chargers	4,576	1.75%	10/2016
2014 Mini excavator	2,950	1.95%	02/2017
2014 Motor grader	201,226	2.08%	02/2019
2015 Peterbilt pumpers	428,963	2.48%	06/2025
2015 New Holland tractor	9,033	1.95%	01/2018
2015 Ford F250 truck	7,978	1.87%	10/2017
2015 Ford F350 truck	9,033	1.87%	10/2017
2016 Chargers	162,006	1.79%	09/2019
430F Backhoe	96,760	1.92%	06/2021
2015 Ram 1500	16,153	1.99%	12/2019
2015 Tractor & mower	53,253	2.00%	05/2021
2000 Durapatcher	22,765	2.07%	05/2020
2016 Pickups (2)	<u>35,369</u>	1.91%	01/2019
Total Capital Leases	\$ <u>1,241,026</u>		

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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 120,000	185,578	530,000	54,500
2018	120,000	183,988	560,000	28,000
2019	705,000	175,738	-	-
2020	715,000	161,538	-	-
2021	735,000	147,038	-	-
2022 - 2026	3,915,000	496,432	-	-
2027 - 2028	1,710,000	50,588	-	-
Total	\$ 8,020,000	1,400,900	1,090,000	82,500

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2016, the amount of outstanding debt was equal to 4.86% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2016, \$8,020,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

	Balance Oct. 1, 2015	Additions	Reductions	Balance Sept. 30, 2016	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 203,823	4,686	-	208,509	-
General obligation bonds	8,174,500		154,500	8,020,000	120,000
Add:					
Premiums	83,794		6,487	77,307	
Limited obligation bonds	1,600,000		510,000	1,090,000	530,000
Capital leases	1,315,086	408,327	482,387	1,241,026	306,496
Total	\$ 11,377,203	413,013	1,153,374	10,636,842	956,496

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

(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.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of \$(4,748,197) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$164,723 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$2,642,788 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next 3 years. The \$33,562 balance of the deferred inflow of resources related to pension at September 30, 2016, will be recognized in pension expense over the next 3 years.

The governmental activities' net investment in capital assets net position of \$15,056,043 includes the effect of deferring the recognition of expenditures resulting for an advance refunding of County debt. \$66,593 of the \$793,579 balance of deferred outflows of resources at September 30, 2016, will be recognized as an expense and will decrease the net investment in capital assets net position over the next 11 years.

(13) Joint Venture.

The County participates in the following joint venture:

Scott County is a participant with Rankin, Smith and Simpson counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide library services to the public and is governed by a five member board, which two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the County's appropriation to the joint venture was \$204,050 in the fiscal year 2016. Complete financial statements for the Central Mississippi Regional Library System can be obtained from the following address: 3470 Highway 80 East; Pearl, MS 39208.

(14) Jointly Governed Organizations.

The County participates in the following jointly governed organizations.

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott and Winston. The Scott County Board of Supervisors appoints six of the 30 members of the college board of trustees. The County levy collected in 2016 the following amounts: \$384,804 for maintenance and support, \$127,414 for buildings and renovations and \$1,462 for construction of a girl's dormitory.

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

East Central Planning and Development District operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Newton, Neshoba, Scott and Smith. The Scott County Board of Supervisors appoints one of the 15 members of the board of directors. The County provided \$16,284 in support for the district in fiscal year 2016.

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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

the commission in fiscal year 2016.

Mid-Mississippi Development District operates in a district composed of the counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was organized to foster, encourage and facilitate economic development in the member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The County appropriated \$45,750 for support to the district in fiscal year 2016.

(15) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Scott County evaluated the activity of the County through May 22, 2018, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2016, 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>
02/06/2017	2.54%	\$	40,732	Capital lease	Ad valorem taxes
04/03/2017	2.60%		112,000	Capital lease	Ad valorem taxes
06/26/2017	2.36%		21,485	Capital lease	Ad valorem taxes
07/17/2017	2.40%		18,635	Capital lease	Ad valorem taxes
01/22/2018	3.09%		64,057	Capital lease	Ad valorem taxes
02/20/2018	3.45%		35,000	Capital lease	Ad valorem taxes

SCOTT COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCOTT COUNTY

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SCOTT COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2016
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 6,265,100	6,478,523	6,478,523	
Licenses, commissions and other revenue	328,150	385,612	385,612	
Fines and forfeitures	261,000	406,898	406,898	
Intergovernmental revenues	551,000	662,167	662,167	
Charges for services	175,000	142,927	142,927	
Interest income	50,250	89,990	89,990	
Miscellaneous revenues	135,000	350,483	350,483	
Total Revenues	<u>7,765,500</u>	<u>8,516,600</u>	<u>8,516,600</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,741,705	3,292,242	3,292,242	
Public safety	3,893,930	3,968,323	3,968,241	82
Health and welfare	298,805	293,206	293,206	
Culture and recreation	245,250	243,750	243,750	
Conservation of natural resources	159,525	138,306	138,306	
Economic development and assistance	96,184	92,601	92,601	
Debt service:				
Principal	54,000	217,001	217,001	
Interest	2,000			
Total Expenditures	<u>8,491,399</u>	<u>8,245,429</u>	<u>8,245,347</u>	<u>82</u>
Excess of Revenues over (under) Expenditures	<u>(725,899)</u>	<u>271,171</u>	<u>271,253</u>	<u>82</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		162,006	162,006	
Proceeds from sale of capital assets		3,036	3,036	
Total Other Financing Sources and Uses	<u>0</u>	<u>165,042</u>	<u>165,042</u>	<u>0</u>
Net Change in Fund Balance	(725,899)	436,213	436,295	82
Fund Balances - Beginning	<u>20,343</u>	<u>3,968,056</u>	<u>3,939,235</u>	<u>(28,821)</u>
Fund Balances - Ending	<u>\$ (705,556)</u>	<u>4,404,269</u>	<u>4,375,530</u>	<u>(28,739)</u>

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

SCOTT COUNTY

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

Last 10 Fiscal Years*

For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.070706%	0.068285%
County's proportionate share of the net pension liability (asset)	\$ 12,629,858	10,555,514
County's covered-employee payroll	\$ 4,523,219	4,266,044
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%

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

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

SCOTT COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 694,507	676,802
Contributions in relation to the contractually required contribution	<u>694,507</u>	<u>676,802</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
County's covered-employee payroll	\$ 4,409,566	4,297,149
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

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

SCOTT COUNTY

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SCOTT COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2016

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. 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:

	<u>Governmental Fund Type</u>	
	<u>General Fund</u>	
Budget (Cash Basis)	\$	436,295
Increase (Decrease)		
Net adjustments for revenue accruals		(287,905)
Net adjustments for expenditure accruals		<u>225,602</u>
GAAP Basis	\$	<u><u>373,992</u></u>

SCOTT COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2016

UNAUDITED

Pension Schedules

A. Changes of assumptions

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

B. Changes in benefit provisions

2016

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

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (2016 Employer contributions are developed from 2014 valuation). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	29.2 years
Asset valuation method	5-year smoothed market
Price Inflation	3.50 percent
Salary increase	4.25 percent to 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

SCOTT COUNTY

SUPPLEMENTAL INFORMATION

SCOTT COUNTY

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SCOTT COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2016

Operating Expenditures, Cash Basis:

Personal services	\$	161,053
Contractual services		598,813
Consumable materials and supplies		37,700
Capital outlay		<u>8,050</u>

Solid Waste Cash Basis Operating Expenditures	805,616
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Full Cost Expenses:

Indirect administrative costs	34,480
Depreciation on equipment	720
Interest on debt	3,017
Net effect of other accrued expenses	<u>90,951</u>

Solid Waste Full Cost Operating Expenses	\$ <u><u>934,784</u></u>
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SCOTT COUNTY

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SCOTT COUNTY

OTHER INFORMATION

SCOTT COUNTY

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SCOTT COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2016
UNAUDITED

Name	Position	Company	Bond
Jackie Bradford	Supervisor District 1	Brierfield	\$100,000
Tim Sorey	Supervisor District 2	Brierfield	\$100,000
Steven Crotwell	Supervisor District 3	Western Surety	\$100,000
Johnny P. Harrell	Supervisor District 4	Western Surety	\$100,000
Bruce McMillan	Supervisor District 5	Brierfield	\$100,000
Lee Anne Livingston Palmer	Chancery Clerk	Western Surety	\$100,000
Shirley Evans	Purchase Clerk	Brierfield	\$75,000
Rodney Phillips	Assistant Purchase Clerk	Western Surety	\$50,000
Jason Price	Assistant Purchase Clerk	Brierfield	\$50,000
Kim Fultz	Receiving Clerk	Western Surety	\$75,000
Tony Macon	Assistant Receiving Clerk	Brierfield	\$50,000
Terry Price	Assistant Receiving Clerk	Brierfield	\$50,000
Ike Gray	Assistant Receiving Clerk	Brierfield	\$50,000
Billy Rhinewalt	Assistant Receiving Clerk	Brierfield	\$50,000
John D. Jones	Assistant Receiving Clerk	Western Surety	\$50,000
Carolyn Ford	Assistant Receiving Clerk	Brierfield	\$50,000
Eldridge Peterson	Assistant Receiving Clerk	Brierfield	\$50,000
Tommy Earls	Inventory Control Clerk	Brierfield	\$75,000
Bill Harmon Wilbourne	Constable	Western Surety	\$50,000
Richard Prestage	Constable	Western Surety	\$50,000
Elvie R. Gray	Circuit Clerk	Brierfield	\$100,000
Ruth Weems	Circuit Clerk	Brierfield	\$100,000
Kia Lewis	Deputy Circuit Clerk	Brierfield	\$50,000
Tracy D. Turnage	Deputy Circuit Clerk	Western Surety	\$50,000
Mike Lee	Sheriff	Brierfield	\$100,000
Willie J. Anderson	Sheriff's Deputy	Brierfield	\$50,000
Steven Brad Ellis	Sheriff's Deputy	RLI	\$50,000
Richard Gregory	Sheriff's Deputy	RLI	\$50,000
Richard Gregory, Jr.	Sheriff's Deputy	Western Surety	\$50,000
Marcus G. Lingle	Sheriff's Deputy	Western Surety	\$50,000
Michael Manning	Sheriff's Deputy	Western Surety	\$50,000
Timothy Lloyd	Sheriff's Deputy	Brierfield	\$50,000
Jeffery Pitts	Sheriff's Deputy	Western Surety	\$50,000
Justin McDill	Sheriff's Deputy	Western Surety	\$50,000
Michael Townsend	Sheriff's Deputy	Western Surety	\$50,000
Ethan Harrell	Sheriff's Deputy	Brierfield	\$50,000
Joseph Rigby	Sheriff's Deputy	Brierfield	\$50,000
Henry Parrott	Sheriff's Deputy	Brierfield	\$50,000
Bryant Creel	Sheriff's Deputy	Western Surety	\$50,000
Michael Holifield	Sheriff's Deputy	Western Surety	\$50,000
Julian Parker	Sheriff's Deputy	RLI	\$50,000
Billy Preston Patrick	Sheriff's Deputy	Western Surety	\$50,000
Derrick Qualls	Sheriff's Deputy	RLI	\$50,000
Donald Simpson	Sheriff's Deputy	Western Surety	\$50,000
Roger Stokely	Sheriff's Deputy	Western Surety	\$50,000
Norlyne Taylor	Sheriff's Deputy	RLI	\$50,000
Kennedy Warnsley	Sheriff's Deputy	Western Surety	\$50,000
Scotty Yarbrough	Sheriff's Deputy	Brierfield	\$50,000
Kevin D. Walker	Sheriff's Deputy	Western Surety	\$50,000
Scotty R. McPhail	Sheriff's Deputy	Western Surety	\$50,000

SCOTT COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2016
UNAUDITED

Name	Position	Company	Bond
Thornton Gray, Jr.	Sheriff's Deputy	RLI	\$50,000
Wilbur McCurdy	Justice Court Judge	Western Surety	\$50,000
Bill Freeman	Justice Court Judge	Western Surety	\$50,000
Betty Odom	Justice Court Clerk	Travelers	\$50,000
Edwina Jones	Deputy Justice Court Clerk	Brierfield	\$50,000
Deloise Darby	Deputy Justice Court Clerk	Brierfield	\$50,000
Lori Thompson	Deputy Justice Court Clerk	Western Surety	\$50,000
Heather Street	Deputy Justice Court Clerk	Brierfield	\$50,000
Betty Qualls	Tax Assessor-Collector	Brierfield	\$100,000
Alison Crapps	Tax Assessor-Collector	Western Surety	\$100,000
Mary Elizabeth Watson	Deputy Tax Assessor	Brierfield	\$10,000
Charnell Sharp	Deputy Tax Assessor	Brierfield	\$10,000
Lisa White	Deputy Tax Collector	Western Surety	\$50,000
Shameka Spivey Longmire	Deputy Tax Collector	Western Surety	\$50,000
Denise Hill	Deputy Tax Collector	Western Surety	\$50,000
Heather Thompson	Deputy Tax Collector	Western Surety	\$50,000
Cassandra Goss	Deputy Tax Collector	Brierfield	\$50,000

SCOTT COUNTY

SPECIAL REPORTS

SCOTT COUNTY

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

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

Members of the Board of Supervisors
Scott County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Scott County, Mississippi (the County), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 22, 2018. The report is qualified on the governmental activities and general fund because management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Circuit Court or the aging of these fines receivable as required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2016-001, 2016-002, 2016-003 and 2016-004 that we consider to be material weaknesses.

Compliance and Other Matters

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

matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Scott County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated May 22, 2018, included within this document.

Scott County's Responses to Findings

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

Purpose of this Report

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

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 22, 2018



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

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

Members of the Board of Supervisors
Scott County, Mississippi

We have examined Scott County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2016. The Board of Supervisors of Scott County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

In our opinion, Scott County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2016.

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

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

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 22, 2018

SCOTT COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder

For the Year Ended September 30, 2016

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
2/23/2016	Durapatcher	\$ 24,750	Road Repair Equipment	\$ 8,000	Road Repair Equipment's durapatcher had the fewest hours.
4/26/2016	Backhoe	99,778	Puckett Machinery	96,900	Puckett Machinery's backhoe had the best 5 year buyback provision.
6/23/2016	Dumptruck	104,400	Tri-State Truck Center	97,469	The lowest bidder did not meet County's specifications.

SCOTT COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2016

Schedule 2

Our tests did not identify any emergency purchases.

SCOTT COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2016

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

SCOTT COUNTY

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

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Scott County, Mississippi

In planning and performing our audit of the financial statements of Scott County, Mississippi for the year ended September 30, 2016, we considered Scott County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Scott County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated May 22, 2018, on the financial statements of Scott County, Mississippi.

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

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

Board of Supervisors.

1. Interest income was not properly allocated among funds.

Repeat Finding Yes

Criteria Section 19-9-29(c), Miss. Code Ann. (1972), states that any interest derived from special purpose funds which are outside the function of general county government shall be paid into that special purpose fund.

Condition As reported in the prior year's audit report, the County only recorded interest earned from the County's combined checking account in the General Fund instead of all funds from which the investment was made.

Cause Unknown

Effect Failure to prorate interest earned among funds included in the combined checking account could result in the funds being spent for the wrong purpose.

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

Views of Responsible Officials This problem has been corrected for 2016-2017 fiscal year.

Tax Assessor/Collector.

2. The Tax Collector should make daily bank deposits.

Repeat Finding No

Criteria An effective system of internal control over cash should include daily bank deposits.

Condition During our testwork, we noted that bank deposits were not being made on a daily basis in the operation of the Tax Collector's accounting system.

Cause Unknown

Effect Failure to have adequate controls in place could result in the loss or misappropriation of public funds.

Recommendation The Tax Collector should implement controls to ensure that bank deposits are made on a daily basis.

Views of Responsible Official Deposits will be made as timely as possible due to computer system updates. Deposits are usually made the following day.

Sheriff.

3. Inmate meal logs should be filed monthly with the Board of Supervisors.

Repeat Finding No

Criteria Section 19-25-74, Miss. Code Ann. (1972), states "...in respect to the feeding of prisoners..., the Sheriff shall maintain a log, showing the name of each prisoner, the date and time of incarceration and release, to be posted daily, which shall record the number of meals served to prisoners at each mealtime, and the hours of the days served, and shall make affidavit to correctness thereof and file the same monthly with the Board of Supervisors."

Condition During our testwork, it was noted that the inmate meal logs were not being filed monthly with the Board of Supervisors.

Cause Unknown

Effect Failure to submit meal logs to the Board of Supervisors for approval as spread upon the minutes could result in a loss or misappropriation of public funds.

Recommendation We recommend that the Sheriff file the inmate meal logs monthly with the Board of Supervisors.

Views of Responsible Official Due to an oversight, the Scott County Sheriff's office will comply with all recommendations.

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

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

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 22, 2018

SCOTT COUNTY

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SCOTT COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

SCOTT COUNTY

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SCOTT COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2016

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Qualified
General Fund	Qualified
Combined GO Debt Fund	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:

a. Material weaknesses identified?	Yes
b. Significant deficiencies identified?	None reported

3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2016-001 The County should comply with GASB Statement 45 and report on postemployment health care benefits.

Repeat Finding No

Criteria Scott County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan. Since retirees may obtain health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined health care plan. GASB Statement 45 requires the County to report on an accrual basis the liability associated with other postemployment benefits.

Condition The County does not issue a publicly available financial report for its health insurance plan. The County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

Cause Unknown

Effect The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities.

Recommendation The Board of Supervisors should have an actuarial valuation annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.

Views of Responsible Officials The Board of Supervisors determined that it is not cost effective to have an actuarial valuation performed annually for reporting retiree benefits.

SCOTT COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2016

**Tax Assessor/Collector.
Material Weakness**

2016-002.	<u>Controls over cash collections in the Tax Collector's office should be strengthened.</u>
Repeat Finding	Yes
Criteria	An effective system of internal controls over the collection, recording and disbursement of cash in the Tax Collector's office should include an adequate segregation of duties.
Condition	As reported in the prior three years' audit reports, the cash collections and disbursement functions in the Tax Collector's office were not adequately segregated for effective internal controls. The bookkeeper reconciles cash collections and receipts, prepares daily check-up sheets, prepares daily bank deposits, posts to the cash journal, writes checks for all disbursements, and is responsible for reconciling the bank statements.
Cause	Unknown
Effect	Failure to have an adequate segregation of duties could result in the loss of public funds.
Recommendation	The Tax Collector should take steps to ensure there is an adequate segregation of duties in the collection and disbursement functions of the office.
Views of Responsible Official	Duties will be divided among clerks, bookkeeper, and tax collector to help segregate duties.

Material Weakness

2016-003.	<u>The Tax Collector should maintain a cash journal and reconcile it monthly.</u>
Repeat Finding	Yes
Criteria	An effective system of internal control over the collection, recording, and disbursement of cash in the Tax Collector's office should include proper maintenance of a cash journal and reconciling the bank account to the cash journal monthly.
Condition	As reported in the prior eight years' audit reports, we noted that Tax Collector was not reconciling the bank account due to the lack of a cash journal to reconcile with. During our testwork, we noted that monthly cash journals were not being kept to reconcile with.
Cause	Unknown
Effect	Failure to reconcile the bank account properly could result in the inability to make timely settlements due to insufficient funds in the bank account and the loss or misuse of public funds.
Recommendation	The Tax Collector should properly maintain a cash journal, ensuring that it reconciles to the bank account monthly.
Views of Responsible Official	A more detailed cash journal will be implemented to show disbursements, receipts, and balance of bank statement.

SCOTT COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2016

Circuit Clerk.

Material Weakness

2016-004. Fines Receivable were not accurately documented in the financial statements.

Repeat Finding No

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

Condition Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court fines at the fiscal year end. The Independent Auditor's report is qualified for the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.

Cause Unknown

Effect Failure to establish control procedures over aging of Circuit Court 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.

Views of Responsible Official The report was printed on 9/30/2016 but can't explain what happened to it once I gave it to the Comptroller.