

# SMITH COUNTY, MISSISSIPPI

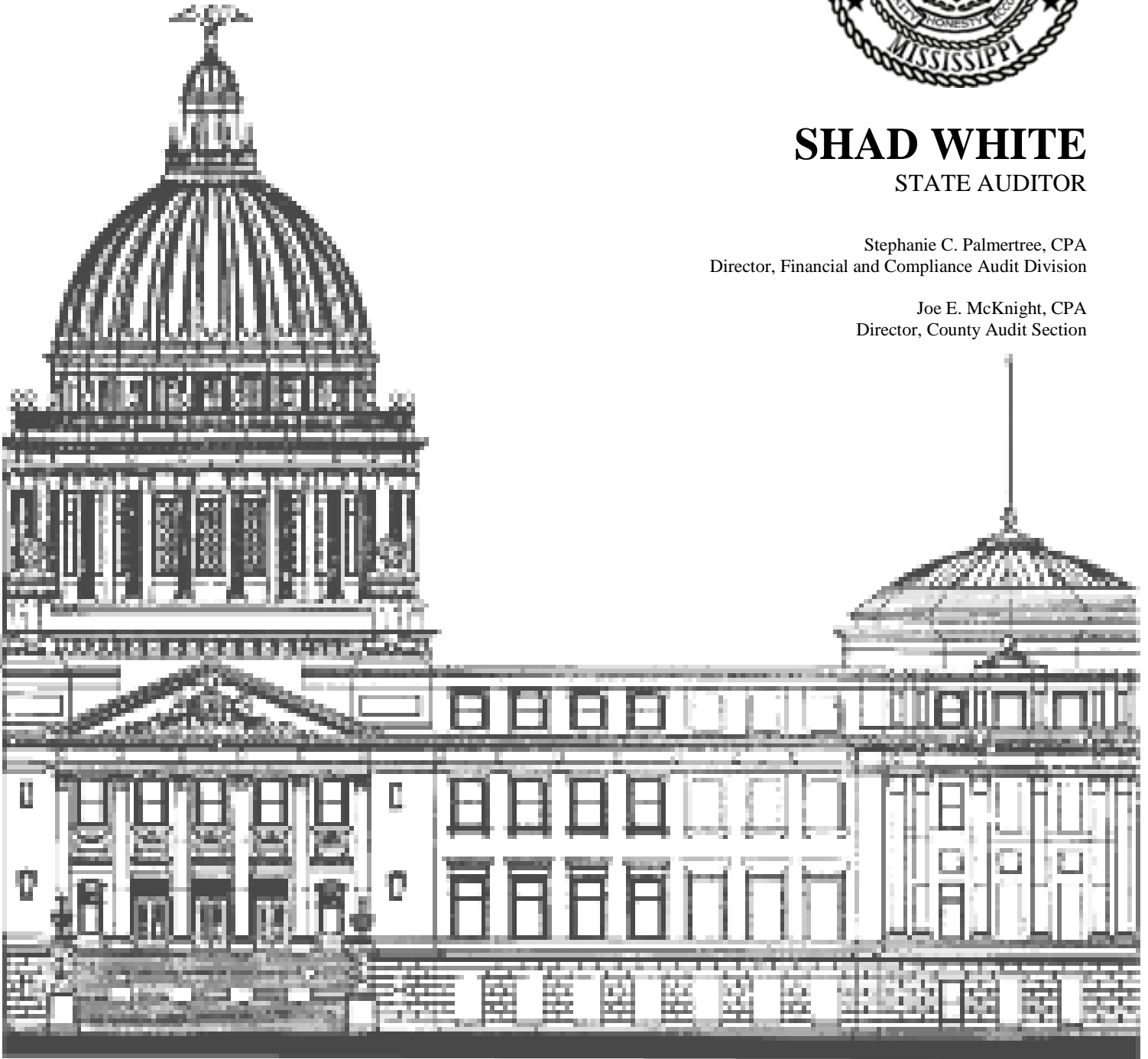
Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2016



**SHAD WHITE**  
STATE AUDITOR

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

Joe E. McKnight, CPA  
Director, County Audit Section



A Report from the County Audit Section

[www.osa.state.ms.us](http://www.osa.state.ms.us)









**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**Shad White**  
AUDITOR

December 18, 2018

Members of the Board of Supervisors  
Smith County, Mississippi

Dear Board Members:

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

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

Respectfully submitted,

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

Shad White



SMITH COUNTY

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SMITH COUNTY

FINANCIAL SECTION

SMITH COUNTY

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

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Smith County, Mississippi

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

### ***Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit***

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

### ***Adverse Opinion***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of Smith County, Mississippi, as of September 30, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Smith County, Mississippi, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Omission of Required Supplementary Information***

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

#### ***Other Information***

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2018 on our consideration of Smith County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Smith County, Mississippi's internal control over financial reporting and compliance.

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

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

December 18, 2018

SMITH COUNTY

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SMITH COUNTY

FINANCIAL STATEMENTS

SMITH COUNTY

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SMITH COUNTY  
Statement of Net Position  
September 30, 2016

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 11,031,228	757,767	11,788,995
Property tax receivable	6,999,250		6,999,250
Accounts receivable (net of allowance for uncollectibles of \$513,470)		543,978	543,978
Fines receivable (net of allowance for uncollectibles of \$864,480)	158,136		158,136
Intergovernmental receivables	164,429		164,429
Other receivables	7,948		7,948
Internal balances	12,279	(12,279)	
Capital assets:			
Land and construction in progress	1,187,170		1,187,170
Other capital assets, net	37,676,192	321,289	37,997,481
Total Assets	<u>57,236,632</u>	<u>1,610,755</u>	<u>58,847,387</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,232,110	131,637	2,363,747
Total Deferred Outflows of Resources	<u>2,232,110</u>	<u>131,637</u>	<u>2,363,747</u>
LIABILITIES			
Claims payable	502,969	19,736	522,705
Intergovernmental payables	238,245		238,245
Accrued interest payable	6,200		6,200
Unearned revenue	224,474	70,591	295,065
Other payables	69,363		69,363
Long-term liabilities			
Net pension liability	8,113,613	480,569	8,594,182
Due within one year:			
Capital debt	653,677		653,677
Due in more than one year:			
Capital debt	3,146,321		3,146,321
Total Liabilities	<u>12,954,862</u>	<u>570,896</u>	<u>13,525,758</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	21,580	1,257	22,837
Deferred revenues - property taxes	6,999,250		6,999,250
Total Deferred Inflows of Resources	<u>7,020,830</u>	<u>1,257</u>	<u>7,022,087</u>
NET POSITION			
Net investment in capital assets	35,063,364	321,289	35,384,653
Restricted for:			
Expendable:			
General government	661,740		661,740
Public safety	534,560		534,560
Public works	2,867,136	848,950	3,716,086
Culture and recreation	145,548		145,548
Economic development and assistance	24,153		24,153
Debt service	1,980,418		1,980,418
Unrestricted	(1,783,869)		(1,783,869)
Total Net Position	<u>\$ 39,493,050</u>	<u>1,170,239</u>	<u>40,663,289</u>

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

SMITH 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	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,791,274	196,512	11,519		(2,583,243)		(2,583,243)
Public safety	750,070	173,374	151,991	35,153	(389,552)		(389,552)
Public works	3,439,243		835,706	896,998	(1,706,539)		(1,706,539)
Health and welfare	119,657		10,222		(109,435)		(109,435)
Culture and recreation	181,198				(181,198)		(181,198)
Education	132,585		132,585				
Conservation of natural resources	78,369				(78,369)		(78,369)
Economic development and assistance	62,186				(62,186)		(62,186)
Interest on long-term debt	92,114				(92,114)		(92,114)
Pension expense	1,421,086				(1,421,086)		(1,421,086)
Total Governmental Activities	<u>9,067,782</u>	<u>369,886</u>	<u>1,142,023</u>	<u>932,151</u>	<u>(6,623,722)</u>		<u>(6,623,722)</u>
Business-type activities:							
Solid Waste	655,114	614,264				(40,850)	(40,850)
Total Business-type Activities	<u>655,114</u>	<u>614,264</u>	<u>0</u>	<u>0</u>		<u>(40,850)</u>	<u>(40,850)</u>
Total Primary Government	<u>\$ 9,722,896</u>	<u>984,150</u>	<u>1,142,023</u>	<u>932,151</u>	<u>(6,623,722)</u>	<u>(40,850)</u>	<u>(6,664,572)</u>
General revenues:							
Property taxes					\$ 7,175,534		7,175,534
Road & bridge privilege taxes					207,435		207,435
Grants and contributions not restricted to specific programs					711,093		711,093
In lieu taxes - salt dome					539,528		539,528
Unrestricted interest income					74,953	1,762	76,715
Miscellaneous					252,861	1,650	254,511
Total General Revenues					<u>8,961,404</u>	<u>3,412</u>	<u>8,964,816</u>
Changes in Net Position					2,337,682	(37,438)	2,300,244
Net Position - Beginning					<u>37,155,368</u>	<u>1,207,677</u>	<u>38,363,045</u>
Net Position - Ending					<u>\$ 39,493,050</u>	<u>1,170,239</u>	<u>40,663,289</u>

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

SMITH COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2016

Exhibit 3

	Major Funds				
	General Fund	Countywide Road & Bridge Fund	2005 Chy. Bldg. & Jail GO Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 4,256,621	768,699	1,968,614	4,037,294	11,031,228
Property tax receivable	4,125,000	1,900,000	620,000	354,250	6,999,250
Fines receivable (net of allowance for uncollectibles of \$864,480)	158,136				158,136
Intergovernmental receivables	133,623			30,806	164,429
Other receivables	7,948				7,948
Due from other funds	12,279	28,532	9,847	23,029	73,687
Advances to other funds	34,632				34,632
Total Assets	<u>\$ 8,728,239</u>	<u>2,697,231</u>	<u>2,598,461</u>	<u>4,445,379</u>	<u>18,469,310</u>
<b>LIABILITIES</b>					
Liabilities:					
Claims payable	\$ 115,009	11,314		376,646	502,969
Intergovernmental payables	233,086				233,086
Due to other funds	66,567				66,567
Advances from other funds				34,632	34,632
Unearned revenue				224,474	224,474
Other payables	69,363				69,363
Total Liabilities	<u>484,025</u>	<u>11,314</u>	<u>0</u>	<u>635,752</u>	<u>1,131,091</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue - property taxes	4,125,000	1,900,000	620,000	354,250	6,999,250
Unavailable revenue - fines	158,136				158,136
Total Deferred Inflows of Resources	<u>\$ 4,283,136</u>	<u>1,900,000</u>	<u>620,000</u>	<u>354,250</u>	<u>7,157,386</u>
<b>Fund balances:</b>					
Advances	34,632				34,632
<b>Restricted for:</b>					
General government				661,740	661,740
Public safety				534,560	534,560
Public works		785,917		2,081,219	2,867,136
Culture and recreation				145,548	145,548
Economic development and assistance				24,153	24,153
Debt service			1,978,461	8,157	1,986,618
Unassigned	3,926,446				3,926,446
Total Fund Balances	<u>3,961,078</u>	<u>785,917</u>	<u>1,978,461</u>	<u>3,455,377</u>	<u>10,180,833</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,728,239</u>	<u>2,697,231</u>	<u>2,598,461</u>	<u>4,445,379</u>	<u>18,469,310</u>

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

## SMITH COUNTY

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,180,833
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 \$51,885,681.	38,863,362
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	158,136
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,799,998)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,113,613)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(6,200)
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	2,232,110
Deferred inflows of resources related to pensions	<u>(21,580)</u>
Total Net Position - Governmental Activities	\$ <u><u>39,493,050</u></u>

## SMITH 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	Countywide	2005 Chy. Bldg.	Governmental	Governmental
	Fund	Road & Bridge	& Jail GO Bond	Funds	Funds
	Fund	Fund	Fund		
REVENUES					
Property taxes	\$ 4,237,212	1,918,646	662,111	357,565	7,175,534
Road and bridge privilege taxes				207,435	207,435
Licenses, commissions and other revenue	118,308			3,372	121,680
Fines and forfeitures	113,143			8,545	121,688
In lieu taxes - salt dome	389,528	150,000			539,528
Intergovernmental revenues	532,856	7,575		2,244,836	2,785,267
Charges for services	18,224			127,558	145,782
Interest income	63,786	1,161	3,550	6,456	74,953
Miscellaneous revenues	187,939	134		54,843	242,916
Total Revenues	5,660,996	2,077,516	665,661	3,010,610	11,414,783
EXPENDITURES					
Current:					
General government	2,714,340			25,710	2,740,050
Public safety	2,223,951			227,990	2,451,941
Public works		315,693		3,595,379	3,911,072
Health and welfare	119,657				119,657
Culture and recreation	150,274			28,196	178,470
Education	132,585				132,585
Conservation of natural resources	78,562				78,562
Economic development and assistance	30,077			32,109	62,186
Debt service:					
Principal	40,636	6,765	325,000	302,918	675,319
Interest	2,301	32	76,168	14,165	92,666
Total Expenditures	5,492,383	322,490	401,168	4,226,467	10,442,508
Excess of Revenues over (under) Expenditures	168,613	1,755,026	264,493	(1,215,857)	972,275
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	88,269			258,444	346,713
Proceeds from sale of capital assets	2,340			500	2,840
Compensation for loss of capital assets				13,320	13,320
Transfers in	40,000			1,481,086	1,521,086
Transfers out	(94,000)	(1,380,000)		(47,086)	(1,521,086)
Total Other Financing Sources and Uses	36,609	(1,380,000)	0	1,706,264	362,873
Net Changes in Fund Balances	205,222	375,026	264,493	490,407	1,335,148
Fund Balances - Beginning	3,755,856	410,891	1,713,968	2,964,970	8,845,685
Fund Balances - Ending	\$ 3,961,078	785,917	1,978,461	3,455,377	10,180,833

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

## SMITH COUNTY

Exhibit 4-1

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,335,148
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$2,564,768 exceeded depreciation of \$895,130 in the current period.	1,669,638
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 \$9,945 and the proceeds from the sale of \$2,840 and the compensation for loss of \$13,320 in the current period.	(6,215)
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.	(19,264)
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 \$675,319 exceeded debt proceeds of \$346,713.	328,606
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Decrease in accrued interest payable	552
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	(1,421,086)
Recording of contributions made during the year	<u>450,303</u>
Change in Net Position of Governmental Activities	\$ <u><u>2,337,682</u></u>

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

SMITH COUNTY  
Statement of Net Position - Proprietary Fund  
September 30, 2016

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 757,767
Accounts receivable (net of allowance for uncollectibles of \$513,470)	543,978
Total Current Assets	<u>1,301,745</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	321,289
Total Noncurrent Assets	<u>321,289</u>
Total Assets	<u>1,623,034</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	131,637
Total Deferred Outflows of Resources	<u>131,637</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	19,736
Due to other funds	12,279
Unearned revenue	70,591
Total Current Liabilities	<u>102,606</u>
Noncurrent liabilities:	
Net pension liability	480,569
Total Noncurrent Liabilities	<u>480,569</u>
Total Liabilities	<u>583,175</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	1,257
Total Deferred Inflows of Resources	<u>1,257</u>
<b>NET POSITION</b>	
Net investment in capital assets	321,289
Restricted for:	
Public works	848,950
Total Net Position	<u>\$ 1,170,239</u>

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

## SMITH COUNTY

Exhibit 6

## Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund

For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 614,264
Miscellaneous	1,650
Total Operating Revenues	<u>615,914</u>
Operating Expenses	
Personal services	253,587
Contractual services	110,774
Materials and supplies	94,784
Depreciation expense	100,981
Indirect administrative cost	12,279
Pension expense	82,709
Total Operating Expenses	<u>655,114</u>
Operating Income (Loss)	<u>(39,200)</u>
Nonoperating Revenues (Expenses)	
Interest income	1,762
Net Nonoperating Revenue (Expenses)	<u>1,762</u>
Net Income (Loss)	<u>(37,438)</u>
Changes in Net Position	(37,438)
Net Position - Beginning	<u>1,207,677</u>
Net Position - Ending	<u>\$ 1,170,239</u>

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



SMITH COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2016

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 568,465
Payments to suppliers	(99,299)
Payments to employees	(279,810)
Payments for contractual services	(112,327)
Payments to General Fund for indirect costs	(11,796)
Miscellaneous	1,650
Net Cash Provided (Used) by Operating Activities	<u>66,883</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	<u>(255,647)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(255,647)</u>
Cash Flows From Investing Activities	
Interest on deposits	1,762
Net Cash Provided (Used) by Investing Activities	<u>1,762</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(187,002)
Cash and Cash Equivalents at Beginning of Year	<u>944,769</u>
Cash and Cash Equivalents at End of Year	<u>\$ 757,767</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(39,200)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	100,981
Provision for uncollectible accounts	48,783
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(99,245)
Increase (decrease) in claims payable	(6,068)
Increase (decrease) in unearned revenue	4,663
Increase (decrease) in interfund payables	483
Increase (decrease) in pension liability, deferred outflows and deferred inflows, net	56,486
Total Adjustments	<u>106,083</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 66,883</u>

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

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

Exhibit 8

		Agency Funds
ASSETS		
Cash	\$	525,640
Due from other funds		5,159
Total Assets	\$	<u>530,799</u>
LIABILITIES		
Amounts held in custody for others	\$	509,471
Intergovernmental payables		21,328
Total Liabilities	\$	<u>530,799</u>

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

## SMITH COUNTY

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

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

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

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

- Smith County Economic Development Authority

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

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

##### B. Basis of Presentation.

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

##### Government-wide Financial Statements:

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

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

## SMITH COUNTY

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

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

#### C. Measurement Focus and Basis of Accounting.

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

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

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

The County reports the following major Governmental Funds:

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

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

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

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

## SMITH COUNTY

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

#### GOVERNMENTAL FUND TYPES

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

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

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

#### PROPRIETARY FUND TYPE

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

#### FIDUCIARY FUND TYPE

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

#### D. Account Classifications.

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

#### E. Deposits and Investments.

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

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

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

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

# SMITH COUNTY

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

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

### H. Capital Assets.

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

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

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

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

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

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

### I. Deferred Outflows/Inflows of Resources:

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

## SMITH COUNTY

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

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 periods and so will not be recognized as an inflow of resources (revenue) until that time.

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

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

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 payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### K. Long-term Liabilities.

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

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

#### L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

## SMITH COUNTY

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

#### 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, assigned or unassigned. The following are descriptions of fund classifications used by the County:

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

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

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

#### Fund Balance Flow Assumption:

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

#### M. Property Tax Revenues:

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

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



# SMITH COUNTY

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

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

### N. Intergovernmental Revenues in Governmental Funds.

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

### O. Compensated Absences.

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

### (2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2016, was \$12,314,635, and the bank balance was \$12,557,800. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

### (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>
General Fund	Solid Waste Fund	\$ 12,279
Countywide Road and Bridge Fund	General Fund	28,532
2005 Chancery Building & Jail GO Bond Fund	General Fund	9,847
Other Governmental Funds	General Fund	23,029
Agency Funds	General Fund	<u>5,159</u>
Total		<u>\$ 78,846</u>

# SMITH COUNTY

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

The receivables represent the tax revenue collected in September, 2016, but not settled until October, 2016, and the indirect cost from the Solid Waste Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

### B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ <u>34,632</u>

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

### C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 40,000
Other Governmental Funds	General Fund	94,000
Other Governmental Funds	Countywide Road and Bridge Fund	1,380,000
Other Governmental Funds	Other Governmental Funds	<u>7,086</u>
Total		\$ <u>1,521,086</u>

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

### (4) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 106,424
Reimbursement for housing prisoners	2,459
Litter grant	3,010
Emergency management performance grants	21,730
MDOT reimbursement	<u>30,806</u>
Total Governmental Activities	\$ <u>164,429</u>

SMITH COUNTY

Notes to the 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
<u>Non-depreciable capital assets:</u>					
Land	\$ 442,544	7,500			450,044
Construction in progress	4,372,248	2,260,622		(5,895,744)	737,126
Total non-depreciable capital assets	4,814,792	2,268,122	0	(5,895,744)	1,187,170
<u>Depreciable capital assets:</u>					
Infrastructure	69,574,735	24,429		14,340	69,613,504
Buildings	5,888,604			5,881,404	11,770,008
Improvements other than buildings	113,537	57,694			171,231
Mobile equipment	5,473,094	11,420	62,144	655,418	6,077,788
Furniture and equipment	825,323	6,390		10,350	842,063
Leased property under capital leases	1,556,334	196,713		(665,768)	1,087,279
Total depreciable capital assets	83,431,627	296,646	62,144	5,895,744	89,561,873
<u>Less accumulated depreciation for:</u>					
Infrastructure	43,866,798	341,514			44,208,312
Buildings	1,467,294	226,332			1,693,626
Improvements other than buildings	12,780	8,244			21,024
Mobile equipment	4,441,506	162,735	55,929	298,928	4,847,240
Furniture and equipment	673,978	34,937		2,799	711,714
Leased property under capital leases	584,124	121,368		(301,727)	403,765
Total accumulated depreciation	51,046,480	895,130	55,929	0	51,885,681
Total depreciable capital assets, net	32,385,147	(598,484)	6,215	5,895,744	37,676,192
Governmental activities capital assets, net	\$ 37,199,939	1,669,638	6,215	0	38,863,362

**Business-type activities:**

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments	Balance Sept. 30, 2016
<u>Depreciable capital assets:</u>					
Mobile equipment	305,334	255,647			560,981
Total depreciable capital assets	305,334	255,647	0	0	560,981
<u>Less accumulated depreciation for:</u>					
Mobile equipment	138,711	100,981			239,692
Total accumulated depreciation	138,711	100,981			239,692
Total depreciable capital assets, net	166,623	154,666	0	0	321,289
Business-type activities capital assets, net	\$ 166,623	154,666	0	0	321,289

\*Adjustments are for the reclassification of equipment transferred to mobile equipment and furniture and equipment from paid-off leases, as well as, the reclassification of completed construction in progress to infrastructure and buildings.

# SMITH COUNTY

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<b>Governmental activities:</b>	
General government	\$ 228,420
Public safety	99,014
Public works	562,363
Culture and recreation	3,978
Conservation of natural resources	<u>1,355</u>
 Total governmental activities depreciation expense	 \$ <u><u>895,130</u></u>

	<u>Amount</u>
<b>Business-type activities:</b>	
Solid waste	\$ <u><u>100,981</u></u>

Commitments with respect to unfinished capital projects at September 30, 2016, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
LSBP 65 23 - County Road 538	\$ 139,105	October, 2016
LSBP 65 24 - County Road 32/County Road 102	60,769	October, 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 Activities</u>
Mobile equipment	\$ 915,523
Furniture and equipment	<u>171,756</u>
Total	1,087,279
Less: Accumulated depreciation	<u>(403,765)</u>
Leased Property Under Capital Leases	\$ <u><u>683,514</u></u>

# SMITH COUNTY

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

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2017	\$ 309,682	7,985
2018	132,932	4,043
2019	107,756	1,471
2020	24,409	228
Total	\$ 574,779	13,727

### (8) Defined Benefit Pension Plan.

#### *General Information about the Pension Plan*

**Plan Description.** Smith County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. 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 \$476,527, \$433,500, and \$390,848, respectively, equal to the required contributions for each year.

# SMITH COUNTY

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

### *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 \$8,594,182 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 0.048113 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.005525 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.

For the year ended September 30, 2016, the County recognized pension expense of \$1,503,795. 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 and actual experience	\$ 205,842	
Net difference between projected and actual earnings on pension plan investments	968,013	
Changes of assumptions	358,624	22,837
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	721,004	
County contributions subsequent to the measurement date	110,264	
Total	\$ 2,363,747	22,837

\$110,264 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	\$ 871,371
2018	783,505
2019	405,989
2020	169,781
Total	\$ 2,230,646

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

# SMITH COUNTY

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

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.

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. 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	\$ 11,019,669	8,594,182	6,581,815

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

SMITH COUNTY

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

(9) Long-term Debt.

Debt outstanding as of September 30, 2016, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
G.O. refunding bonds, Series 2015	\$ <u>3,080,000</u>	1.09-3.12%	03/2025
B. Capital Leases:			
2015 Ford police interceptor	\$ 14,997	1.93%	03/2019
2015 Dodge Ram 1500 truck	16,998	2.43%	03/2019
2015 Dodge 1500 crew truck	16,523	1.93%	06/2019
2015 Dodge 1500 crew truck	16,523	1.93%	06/2019
Fingerprint equipment	12,255	2.12%	08/2019
2016 Ford Taurus	24,024	1.95%	06/2020
2016 Dodge Ram 1500 truck	30,184	1.90%	07/2020
2016 Dodge Ram 1500 ST crew truck	30,002	1.90%	07/2020
John Deere rotary cutter w/ stump jumper	3,864	2.04%	02/2017
E-911 system	88,623	2.17%	08/2019
2014 Dodge Ram 1500	3,947	2.12%	03/2017
Caterpillar 140M motorgrader	14,461	1.99%	02/2017
2013 Dodge Ram 1500 truck	4,816	1.80%	05/2017
Caterpillar PS-150 pneumatic compactor	5,340	2.10%	01/2017
John Deere 6130 tractor w/ loader	43,501	1.93%	03/2019
John Deere 10 ft. wing rotary cutter	13,421	1.81%	08/2018
2005 International 7500 dump truck	35,981	2.00%	04/2020
2016 VT Leeboy towable roller	26,488	1.65%	08/2019
John Deere motorgrader	146,343	1.61%	03/2017
2016 VT Leeboy towable roller	<u>26,488</u>	1.65%	08/2019
Total Capital Leases	\$ <u>574,779</u>		
C. Other Loans:			
Road and bridge construction loan	\$ <u>145,219</u>	1.84%	07/2021

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

**Governmental Activities:**

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2017	\$ 315,000	71,986	28,995	2,429
2018	320,000	66,649	29,534	1,890
2019	325,000	60,406	30,082	1,342
2020	330,000	53,329	30,640	784
2021	340,000	45,436	25,968	220
2022 - 2026	<u>1,450,000</u>	<u>87,226</u>		
Total	\$ <u>3,080,000</u>	<u>385,032</u>	<u>145,219</u>	<u>6,665</u>



# SMITH COUNTY

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

**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 1.67% of the latest property assessments.

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
<b>Governmental Activities:</b>					
General obligation bond \$	3,460,000		380,000	3,080,000	315,000
Capital leases	668,604	196,713	290,538	574,779	309,682
Other loans		150,000	4,781	145,219	28,995
Total	\$ 4,128,604	346,713	675,319	3,799,998	653,677

### (10) Contingencies.

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

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

The County has been named as a defendant in a lawsuit seeking damages for an incident involving the Sheriff's Department. The County has excess liability insurance coverage that it believes would cover any judgment against the County.

### (11) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position deficit amount of (\$1,783,869) includes the effect of deferred inflows of resources and deferred outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$104,196 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 \$2,127,914 balance of the deferred outflows of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next four years. The \$21,580 balance of the deferred inflows of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next three years.

The business-type activities' restricted for public works net position amount of \$848,950 includes the effect of deferred inflows of resources and deferred outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$6,068 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 \$125,569 balance of the deferred outflows of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next four years. The \$1,257 balance of the deferred inflows of resources

## SMITH COUNTY

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

- (12) related to pensions at September 30, 2016, will be recognized in pension expense over the next three years.  
Joint Venture.

The County participates in the following joint venture:

Smith County is a participant with Rankin, Scott and Simpson Counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide free library service to the public and is governed by a five-member board of which two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the County's appropriation to the joint venture was \$150,274 in fiscal year 2016. Complete financial statements for the Central Mississippi Regional Library System can be obtained from 3470 Highway 80 East, Pearl, MS 39208.

- (13) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Central Mississippi Emergency Medical Services District operates in a district composed of the Counties of Attala, Clark, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Smith County Board of Supervisors appoints two of the 26 members of the board. The County provided no financial support for the district in fiscal year 2016.

Region Ten Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Smith County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$20,840 for support of the commission in fiscal year 2016.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Smith County Board of Supervisors appoints two of the 20 members of the college board of trustees. The County appropriated \$303,475 for maintenance and support of the college for fiscal year 2016.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Smith County Board of Supervisors appoints one of the 15 members of the board of directors. The County appropriated \$9,616 for support of the district in fiscal year 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 \$21,750 for support of the district in fiscal year 2016.

- (14) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Smith County evaluated the activity of the County through December 18, 2018, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

# SMITH COUNTY

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

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>
04/17/2017	1.75%	\$ 58,450	Capital lease	Ad valorem taxes
05/05/2017	1.83%	140,000	Capital lease	Ad valorem taxes
01/15/2018	1.75%	36,000	Capital lease	Ad valorem taxes
02/03/2018	1.75%	38,135	Capital lease	Ad valorem taxes

SMITH COUNTY

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## SMITH COUNTY

### REQUIRED SUPPLEMENTARY INFORMATION

SMITH COUNTY

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,288,510	4,230,142	4,230,142	
Licenses, commissions and other revenue	95,000	114,271	114,271	
Fines and forfeitures	110,000	117,251	117,251	
In lieu taxes - Salt Dome	300,000	389,528	389,528	
Intergovernmental revenues	842,500	685,889	685,889	
Charges for services	10,000	15,827	15,827	
Interest income	28,100	63,696	63,696	
Miscellaneous revenues	110,000	251,459	251,459	
Total Revenues	<u>5,784,110</u>	<u>5,868,063</u>	<u>5,868,063</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,595,131	3,065,409	3,065,409	
Public safety	2,259,500	2,424,062	2,424,062	
Health and welfare	110,265	120,008	120,008	
Culture and recreation	150,274	150,274	150,274	
Education	542,000			
Conservation of natural resources	77,810	78,636	78,636	
Economic development and assistance	40,750	29,977	29,977	
Debt service:				
Principal	17,000	40,626	40,626	
Interest		10,364	10,364	
Total Expenditures	<u>5,792,730</u>	<u>5,919,356</u>	<u>5,919,356</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(8,620)</u>	<u>(51,293)</u>	<u>(51,293)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	40,000			
Transfers out		(304,166)	(304,166)	
Other financing sources		402,571	402,571	
Other financing uses		(50,000)	(50,000)	
Total Other Financing Sources and Uses	<u>40,000</u>	<u>48,405</u>	<u>48,405</u>	<u>0</u>
Net Change in Fund Balance	31,380	(2,888)	(2,888)	0
Fund Balances - Beginning	<u>3,601,524</u>	<u>4,019,882</u>	<u>4,019,882</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 3,632,904</u>	<u>4,016,994</u>	<u>4,016,994</u>	<u>0</u>

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

SMITH COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Road & Bridge 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	\$ 1,928,550	1,915,529	1,915,529	
Licenses, commissions and other revenue		150,000	150,000	
Special assessments	150,000			
Intergovernmental revenues	4,000	7,575	7,575	
Interest income	1,000	1,161	1,161	
Miscellaneous revenues	150	134	134	
Total Revenues	<u>2,083,700</u>	<u>2,074,399</u>	<u>2,074,399</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	439,000	315,105	315,105	
Debt service:				
Principal	45,000	6,764	6,764	
Interest		33	33	
Total Expenditures	<u>484,000</u>	<u>321,902</u>	<u>321,902</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>1,599,700</u>	<u>1,752,497</u>	<u>1,752,497</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,230,000)	(1,380,000)	(1,380,000)	
Other financing uses	(150,000)			
Total Other Financing Sources and Uses	<u>(1,380,000)</u>	<u>(1,380,000)</u>	<u>(1,380,000)</u>	<u>0</u>
Net Change in Fund Balance	219,700	372,497	372,497	0
Fund Balances - Beginning	<u>369,330</u>	<u>396,202</u>	<u>396,202</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 589,030</u>	<u>768,699</u>	<u>768,699</u>	<u>0</u>

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



SMITH COUNTY

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

Last 10 Fiscal Years\*

For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.048113%	0.042588%
County's proportionate share of the net pension liability (asset)	\$ 8,594,182	6,583,263
County's covered-employee payroll	\$ 3,077,917	2,660,635
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.

SMITH 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	\$ 476,527	433,500
Contributions in relation to the contractually required contribution	<u>476,527</u>	<u>433,500</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>
County's covered-employee payroll	\$ 3,025,571	2,752,381
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.

# SMITH 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 and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

#### C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Countywide Road & Bridge Fund
Budget (Cash Basis)	\$ (2,888)	372,497
Increase (Decrease)		
Net adjustments for revenue accruals	(479,029)	3,117
Net adjustments for expenditure accruals	687,139	(588)
GAAP Basis	\$ 205,222	375,026

## SMITH COUNTY

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

#### UNAUDITED

#### Pension Schedules

##### A. Changes of assumptions.

###### 2015

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

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

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

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

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

###### 2016

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

##### 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 evaluation).

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

SMITH COUNTY

OTHER INFORMATION

SMITH COUNTY

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

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

SMITH COUNTY

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## SMITH COUNTY

## SPECIAL REPORTS

SMITH COUNTY

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

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

Members of the Board of Supervisors  
Smith County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Smith County, Mississippi (the County), as of and for the year ended September 30, 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 December 18, 2018. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit.

**Internal Control Over Financial Reporting**

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2016-001 to be a material weakness.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2016-002 to be a significant deficiency.

## **Compliance and Other Matters**

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

We noted certain matters that we reported to the management of Smith County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated December 18, 2018, included within this document.

## **Smith County's Responses to Findings**

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

## **Purpose of this Report**

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



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

December 18, 2018



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

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

Members of the Board of Supervisors  
Smith County, Mississippi

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

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

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

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

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

December 18, 2018

## SMITH 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>
10/19/2015	Two (2) 2017 Kenworth trucks	\$ 255,942	Kenworth of Mississippi	\$ 255,806	The Kenworth truck has a better resale value than the Freightliner, and the Kenworth is a 2017 model instead of a 2016 model.

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

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
4/18/2016	Transmission for Mack dump truck	\$ 6,318	Tri-State Truck Center	Replacement of transmission



SMITH COUNTY

Schedule 3

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

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

SMITH COUNTY

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

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Smith County, Mississippi

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

In addition, for areas not considered material to Smith County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated December 18, 2018, on the financial statements of Smith County, Mississippi.

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

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

**Board of Supervisors.**

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

**Repeat Finding** Yes

**Criteria** An effective system of internal control over the levying of ad valorem taxes should include the appropriate statute granting authority to levy taxes.

**Condition** As reported in the prior year's audit report, we noted that the fire protection levy was erroneously authorized by law pursuant to Statute 19-9-109 rather than 83-1-39(5)(d).

**Cause** The County lacked the necessary controls needed to ensure that ad valorem taxes were levied appropriately according to state law.

**Effect** The failure to cite the appropriate statute to authorize the levying of ad valorem taxes could result in the County having a tax levy for unauthorized purposes and/or the possibility of collecting incorrect amounts from taxpayers.

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

**Views of Responsible Official(s)** Board Attorney has corrected this.

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

**Repeat Finding** Yes

**Criteria** Section 19-3-27, Miss. Code Ann. (1972), requires a complete and correct record be maintained for all proceedings of the Board of Supervisors.

**Condition** As reported in the prior two years' audit reports, inter-fund transfers were made without board orders being spread on the minutes.

**Cause** The Board of Supervisors did not comply with state laws.

**Effect** The failure to obtain board approval for inter-fund transfers could result in erroneous amounts reported and increases the possibility of the loss or misuse of public funds.

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

**Views of Responsible Official(s)** This matter has been resolved.

#### **Board of Supervisors and Payroll Clerk.**

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

**Repeat Finding** Yes

**Criteria** Section 25-11-127(4)(a), Miss. Code Ann. (1972), requires retirees to receive no more than one-half of the salary in effect for the position at the time of employment in a fiscal year.

**Condition** As reported in the prior two years' audit reports, we noted that one PERS retiree was paid more than one-half of the salary for his position during the fiscal year 2016.

**Cause** The Board of Supervisors and Payroll Clerk did not comply with state laws.

**Effect** By overpaying PERS retirees, the County is not in compliance with state legal requirements.

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

**Views of Responsible Official(s)** Problem has been corrected.

**Chancery Clerk.**

**4.** The audit synopsis should be published.

**Repeat Finding** No

**Criteria** Section 7-7-221, Miss. Code Ann. (1972), requires the Clerk of the Board to publish a synopsis of the annual audit report as soon as possible after receipt of the report. The Clerk of the Board shall forward a copy of the published synopsis to the State Auditor.

**Condition** The Chancery Clerk has not published a synopsis of the fiscal year 2015 annual audit report.

**Cause** The Chancery Clerk did not comply with state laws.

**Effect** If synopsis is not published accordingly, the State Auditor is authorized to prepare the synopsis and have it published in accordance with Section 7-7-221 at cost to the County.

**Recommendation** The Chancery Clerk should publish a synopsis of the annual audit report when the report is received and forward the synopsis to the State Auditor.

**Views of Responsible Official(s)** As I stated to the auditor, I have not received CD with the synopsis information yet. When I receive the CD, I will have the synopsis published at that time.

**Auditor's Note** The fiscal year 2015 audit information was mailed to the County on November 29, 2017. Also, the audit information is available on the Office of the State Auditor's website. The audit synopsis is the responsibility of the Chancery Clerk and not the responsibility of the auditor.

**Circuit Clerk.**

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

**Repeat Finding** Yes

**Criteria** An effective system of internal control over cash should include daily bank deposits and settlement of funds to the proper authorities each month.

**Condition** As reported in the prior nine years' audit reports, we noted that bank deposits are not being made on a daily basis, which is a deficiency in internal control. Additionally, criminal and civil settlements are not being made in a timely manner, and it was noted that the Clerk is preparing deposits, taking deposits to the bank, preparing cash journals, preparing settlements, disbursing checks, and reconciling accounts each month.

**Cause** The Circuit Clerk lacked the necessary internal controls needed over cash.

**Effect** The failure to implement proper controls and have proper segregation of duties could result in the loss or misappropriation of public funds.

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

**Views of Responsible Official(s)** Efforts will be made to correct the problems.

**Sheriff and Board of Supervisors.**

**6.** Sheriff should improve controls over special drug fund.

**Repeat Finding** Yes

**Criteria** Section 99-3-39, Miss. Code Ann. (1972), requires that the amount available for monetary rewards for information leading to the apprehension of any person subsequently convicted of any crime or misdemeanor committed within the state shall be fixed by the Board of Supervisors.

**Condition** The Smith County Sheriff's office has an account which they used to purchase information and evidence. As reported in the prior three years' audit reports, during our audit procedures, it was noted that the Board of Supervisors had not approved a set limit for the amount of cash to be appropriated to the Sheriff for the purchase of information and evidence.

**Cause** The County lacked the necessary controls needed over the special drug fund and they failed to comply with state laws.

**Effect** Without a set limit, the Sheriff's office could build up a material amount of cash on hand and increase the risk of misappropriation of public funds.

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

**Views of Responsible  
Official(s)**

Board passed an order in May 2017 to limit buy money to \$1,500.

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

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



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

December 18, 2018

SMITH COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

SMITH COUNTY

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# SMITH COUNTY

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

### Section 1: Summary of Auditor's Results

#### ***Financial Statements:***

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

Governmental activities	Unmodified
Business-type activities	Unmodified
Aggregate discretely presented component units	Adverse
General Fund	Unmodified
Countywide Road and Bridge Fund	Unmodified
2005 Chancery Building & Jail GO Bond Fund	Unmodified
Solid Waste Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
  - a. Material weakness identified? Yes
  - b. Significant deficiency identified? Yes
3. Noncompliance material to the financial statements noted? No

### Section 2: Financial Statement Findings

#### **Board of Supervisors.**

#### **Material Weakness**

<b>2016-001.</b>	<u>The component unit should be included in the financial statements.</u>
<b>Repeat Finding</b>	Yes
<b>Criteria</b>	Generally Accepted Accounting Principles require the financial data for the County's component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data of the County's legally separate component unit.
<b>Condition</b>	As reported in the prior nine years' audit reports, the financial statements do not include the financial data for the County's legally separate component unit.
<b>Cause</b>	The County was unable to obtain audited financial statements of the component unit.
<b>Effect</b>	The failure to properly comply with Generally Accepted Accounting Principles resulted in an adverse opinion on the discretely presented component unit for the inclusion in the County's financial statements.
<b>Recommendation</b>	The Board of Supervisors should provide the financial data for its discretely presented component unit for the inclusion in the County's financial statements.

SMITH COUNTY

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

<b>Views of Responsible Official(s)</b>	We have discussed with Economic Development about having an independent audit.
<b>Payroll Clerk.</b>	
<b>Significant Deficiency</b>	
<b>2016-002.</b>	<u>Payroll Clerk should maintain adequate records for compensated absences liability.</u>
<b>Repeat Finding</b>	Yes
<b>Criteria</b>	The County has adopted a policy of compensated absences for its employees. The Payroll Clerk should maintain records that account for the number of leave hours each employee accumulates on a monthly basis and the current hourly rate of pay for each employee. This information is needed to calculate the end of the year compensated absences liability. General accepted accounting principles require the resulting liability to be reported in the financial statements.
<b>Condition</b>	As reported in the prior two years' audit reports, the Payroll Clerk did not maintain the necessary records to calculate the compensated absences liability.
<b>Cause</b>	The Payroll Clerk failed to maintain adequate documentation for leave balances.
<b>Effect</b>	Failure to properly account for compensated absences could result in the incorrect payments being made to employees leaving County service, and result in not reporting the compensated absences liability in the financial statements.
<b>Recommendation</b>	The Payroll Clerk should maintain adequate records so the total compensated absences liability can be calculated and reported in the financial statements as required by generally accepted accounting principles.
<b>Views of Responsible Official(s)</b>	The payroll clerk is correcting the issue for the 2017-2018 fiscal year.