

SCOTT COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2018

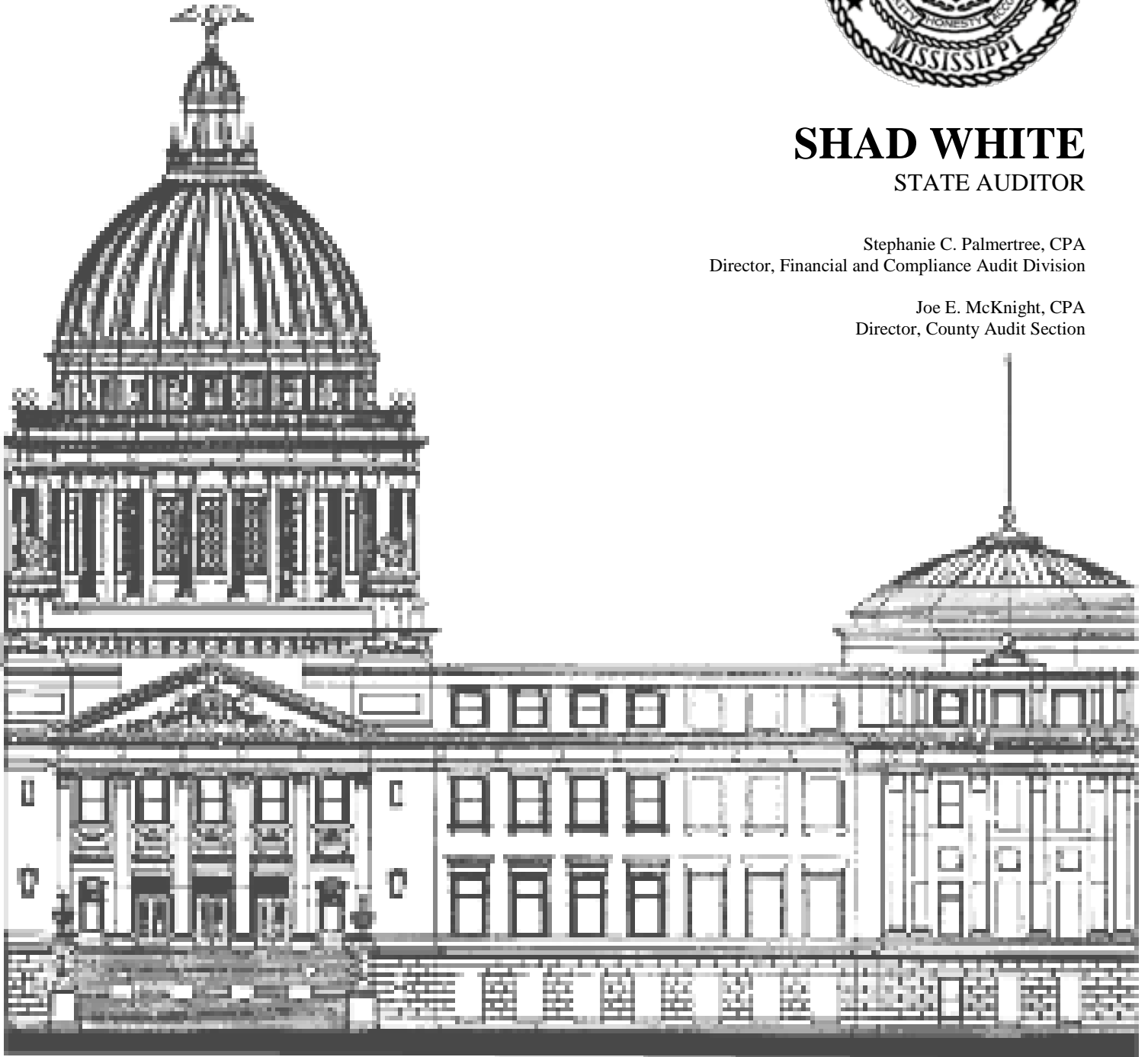


SHAD WHITE

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



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

Shad White

AUDITOR

July 1, 2020

Members of the Board of Supervisors
Scott County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2018 financial and compliance audit report for Scott County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

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

Shad White

SCOTT COUNTY
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SCOTT COUNTY

FINANCIAL SECTION

SCOTT 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
Scott County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Scott County, Mississippi, (the County) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on Governmental Activities

As discussed in Note 8 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of

the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Scott County, Mississippi, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Scott County, Mississippi, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2020 on our consideration of Scott County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Scott County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scott 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

July 1, 2020

SCOTT COUNTY

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SCOTT COUNTY

FINANCIAL STATEMENTS

SCOTT COUNTY

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SCOTT COUNTY
Statement of Net Position
September 30, 2018

Exhibit 1

	Primary Government
	Governmental Activities
ASSETS	
Cash	\$ 13,081,975
Property tax receivable	10,194,500
Accounts receivable (net of allowance for uncollectibles of \$1,190,742)	633,368
Fines receivable (net of allowance for uncollectibles of \$2,182,008)	447,030
Intergovernmental receivables	166,429
Other receivables	158,653
Capital assets:	
Land and construction in progress	566,576
Other capital assets, net	23,054,374
Total Assets	48,302,905
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	218,939
Deferred amount on refunding	660,391
Total Deferred Outflows of Resources	879,330
LIABILITIES	
Claims payable	391,059
Intergovernmental payables	239,831
Accrued interest payable	76,162
Unearned revenue	147,905
Other payables	2,179
Long-term liabilities	
Net pension liability	11,667,696
Due within one year:	
Capital debt	1,091,041
Due in more than one year:	
Capital debt	7,757,006
Non-capital debt	189,337
Total Liabilities	21,562,216
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	272,969
Deferred revenues - property taxes	10,194,500
Total Deferred Inflows of Resources	10,467,469
NET POSITION	
Net investment in capital assets	15,433,294
Restricted for:	
Expendable:	
General government	119,061
Public safety	351,805
Public works	5,384,335
Debt Service	1,828,475
Unemployment Compensation	167,023
Unrestricted	(6,131,443)
Total Net Position	\$ 17,152,550

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

SCOTT COUNTY
Statement of Activities
For the Year Ended September 30, 2018

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,326,172	695,074	1,599,820		(1,031,278)
Public safety	4,532,801	592,356	209,189		(3,731,256)
Public works	5,545,262	873,885	1,245,016	154,532	(3,271,829)
Health and welfare	287,198		46,841		(240,357)
Culture and recreation	204,050				(204,050)
Education	232,871				(232,871)
Conservation of natural resources	154,949		26,214		(128,735)
Economic development and assistance	110,302				(110,302)
Interest on long-term debt	132,167				(132,167)
Bond issue costs	4,600				(4,600)
Pension expense	1,466,125				(1,466,125)
Total Governmental Activities	\$ 15,996,497	2,161,315	3,127,080	154,532	(10,553,570)
General revenues:					
Property taxes					\$ 10,190,010
Road & bridge privilege taxes					360,235
Grants and contributions not restricted to specific programs					608,346
Unrestricted investment income					184,785
Miscellaneous					336,825
Total General Revenues					11,680,201
Changes in Net Position					1,126,631
Net Position - Beginning					16,025,919
Net Position - Ending					\$ 17,152,550

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

SCOTT COUNTY
Balance Sheet - Governmental Funds
September 30, 2018

Exhibit 3

	Major Funds			Other	Total
	General Fund	Combined GO Debt Fund	Countywide Road Fund	Governmental Funds	Governmental Funds
ASSETS					
Cash	\$ 5,552,661	1,673,335	73,087	5,782,892	13,081,975
Property tax receivable	6,876,100	798,000	60,500	2,459,900	10,194,500
Accounts receivable (net of allowance for uncollectibles of \$1,190,742)				633,368	633,368
Fines receivable (net of allowance for uncollectibles of \$2,182,008)	447,030				447,030
Intergovernmental receivables	160,484			5,945	166,429
Other receivables	83,923			74,730	158,653
Due from other funds		11,911	2,368	55,434	69,713
Total Assets	\$ 13,120,198	2,483,246	135,955	9,012,269	24,751,668
LIABILITIES					
Liabilities:					
Claims payable	\$ 152,755		10,739	227,565	391,059
Intergovernmental payables	233,284				233,284
Due to other funds	76,260				76,260
Unearned revenue				147,905	147,905
Other payables	2,179				2,179
Total Liabilities	464,478	0	10,739	375,470	850,687
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	6,876,100	798,000	60,500	2,459,900	10,194,500
Unavailable revenue - fines	447,030				447,030
Unavailable revenue - accounts receivable				633,368	633,368
Total Deferred Inflows of Resources	7,323,130	798,000	60,500	3,093,268	11,274,898
Fund balances:					
Restricted for:					
General government				119,061	119,061
Public safety				351,805	351,805
Public works			64,716	4,686,251	4,750,967
Debt service		1,685,246		219,391	1,904,637
Unemployment compensation				167,023	167,023
Unassigned	5,332,590				5,332,590
Total Fund Balances	5,332,590	1,685,246	64,716	5,543,531	12,626,083
Total Liabilities, Deferred Inflows and Fund Balances	\$ 13,120,198	2,483,246	135,955	9,012,269	24,751,668

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

SCOTT COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2018

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 12,626,083
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 \$14,805,418.	23,620,950
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,080,398
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(9,037,384)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(11,667,696)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(76,162)
Deferred amount on refunding	660,391
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	218,939
Deferred inflows of resources related to pensions	<u>(272,969)</u>
Total Net Position - Governmental Activities	\$ <u>17,152,550</u>

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

SCOTT COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2018

	Major Funds			Other	Total
	General Fund	Combined GO Debt Fund	Countywide Road Fund	Governmental Funds	Governmental Funds
REVENUES					
Property taxes	\$ 6,732,865	912,091	41,680	2,503,374	10,190,010
Road and bridge privilege taxes				360,235	360,235
Licenses, commissions and other revenue	340,225			92,435	432,660
Fines and forfeitures	474,680			8,325	483,005
Intergovernmental revenues	814,061	13,373	1,678,839	1,383,685	3,889,958
Charges for services	122,620			1,087,901	1,210,521
Interest income	129,825	11,991	159	42,810	184,785
Miscellaneous revenues	211,800		9,281	46,142	267,223
Total Revenues	8,826,076	937,455	1,729,959	5,524,907	17,018,397
EXPENDITURES					
Current:					
General government	3,439,727			8,281	3,448,008
Public safety	4,163,028			430,625	4,593,653
Public works			1,703,982	3,695,997	5,399,979
Health and welfare	267,043			11,642	278,685
Culture and recreation	204,050				204,050
Education				232,871	232,871
Conservation of natural resources	126,185			34,708	160,893
Economic development and assistance	114,555				114,555
Debt service:					
Principal	53,996	680,000		267,076	1,001,072
Interest	1,509	197,984		23,267	222,760
Bond issue costs		4,600			4,600
Total Expenditures	8,370,093	882,584	1,703,982	4,704,467	15,661,126
Excess of Revenues over (under) Expenditures	455,983	54,871	25,977	820,440	1,357,271
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued				118,481	118,481
Proceeds from sale of capital assets	1,150			60,442	61,592
Compensation for loss of capital assets				80,331	80,331
Total Other Financing Sources and Uses	1,150	0	0	259,254	260,404
Net Changes in Fund Balances	457,133	54,871	25,977	1,079,694	1,617,675
Fund Balances - Beginning	4,875,457	1,630,375	38,739	4,463,837	11,008,408
Fund Balances - Ending	\$ 5,332,590	1,685,246	64,716	5,543,531	12,626,083

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

SCOTT COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2018

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,617,675
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,119,333 exceeded depreciation of \$440,085 in the current period.	(679,248)
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 \$69,602 and the proceeds from the sale of \$61,592 and the compensation for loss of \$80,331 in the current period.	(72,321)
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.	(16,007)
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	51,136
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$1,001,072 exceeded debt proceeds of \$118,481.	882,591
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amount of decrease in compensated absences	18,170
The amount of decrease in accrued interest payable	150,700
The amortization of refunding bond premium	6,487
The amortization of deferred refunding charges	(66,594)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,466,125)
Recording of contributions made during the year	700,167
Change in Net Position of Governmental Activities	\$ <u>1,126,631</u>

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

SCOTT COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2018

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 344,661
Due from other funds	6,547
Total Assets	\$ <u>351,208</u>
LIABILITIES	
Intergovernmental payables	\$ 351,208
Total Liabilities	\$ <u>351,208</u>

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

SCOTT COUNTY

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SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures. Funds are organized into governmental, 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.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

C. Measurement Focus and Basis of Accounting.

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

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

The County reports the following major Governmental Funds:

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

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

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

FIDUCIARY FUND TYPE

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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

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

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements 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:

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

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

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

I. Deferred Outflows/Inflows of Resources:

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

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

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 9 for additional details.

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

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

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

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

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 9 for additional details.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

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.

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

N. Intergovernmental Revenues in Governmental Funds.

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

O. Compensated Absences.

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

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

(2) Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$13,426,636, and the bank balance was \$13,921,168. 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, 2018:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Fund	General Fund	\$ 2,368
Combined GO Debt Fund	General Fund	11,911
Other Governmental Funds	General Fund	55,434
Agency Funds	General Fund	6,547
Total		<u>\$ 76,260</u>

The receivables represent the tax revenue, Justice Court fine revenue, and Circuit Court fine revenue collected in September 2018, but not settled until October, 2018. All interfund balances are expected to be repaid within one year from the date of the financial statements.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2018, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 101,700
Reimbursement for inmate telephone	1,823
Reimbursement for Justice Court Distribution Fund	552
Reimbursement for EMPG	27,620
Reimbursement for DHS-welfare funds	5,017
Reimbursement for Youth Court Grant	2,137
Reimbursement for Housing Prisoners	18,660
Other	8,920
Total Governmental Activities	\$ 166,429

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2018:

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments*	Balance Sept. 30, 2018
Governmental activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 562,101				562,101
Construction in progress	2,424,917			(2,420,442)	4,475
Total non-depreciable capital assets	2,987,018	0	0	(2,420,442)	566,576
<u>Depreciable capital assets:</u>					
Infrastructure	8,546,503			2,420,442	10,966,945
Building	16,008,671				16,008,671
Mobile equipment	7,789,680	275,604	214,414	646,667	8,497,537
Furniture and equipment	549,069				549,069
Leased property under capital leases	2,319,756	164,481		(646,667)	1,837,570
Total depreciable capital assets	35,213,679	440,085	214,414	2,420,442	37,859,792

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2018

Less accumulated depreciation for:

Infrastructure	1,918,219	299,808			2,218,027
Building	4,201,038	320,186			4,521,224
Mobile equipment	6,310,427	311,583	142,093	440,324	6,920,241
Furniture and equipment	539,562				539,562
Leased property under capital leases	858,932	187,756		(440,324)	606,364
Total accumulated depreciation	13,828,178	1,119,333	142,093	0	14,805,418
Total depreciable capital assets, net	21,385,501	(679,248)	72,321	2,420,442	23,054,374
Governmental activities capital assets, net \$	24,372,519	(679,248)	72,321	0	23,620,950

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental activities:	
General government	\$ 84,066
Public safety	413,046
Public works	597,837
Health and welfare	24,384
	<u>24,384</u>
Total governmental activities depreciation expense	\$ <u>1,119,333</u>

Commitments with respect to unfinished capital projects at September 30, 2018, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Bridge SAP 6215S	\$ 4,475	October, 2019

(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, 2018, to January 1, 2019. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

(7) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2018:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,605,575
Furniture and equipment	231,995
Total	1,837,570
Less: Accumulated depreciation	(606,364)
Leased Property Under Capital Leases	\$ 1,231,206

The following is a schedule by years of the total payments due as of September 30, 2018:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 386,041	19,353
2020	166,970	13,204
2021	233,980	8,234
2022	71,759	4,451
2023 - 2025	144,964	5,147
Total	\$ 1,003,714	50,389

(8) Other Postemployment Benefits.

Plan Description

The Scott County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Scott County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 75 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the Plan. The County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

(9) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Scott County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

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, 2018, 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, 2018 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, 2018, 2017 and 2016 were \$700,167, \$715,024 and \$694,507, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the County reported a liability of \$11,667,696 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018 net pension liability was 0.070148 percent, which was based on a measurement date of June 30, 2018. This was a decrease of 0.000503 percent from its proportionate share used to calculate the September 30, 2017 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended September 30, 2018, the County recognized pension expense of \$1,466,125. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,467	
Net difference between projected and actual earnings on pension plan investments		237,056
Changes of assumptions	6,934	6,494
Changes in the proportion and differences between the County's contributions and proportionate share of contributions		29,419
County contributions subsequent to the measurement date	160,538	
Total	\$ 218,939	272,969

\$160,538 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, 2019. 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	Amount
2019	\$ 108,057
2020	(107,878)
2021	(162,279)
2022	(52,468)
Total	\$ (214,568)

Actuarial Assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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, 2018, are summarized in the following table:

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

Asset Class	Target Allocation	Long-Term Expected	
		Real	Rate of Return
U.S. Broad	27.00 %		4.60
International Equity	18.00		4.50
Emerging Markets Equity	4.00		4.75
Global	12.00		4.75
Fixed Income	18.00		0.75
Real Estate	10.00		3.50
Private Equity	8.00		5.10
Emerging Debt	2.00		2.25
Cash	1.00		-
Total	<u>100.00 %</u>		

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent, no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 15,363,008	11,667,696	8,596,405

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

(10) Long-term Debt.

Debt outstanding as of September 30, 2018, consisted of the following:

SCOTT COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2018

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Series 2014 Refunding Bonds	\$ <u>7,780,000</u>	2.44%	11/2027
B. Capital Leases:			
2016 Chargers	\$ 54,970	1.79%	09/2019
2015 Peterbilt Pumper (3)	338,946	2.48%	06/2025
2017 Dodge Ram	15,427	2.36%	07/2021
2007 Cat 320DL Excavator	25,101	2.54%	02/2021
2018 Bobcat	19,424	3.77%	10/2021
430F Backhoe	78,241	1.92%	06/2021
2017 Kubota Tractor	11,973	2.40%	08/2020
2011 Pothole Patcher	81,729	2.60%	04/2022
2017 Mack Dump Truck	81,963	2.04%	01/2021
2018 Mini Excavator	55,201	3.09%	02/2022
2006 Freightliner Dump Truck	30,405	3.45%	04/2021
2016 Ram 1500	6,336	1.99%	12/2019
2015 Tractor & Mower	31,037	2.00%	05/2021
2014 Motorgrader	157,249	2.08%	02/2019
2000 Durapatcher	10,562	2.07%	05/2020
2016 Pickup (2)	<u>5,150</u>	1.91%	01/2019
Total Capital Leases	\$ <u><u>1,003,714</u></u>		

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

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2019	\$ 705,000	175,738
2020	715,000	161,538
2021	735,000	147,038
2022	745,000	132,238
2023-2027	<u>4,880,000</u>	<u>414,782</u>
Total	\$ <u><u>7,780,000</u></u>	<u><u>1,031,334</u></u>

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, 2018, the amount of outstanding debt was equal to 3.93% of the latest property assessments.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2018, \$7,780,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2018:

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 207,507	-	18,170	189,337	
General obligation bonds	7,900,000		120,000	7,780,000	705,000
Add:					
Premiums	70,820		6,487	64,333	
Limited obligation bonds	560,000		560,000		
Capital leases	1,206,305	118,481	321,072	1,003,714	386,041
Total	\$ 9,944,632	118,481	1,025,729	9,037,384	1,091,041

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

(11) Contingencies.

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

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

(12) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of \$(6,131,443) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$160,538 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, 2019. The \$58,401 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next four years. The \$272,969 balance of the deferred inflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next three years.

The governmental activities' net investment in capital assets amount of \$15,433,294 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$66,594 of the \$660,391 balance of deferred outflows of resources at September 30, 2018, will be recognized as an expense and will decrease the net investment in capital assets over the next nine years.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

(13) Joint Ventures.

The County participates in the following joint ventures:

Scott County is a participant with Rankin, Smith and Simpson counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann, (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide library services to the public and is governed by a five-member board, which two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the County's appropriation to the joint venture was \$187,046 in the fiscal year 2018. Complete financial statements for the Central Mississippi Regional Library System can be obtained from the following address: 3470 Highway 80 East; Pearl, MS 39208.

Scott County Coliseum is a joint venture that operates jointly with the County and the City of Forest. It was created to provide Economic Development within the City and County. The board of trustees for the Coliseum is composed of board members of the participating governments and other citizens that are selected by those board members. The City of Forest is over the bank account and funds associated with the coliseum. The County appropriated \$3,938 for the support of the Coliseum in fiscal year 2018.

(14) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott and Winston. The Scott County Board of Supervisors appoints six of the 30 members of the college board of trustees. The County levy collected in 2018 the following amounts: \$455,873 for maintenance and support and \$137,297 for buildings and renovations.

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

East Central Planning and Development District operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Newton, Neshoba, Scott and Smith. The Scott County Board of Supervisors appoints one of the 15 members of the board of directors. The County appropriated \$16,284 in support for the district in fiscal year 2018.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Scott County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$31,000 for support of the commission in fiscal year 2018.

Mid-Mississippi Development District operates in a district composed of the counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was organized to foster, encourage and facilitate economic development in the member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The County appropriated \$45,750 for support to the district in fiscal year 2018.

(15) Tax Abatements.

As of September 30, 2018, Scott County provides tax-exempt status to two manufacturing companies and three processing plants subject to the requirements of GASB Statement No. 77. These companies are exempt from real property taxes and personal property taxes except for levies involving the school; the mandatory mill, and community college tax levies. These exemptions are authorized under Sections 27-31-101 and 27-31-105 of the Miss. Code Ann. (1972). These exemptions encourage businesses to locate or expand operations in the County and to create jobs. The amount of taxes abated during fiscal year 2018 totaled \$1,268,687.

SCOTT COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

(16) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Scott County evaluated the activity of the County through July 1, 2020, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2018, 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>
10/22/2018	3.81%	\$ 116,009	Capital lease	Ad valorem taxes
12/17/2018	4.14%	251,830	Capital lease	Ad valorem taxes
01/07/2019	4.07%	251,830	Capital lease	Ad valorem taxes
10/07/2019	3.44%	27,615	Capital lease	Ad valorem taxes
10/07/2019	3.44%	27,615	Capital lease	Ad valorem taxes
10/07/2019	3.44%	27,615	Capital Lease	Ad Valorem Taxes
10/07/2019	3.44%	27,615	Capital Lease	Ad Valorem Taxes
10/07/2019	3.44%	30,281	Capital Lease	Ad Valorem Taxes
06/04/2020	2.41%	25,000	Lease Purchase	Bancorp South
02/03/2020	3.34%	42,500	Lease Purchase	Trustmark

SCOTT COUNTY

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SCOTT COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCOTT COUNTY

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SCOTT COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2018
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 6,566,100	6,751,627	6,751,627	
Licenses, commissions and other revenue	343,850	429,622	429,622	
Fines and forfeitures	265,000	462,217	462,217	
Intergovernmental revenues	586,500	825,037	825,037	
Charges for services	85,000	120,878	120,878	
Interest income	65,550	129,670	129,670	
Miscellaneous revenues	138,000	290,718	290,718	
Total Revenues	<u>8,050,000</u>	<u>9,009,769</u>	<u>9,009,769</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	4,059,255	3,597,469	3,597,469	
Public safety	4,077,610	4,238,518	4,238,518	
Health and welfare	259,110	266,738	266,738	
Culture and recreation	204,050	204,050	204,050	
Conservation of natural resources	171,677	136,615	136,615	
Economic development and assistance	149,984	114,555	114,555	
Debt service:				
Principal	55,600	53,996	53,996	
Interest		1,509	1,509	
Total Expenditures	<u>8,977,286</u>	<u>8,613,450</u>	<u>8,613,450</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(927,286)</u>	<u>396,319</u>	<u>396,319</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		1,150	1,150	0
Total Other Financing Sources and Uses	<u>0</u>	<u>1,150</u>	<u>1,150</u>	<u>0</u>
Net Change in Fund Balance	(927,286)	397,469	397,469	0
Fund Balances - Beginning	<u>(1,570,470)</u>	<u>4,835,827</u>	<u>4,807,088</u>	<u>(28,739)</u>
Fund Balances - Ending	<u>\$ (2,497,756)</u>	<u>5,233,296</u>	<u>5,204,557</u>	<u>(28,739)</u>

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

SCOTT COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Fund
 For the Year Ended September 30, 2018
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 120,500	40,330	40,330	
Intergovernmental revenues	89,000	115,522	115,522	
Interest income		159	159	
Miscellaneous revenues		9,280	9,280	
Total Revenues	<u>209,500</u>	<u>165,291</u>	<u>165,291</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	209,725	137,418	137,418	
Total Expenditures	<u>209,725</u>	<u>137,418</u>	<u>137,418</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(225)</u>	<u>27,873</u>	<u>27,873</u>	<u>0</u>
Net Change in Fund Balance	(225)	27,873	27,873	
Fund Balances - Beginning	<u>35,000</u>	<u>45,213</u>	<u>45,213</u>	
Fund Balances - Ending	<u>\$ 34,775</u>	<u>73,086</u>	<u>73,086</u>	<u>0</u>

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

SCOTT COUNTY
Schedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.070148%	0.070651%	0.070706%	0.068285%
County's proportionate share of the net pension liability (asset)	\$ 11,667,696	11,744,594	12,629,858	10,555,514
Covered payroll	\$ 4,479,608	4,532,306	4,523,219	4,266,044
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	260.46%	259.13%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%

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

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

SCOTT COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 700,167	715,024	694,507	676,802
Contributions in relation to the contractually required contribution	<u>700,167</u>	<u>715,024</u>	<u>694,507</u>	<u>676,802</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 4,445,505	4,539,837	4,409,566	4,297,149
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

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

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

SCOTT COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2018 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 supplementary information.

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Countywide Road Fund
Budget (Cash Basis)	\$ 397,469	27,873
Increase (Decrease)		
Net adjustments for revenue accruals	(183,693)	1,564,668
Net adjustments for expenditure accruals	243,357	(1,566,564)
GAAP Basis	\$ 457,133	25,977

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.

SCOTT COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2018 UNAUDITED

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

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

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

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

2016

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

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumptions was reduced from 3.75% to 3.25%.

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

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

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.

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	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

SCOTT COUNTY

SUPPLEMENTARY INFORMATION

SCOTT COUNTY

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SCOTT COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2018

Operating Expenditures, Cash Basis:

Salaries	\$	101,717
Expendable Commodities:		
Gasoline and petroleum products		1,825
Repair parts		230
Maintenance		752,468
Insurance on equipment		350
Supplies		<u>1,267</u>

Solid Waste Cash Basis Operating Expenditures		857,857
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Full Cost Expenses:

Indirect administrative costs		37,749
Net effect of other accrued expenses		<u>6,118</u>

Solid Waste Full Cost Operating Expenses	\$	<u><u>901,724</u></u>
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SCOTT COUNTY

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SCOTT COUNTY

OTHER INFORMATION

SCOTT COUNTY

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SCOTT COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2018
UNAUDITED

Name	Position	Company	Bond
Jackie Bradford	Supervisor District 1	FCCI	\$100,000
Tim Sorey	Supervisor District 2	FCCI	\$100,000
Steven Crotwell	Supervisor District 3	Western Surety	\$100,000
Johnny P. Harrell	Supervisor District 4	Western Surety	\$100,000
Bruce McMillan	Supervisor District 5	FCCI	\$100,000
Lee Anne Livingston Palmer	Chancery Clerk	Western Surety	\$100,000
Shirley Evans	Purchase Clerk	FCCI	\$75,000
Jason Price	Assistant Purchase Clerk	FCCI	\$50,000
Kim Fultz	Receiving Clerk	Western Surety	\$75,000
Tony Macon	Assistant Receiving Clerk	FCCI	\$50,000
Terry Price	Assistant Receiving Clerk	Brierfield	\$50,000
Billy Rhinewalt	Assistant Receiving Clerk	FCCI	\$50,000
John D. Jones	Assistant Receiving Clerk	Western Surety	\$50,000
Vonda Shepherd	Assistant Receiving Clerk	FCCI	\$50,000
Eldridge Peterson	Assistant Receiving Clerk	FCCI	\$50,000
Carolyn Ford	Assistant Receiving Clerk	FCCI	\$50,000
Tommy Earls	Inventory Control Clerk	FCCI	\$75,000
Richard Prestage	Constable	Western Surety	\$50,000
Scotty Yarbrough	Constable	Western Surety	\$50,000
Elvie R. Gray	Circuit Clerk	FCCI	\$100,000
Ebone Leverette	Deputy Circuit Clerk	FCCI	\$50,000
Patricia Holder	Deputy Circuit Clerk	Western Surety	\$50,000
Marilyn A. O'Banner	Solid Waste Clerk	FCCI	\$100,000
Mike Lee	Sheriff	FCCI	\$100,000
Wilbur McCurdy	Justice Court Judge	Western Surety	\$50,000
Bill Freeman	Justice Court Judge	Western Surety	\$50,000
Betty Odom	Justice Court Clerk	Travelers	\$50,000
Deloise Darby	Deputy Justice Court Clerk	FCCI	\$50,000
Lori Thompson	Deputy Justice Court Clerk	Western Surety	\$50,000
Heather Street	Deputy Justice Court Clerk	FCCI	\$50,000
Alison Crapps	Tax Assessor-Collector	Western Surety	\$100,000
Mary Elizabeth "Beth" Watson	Deputy Tax Assessor	FCCI	\$10,000
Charnell Sharp	Deputy Tax Assessor	FCCI	\$10,000
Shameka Spivey Longmire	Deputy Tax Collector	Western Surety	\$50,000
Denise Hill	Deputy Tax Collector	Western Surety	\$50,000
Heather Thompson	Deputy Tax Collector	Western Surety	\$50,000
Doneshia Moore	Deputy Tax Collector	Western Surety	\$50,000

SCOTT COUNTY

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SCOTT COUNTY

SPECIAL REPORTS

SCOTT COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
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
Scott County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Scott County, Mississippi (the County), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 1, 2020. The report is qualified on the governmental activities because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2018-001, 2018-002, 2018-003, 2018-004, and 2018-005 that we consider to be material weaknesses.

Compliance and Other Matters

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

We also noted certain matters, which we have reported to the management of Scott County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated July 1, 2020, included within this document.

Scott County's Responses to Findings

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

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

July 1, 2020



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
Scott County, Mississippi

We have examined Scott County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2018. The Board of Supervisors of Scott County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

In our opinion, Scott County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2018.

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

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

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

July 1, 2020

SCOTT COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder

For the Year Ended September 30, 2018

<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>
7/9/2018	Ambulance	83,250	Southern Emergency & Rescue Vehicle Sales, LLC.	\$ 74,000	Did not meet specifications.

SCOTT COUNTY

Schedule 2

Schedule of Emergency Purchases

For the Year Ended September 30, 2018

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
2/8/2018	(2) 4x20 Poly Culvert	\$ 2,000	Easom Hardware	Culverts need for Road Maintenance
5/11/2018	(2) 36x20 Poly Culvert	1,650	Easom Hardware	Culverts need for Road Maintenance

Schedule 3

SCOTT COUNTY

Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2018

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
10/18/2017	Tasers	\$	23,131	Axon
10/18/2017	Rifle, Magazines, slings, and iron sites		16,534	Modern Outfitters
02/14/2018	Rifle, Magazines, slings, and iron sites		20,634	Modern Outfitters

SCOTT 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
Scott County, Mississippi

In planning and performing our audit of the financial statements of Scott County, Mississippi for the year ended September 30, 2018, we considered Scott County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Scott County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 1, 2020, on the financial statements of Scott County, Mississippi.

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

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

Board of Supervisors.

1. Deputy Tax Collector should be bonded as required by state statute.

Repeat Finding No

Criteria Section 27-1-3, Miss. Code Ann. (1972), states that each Deputy Tax Collector shall give bond in an amount not less than \$10,000 for the faithful discharge of his duties. Section 27-1-9a, Miss. Code Ann. (1972), states that each deputy tax collector shall give bond to be payable, conditioned and approved as provided by law in an amount not less than Fifty Thousand Dollars (\$ 50,000.00) for the faithful discharge of his duties. Also, 25-1-15, Miss. Code Ann. (1972), requires the given individual bond coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee

Condition The Deputy Tax Collector was not adequately bonded for the fiscal year 2018.

Cause County failed to properly bond deputy tax collector.

Effect	Failure to comply with the statutes would limit the amount available for recovery if a loss occurred over multiple terms.
Recommendation	The County should implement additional procedures to ensure the Deputy Tax Collector are bonded as required by state statute
Views of Responsible Official	All clerks will be bonded upon hiring.
Board of Supervisors.	
2.	<u>Controls over invoices for Fuelman purchases should be strengthened.</u>
Repeat Finding	No.
Criteria	An effective system of internal controls over Fuelman invoices should include reviewing, monitoring, and comparing fuel purchases with other County districts on a monthly basis.
Condition	During the 2018 audit year, it was brought to our attention that County district one had spent substantially more on Fuelman purchases than the other County districts.
Cause	The County lacked the necessary internal controls over Fuelman purchases.
Effect	The failure to establish an adequate system of internal controls over Fuelman purchases could result in the misappropriation or loss of public funds.
Recommendation	The Board of Supervisors should implement a system of internal control to ensure that Fuelman purchases are reviewed, monitored and compared on a monthly basis of all County districts to prevent waste, fraud and abuse of fuel purchases for the County.
Views of Responsible Officials	When new budgets are reviewed for the next fiscal year, the Comptroller will prepare a fuel expenditure report for all districts and distribute to each supervisor. Also, the Purchase Clerk will forward a copy of the weekly Fuelman invoices to each Supervisor.
Board of Supervisors.	
3.	<u>PERS Retirees should not be paid more than one-half salary of their position.</u>
Repeat Finding	No.
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	During our test work, we noted that a PERS retiree was paid more than one-half of the salary for their position during fiscal year 2018.
Cause	The County did not know the judge was already retired.
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
Officials

After payroll was made aware through a PERS audit that the judge was in fact a retiree, his pay was reduced to half of his court ordered salary.

Sheriff.

4. Internal controls over K-9 Seizure fund should be strengthened.

Repeat Finding No.

Criteria An effective system of internal control for the Sheriff's office K-9 Seizure fund should include an accurate cash journal and monthly bank reconciliations of all funds held by the office.

Condition During our test work, we noted the Sheriff's office K-9 fund did not have a corresponding cash journal or bank reconciliation to account for transactions that were done thru the account.

Cause The Sheriff's office failed to implement controls for the K-9 Seizure fund accounting.

Effect Failure to implement these controls could result in the loss of public funds.

Recommendation The Sheriff should ensure the K-9 Seizure fund has a corresponding monthly cash journal that is reconciled to the bank statement monthly.

Views of Responsible
Official

We will keep a cash journal with receipts, checks, and bank statements.

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

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

July 1, 2020

SCOTT COUNTY

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SCOTT COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

SCOTT COUNTY

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SCOTT COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2018

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Qualified
General Fund	Unmodified
Combined GO Debt Fund	Unmodified
Countywide Road Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiency identified? None Reported
3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Tax Assessor/Collector.

Material Weakness

2018-001.	<u>The Tax Collector should maintain a cash journal and reconcile it monthly.</u>
Repeat Finding	Yes
Criteria	An effective system of internal control over the collection, recording, and disbursement of cash in the Tax Collector's office should include proper maintenance of a cash journal and reconciling the bank account to the cash journal monthly.
Condition	As reported in the prior ten years' audit reports, it was noted that the Tax Collector does not maintain a cash journal and therefore, has not reconciled the bank statement to the cash journal. A cash count that was performed during the audit revealed an undisclosed difference between the cash journal and the bank reconciliation
Cause	The collections and disbursements were not being entered into the system correctly, in which the cash journal is generated from. This has caused large unknown differences between the monthly cash journals and bank statements.
Effect	Failure to reconcile the bank account to the cash journal could result in making incorrect settlements to the County, as well as the loss or misuse of public funds.
Recommendation	The Tax Collector should maintain a cash journal and correctly record and make all deposits when they are received. The cash journal should be correctly reconciled to the bank account on a monthly basis.
Views of Responsible Official	A new bookkeeper was hired July 2019 we are in the process of getting all issues corrected and attempting to find a better system for cash journal entries and bank reconciliation. Once the new system is in place all errors should be resolved.

SCOTT COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2018

Tax Assessor/Collector.

Material Weakness

2018-002. Tax Collector should perform monthly bank reconciliations.

Repeat Finding No

Criteria An effective system of internal control over the collection, recording, and disbursement of cash in the Tax Collector's office should include a reconciliation of the bank account to the cash journal monthly.

Condition During testing performed in the Tax Collector's office, it was noted that the Tax Collector was not reconciling the bank account to the cash journal. A January 2020 cash count revealed a net cash shortage of \$483,833.

Cause Tax Collector failed to reconcile monthly to the bank account.

Effect Failure to reconcile to the bank account could result in the loss or misuse of public funds.

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

Views of Responsible Official Bank reconciliation will be completed monthly along with bank settlement.

Tax Assessor/Collector.

Material Weakness

2018-003. The Tax Collector should make daily bank deposits.

Repeat Finding No

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

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

Cause Tax Collector failed to make timely deposits.

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

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

Views of Responsible Official Bank deposits will be made daily unless there is an issue like we had with mortgage company issue we were waiting on Delta to fix.

SCOTT COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2018

Tax Assessor/Collector.

Material Weakness

2018-004. Controls over cash collections in the Tax Collector's office should be strengthened.

Repeat Finding Yes

Criteria An effective system of internal controls over the collection, recording and disbursement of cash in the Tax Collector's office should include an adequate segregation of duties.

Condition As reported in the prior five years' audit reports, the cash collections and disbursement functions in the Tax Collector's office were not adequately segregated for effective internal controls. The bookkeeper reconciles cash collections and receipts, prepares daily check-up sheets, prepares daily bank deposits, posts to the cash journal, writes checks for all disbursements, and is responsible for reconciling the bank statements.

Cause The Tax office was unaware such duties need to be segregated in order to achieve effective internal controls.

Effect Failure to have an adequate segregation of duties could result in the loss of public funds.

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

Views of Responsible Official The daily checkup sheets are not prepared by book keeper they are completed by each clerk for their drawer daily at checkup. The checks for disbursements are completed by bookkeeper and tax collector for each month. Internal controls have been implemented to create segregation of duties.

Board of Supervisors

Material Weakness

2018-005. The County should comply with GASB Statement 45 and report on postemployment health care benefits.

Repeat Finding Yes

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

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

Cause The county failed to properly follow GAAP principles.

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

SCOTT COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2018

Recommendation	The Board of Supervisors should have an actuarial valuation annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.
Views of Responsible Officials	The county does not feel it is cost effective to have an actuarial valuation performed annually for reporting retirees.