

SMITH COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2019

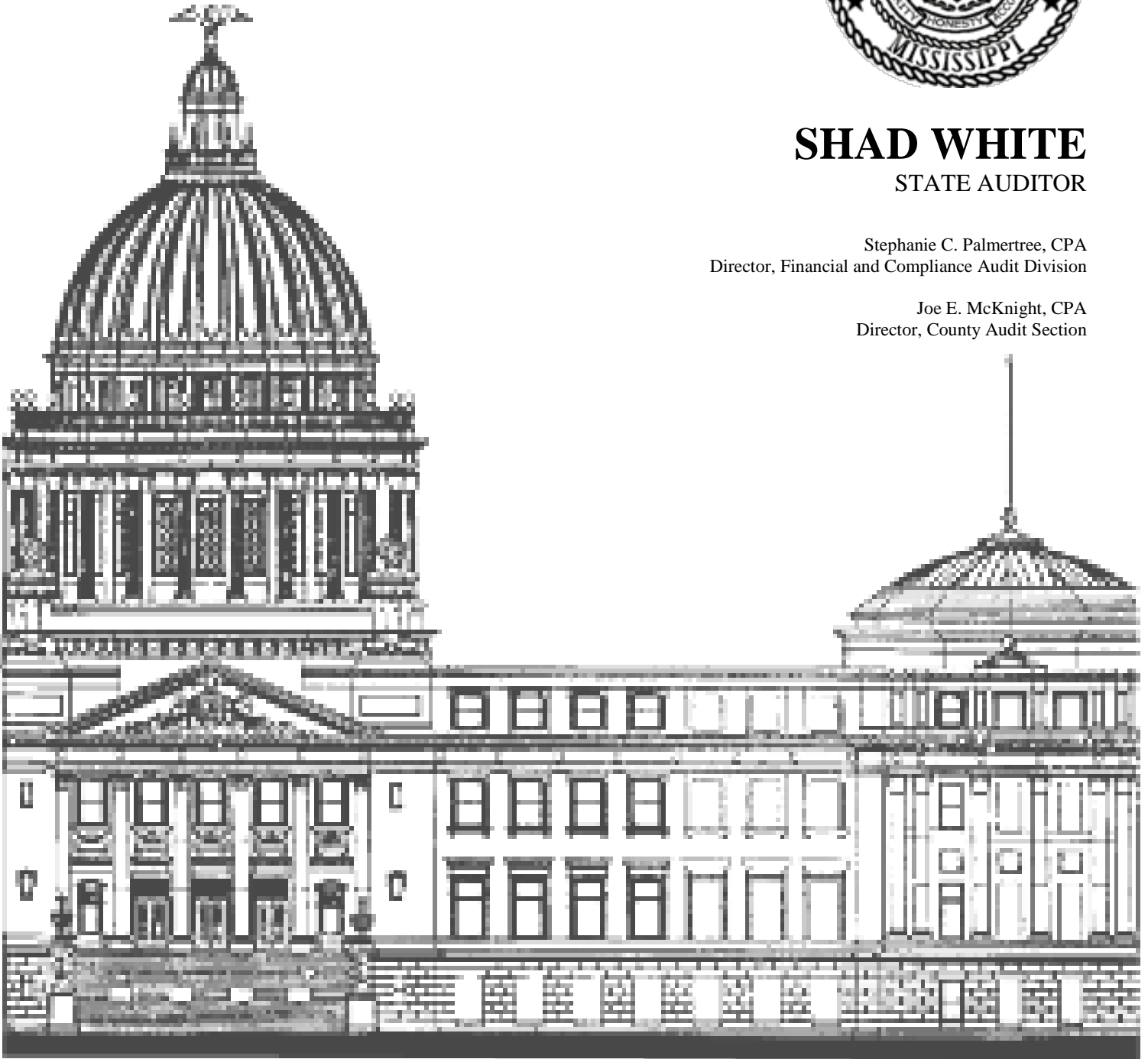


SHAD WHITE

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

October 28, 2021

Members of the Board of Supervisors
Smith County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2019 financial and compliance audit report for Smith County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

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

Shad White

SMITH COUNTY
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SMITH COUNTY

FINANCIAL SECTION

SMITH COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Smith County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Smith County, Mississippi, (the County) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of Smith County, Mississippi, as of September 30, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on the General Fund

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Circuit Clerk or the aging of these fines receivable. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported in the General Fund at \$141,948, as of September 30, 2019. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined had we been able to examine evidence to determine the net realizable value of the Circuit Court fines receivable reported in the General Fund as described in the "Basis for Qualified Opinion on the General Fund" paragraph, the financial statements referred to previously presented fairly, in all material respects, the financial position of the General Fund of Smith County, Mississippi, as of September 30, 2019, and the changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the Countywide Road and Bridge Fund, and the aggregate remaining fund information of Smith County, Mississippi, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021 on our consideration of Smith County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Smith 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 Smith County, Mississippi's internal control over financial reporting and compliance.

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 28, 2021

SMITH COUNTY

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SMITH COUNTY

FINANCIAL STATEMENTS

SMITH COUNTY

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SMITH COUNTY
Statement of Net Position
September 30, 2019

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 16,143,604	788,262	16,931,866
Property tax receivable	8,259,769		8,259,769
Accounts receivable (net of allowance for uncollectibles of \$657,808)		683,605	683,605
Fines receivable (net of allowance for uncollectibles of \$874,770)	141,948		141,948
Intergovernmental receivables	152,411		152,411
Internal balances	27,760	(27,760)	0
Capital assets:			
Land and construction in progress	4,859,724		4,859,724
Other capital assets, net	35,932,158	178,173	36,110,331
Total Assets	<u>65,517,374</u>	<u>1,622,280</u>	<u>67,139,654</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	191,692	8,485	200,177
Total Deferred Outflows of Resources	<u>191,692</u>	<u>8,485</u>	<u>200,177</u>
LIABILITIES			
Claims payable	521,398	16,366	537,764
Intergovernmental payables	236,150		236,150
Accrued interest payable	7,756		7,756
Unearned revenue	254,048	69,140	323,188
Other payables	60,952		60,952
Long-term liabilities			
Net pension liability	7,358,056	437,651	7,795,707
Due within one year:			
Capital debt	618,488		618,488
Due in more than one year:			
Capital debt	2,412,104		2,412,104
Non-capital debt	43,873	1,313	45,186
Total Liabilities	<u>11,512,825</u>	<u>524,470</u>	<u>12,037,295</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	340,470	22,550	363,020
Deferred revenues - property taxes	8,259,769		8,259,769
Total Deferred Inflows of Resources	<u>8,600,239</u>	<u>22,550</u>	<u>8,622,789</u>
NET POSITION			
Net investment in capital assets	37,761,290	178,173	37,939,463
Restricted for:			
Expendable:			
General government	847,992		847,992
Public safety	687,914		687,914
Public works	4,735,387	905,572	5,640,959
Culture and recreation	93,835		93,835
Economic development and assistance	83,006		83,006
Debt service	2,301,215		2,301,215
Unrestricted	(914,637)		(914,637)
Total Net Position	<u>\$ 45,596,002</u>	<u>1,083,745</u>	<u>46,679,747</u>

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

SMITH COUNTY
Statement of Activities
For the Year Ended September 30, 2019

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,001,004	204,469	11,154		(2,785,381)		(2,785,381)
Public safety	2,077,265	165,479	105,675		(1,806,111)		(1,806,111)
Public works	3,553,224		1,026,490	630,788	(1,895,946)		(1,895,946)
Health and welfare	121,555		18,313		(103,242)		(103,242)
Culture and recreation	171,078				(171,078)		(171,078)
Education	501,020		20,359		(480,661)		(480,661)
Conservation of natural resources	74,558				(74,558)		(74,558)
Economic development and assistance	67,609	8,537			(59,072)		(59,072)
Interest on long-term debt	93,399				(93,399)		(93,399)
Pension expense	649,721				(649,721)		(649,721)
Total Governmental Activities	<u>10,310,433</u>	<u>378,485</u>	<u>1,181,991</u>	<u>630,788</u>	<u>(8,119,169)</u>		<u>(8,119,169)</u>
Business-type activities:							
Solid Waste	614,165	593,101				(21,064)	(21,064)
Total Business-type Activities	<u>614,165</u>	<u>593,101</u>	<u>0</u>	<u>0</u>		<u>(21,064)</u>	<u>(21,064)</u>
Total Primary Government	<u>\$ 10,924,598</u>	<u>971,586</u>	<u>1,181,991</u>	<u>630,788</u>	<u>(8,119,169)</u>	<u>(21,064)</u>	<u>(8,140,233)</u>
General revenues:							
Property taxes					\$ 7,775,396		7,775,396
Road & bridge privilege taxes					214,510		214,510
Grants and contributions not restricted to specific programs					1,140,793		1,140,793
In lieu taxes - salt dome					481,565		481,565
Unrestricted interest income					266,413	11,629	278,042
Miscellaneous					338,377		338,377
Total General Revenues					<u>10,217,054</u>	<u>11,629</u>	<u>10,228,683</u>
Changes in Net Position					2,097,885	(9,435)	2,088,450
Net Position - Beginning					<u>43,498,117</u>	<u>1,093,180</u>	<u>44,591,297</u>
Net Position - Ending					<u>\$ 45,596,002</u>	<u>1,083,745</u>	<u>46,679,747</u>

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

SMITH COUNTY
Balance Sheet - Governmental Funds
September 30, 2019

Exhibit 3

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Countywide Road & Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 6,894,317	1,740,440	7,508,847	16,143,604
Property tax receivable	4,929,097	2,688,616	642,056	8,259,769
Fines receivable (net of allowance for uncollectibles of \$874,770)	141,948			141,948
Intergovernmental receivables	152,411			152,411
Due from other funds	13,306	36,091	179,777	229,174
Advances to other funds	50,910	938	63,610	115,458
Total Assets	<u>\$ 12,181,989</u>	<u>4,466,085</u>	<u>8,394,290</u>	<u>25,042,364</u>
LIABILITIES				
Liabilities:				
Claims payable	\$ 181,795	15,665	323,938	521,398
Intergovernmental payables	287,140			287,140
Due to other funds	71,625		150,000	221,625
Advances from other funds	6,863		37,394	44,257
Unearned revenue			254,048	254,048
Other payables	60,952			60,952
Total Liabilities	<u>608,375</u>	<u>15,665</u>	<u>765,380</u>	<u>1,389,420</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	4,929,097	2,688,616	642,056	8,259,769
Unavailable revenue - fines	141,948			141,948
Total Deferred Inflows of Resources	<u>5,071,045</u>	<u>2,688,616</u>	<u>642,056</u>	<u>8,401,717</u>
Fund balances:				
Nonspendable:				
Advances	50,910			50,910
Restricted for:				
General government			847,992	847,992
Public safety			687,914	687,914
Public works		1,761,804	2,973,583	4,735,387
Culture and recreation			93,835	93,835
Economic development and assistance			83,006	83,006
Debt service			2,308,971	2,308,971
Unassigned	6,451,659		(8,447)	6,443,212
Total Fund Balances	<u>6,502,569</u>	<u>1,761,804</u>	<u>6,986,854</u>	<u>15,251,227</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,181,989</u>	<u>4,466,085</u>	<u>8,394,290</u>	<u>25,042,364</u>

SMITH COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2019

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 15,251,227
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 \$54,112,901.	40,791,882
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	141,948
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,074,465)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(7,358,056)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(7,756)
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	191,692
Deferred inflows of resources related to pensions	<u>(340,470)</u>
Total Net Position - Governmental Activities	\$ <u><u>45,596,002</u></u>

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

SMITH COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2019

	Major Funds			
	General Fund	Countywide Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 4,624,015	2,339,933	811,448	7,775,396
Road and bridge privilege taxes			214,510	214,510
Licenses, commissions and other revenue	109,125		12,267	121,392
Fines and forfeitures	90,595			90,595
In lieu taxes - salt dome	331,565	150,000		481,565
Intergovernmental revenues	853,339	9,166	2,091,067	2,953,572
Charges for services	9,306		145,347	154,653
Interest income	158,336	18,967	89,110	266,413
Miscellaneous revenues	224,232		114,145	338,377
Total Revenues	6,400,513	2,518,066	3,477,894	12,396,473
EXPENDITURES				
Current:				
General government	2,944,027		10,053	2,954,080
Public safety	1,981,849		206,229	2,188,078
Public works		279,427	3,509,343	3,788,770
Health and welfare	121,555			121,555
Culture and recreation	150,274		15,588	165,862
Education	501,020			501,020
Conservation of natural resources	75,563			75,563
Economic development and assistance	65,516		2,093	67,609
Debt service:				
Principal	30,884		642,173	673,057
Interest	2,480		88,306	90,786
Total Expenditures	5,873,168	279,427	4,473,785	10,626,380
Excess of Revenues over (under) Expenditures	527,345	2,238,639	(995,891)	1,770,093
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	60,919		148,723	209,642
Proceeds from sale of capital assets	458		3,200	3,658
Transfers in	100,000		1,702,155	1,802,155
Transfers out	(294,918)	(1,380,000)	(127,237)	(1,802,155)
Total Other Financing Sources and Uses	(133,541)	(1,380,000)	1,726,841	213,300
Net Changes in Fund Balances	393,804	858,639	730,950	1,983,393
Fund Balances - Beginning	6,108,765	903,165	6,255,904	13,267,834
Fund Balances - Ending	\$ 6,502,569	1,761,804	6,986,854	15,251,227

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

SMITH COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2019

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,983,393
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$902,377 exceeded capital outlays of \$813,736 in the current period.	(88,641)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$14,468 and the proceeds from the sale of \$3,658 in the current period.	(18,126)
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.	11,845
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 \$673,057 exceeded debt proceeds of \$209,642.	463,415
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences liability.	(43,873)
The amount of increase in accrued interest payable.	(2,613)
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	(649,721)
Recording of contributions made during the year	442,206
Change in Net Position of Governmental Activities	\$ <u>2,097,885</u>

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

SMITH COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2019

Exhibit 5

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
ASSETS	
Current assets:	
Cash	\$ 788,262
Accounts receivable (net of allowance for uncollectibles of \$657,808)	683,605
Total Current Assets	<u>1,471,867</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	178,173
Total Noncurrent Assets	<u>178,173</u>
Total Assets	<u>1,650,040</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	8,485
Total Deferred Outflows of Resources	<u>8,485</u>
LIABILITIES	
Current liabilities:	
Claims payable	16,366
Due to other funds	13,306
Advances from other funds	14,454
Unearned revenue	69,140
Total Current Liabilities	<u>113,266</u>
Noncurrent liabilities:	
Net pension liability	437,651
Non-capital debt:	
Compensated absences payable	1,313
Total Noncurrent Liabilities	<u>438,964</u>
Total Liabilities	<u>552,230</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	22,550
Total Deferred Inflows of Resources	<u>22,550</u>
NET POSITION	
Net investment in capital assets	178,173
Restricted for:	
Public works	905,572
Total Net Position	<u>\$ 1,083,745</u>

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

SMITH COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2019

	Business-type Activities - <u>Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 593,101
Total Operating Revenues	<u>593,101</u>
Operating Expenses	
Personal services	265,885
Contractual services	119,920
Materials and supplies	109,319
Depreciation expense	66,447
Indirect administrative cost	13,306
Pension expense	39,288
Total Operating Expenses	<u>614,165</u>
Operating Income (Loss)	<u>(21,064)</u>
Nonoperating Revenues (Expenses)	
Interest income	11,629
Net Nonoperating Revenue (Expenses)	<u>11,629</u>
Net Income (Loss)	<u>(9,435)</u>
Changes in Net Position	(9,435)
Net Position - Beginning	<u>1,093,180</u>
Net Position - Ending	\$ <u><u>1,083,745</u></u>

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

SMITH COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2019

Exhibit 7

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 556,332
Payments to suppliers	(118,521)
Payments to employees	(291,311)
Payments for contractual services	(119,920)
Net Cash Provided (Used) by Operating Activities	26,580
Cash Flows From Noncapital Financing Activities	
Cash paid to other funds:	
Interfund loan repayments	(11,796)
Net Cash Provided (Used) by Noncapital Financing Activities	(11,796)
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(88,500)
Net Cash Provided (Used) by Capital and Related Financing Activities	(88,500)
Cash Flows From Investing Activities	
Interest on deposits	11,629
Net Cash Provided (Used) by Investing Activities	11,629
Net Increase (Decrease) in Cash and Cash Equivalents	(62,087)
Cash and Cash Equivalents at Beginning of Year	850,349
Cash and Cash Equivalents at End of Year	\$ 788,262
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (21,064)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	66,447
Provision for uncollectible accounts	36,397
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(72,681)
Increase (decrease) in claims payable	(9,202)
Increase (decrease) in compensated absences liability	1,313
Increase (decrease) in unearned revenue	(485)
Increase (decrease) in interfund payables	13,306
Increase (decrease) in pension liability, deferred outflows, and deferred inflows (net)	12,549
Total Adjustments	47,644
Net Cash Provided (Used) by Operating Activities	\$ 26,580

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

SMITH COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2019

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 680,586
Due from other funds	<u>5,757</u>
Total Assets	\$ <u><u>686,343</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 608,731
Advances from other funds	56,747
Intergovernmental payables	<u>20,865</u>
Total Liabilities	\$ <u><u>686,343</u></u>

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

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Smith County Economic Development Authority

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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

C. Measurement Focus and Basis of Accounting.

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

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

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

The County reports the following major Governmental Funds:

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

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

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

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.

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the 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." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

H. Capital Assets.

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

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

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

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

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

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

I. Deferred Outflows/Inflows of Resources:

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

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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

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

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.

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

J. Pensions.

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

K. Long-term Liabilities.

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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

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

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

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

Fund Balance Flow Assumption:

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

M. Property Tax Revenues:

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

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

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

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

N. Intergovernmental Revenues in Governmental Funds.

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

O. Compensated Absences.

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

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2019, was \$17,612,452, and the bank balance was \$18,062,986. 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.

SMITH COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2019:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 13,306
Countywide Road & Bridge Fund	General Fund	36,091
Other Governmental Funds	General Fund	29,777
Other Governmental Funds	Other Governmental Funds	150,000
Agency Funds	General Fund	5,757
Total		<u>\$ 234,931</u>

The receivables represent tax revenue collected in September, 2019, but not settled until October 2019, and the indirect cost from the Solid Waste Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 36,456
General Fund	Solid Waste Fund	14,454
Countywide Road & Bridge Fund	Other Governmental Funds	938
Other Governmental Funds	Agency Funds	56,747
Other Governmental Funds	General Fund	6,863
Total		<u>\$ 115,458</u>

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

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 100,000
Other Governmental Funds	General Fund	294,918
Other Governmental Funds	Countywide Road & Bridge Fund	1,380,000
Other Governmental Funds	Other Governmental Funds	27,237
Total		<u>\$ 1,802,155</u>

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

SMITH COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2019, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 128,044
Reimbursement for housing prisoners	1,160
Welfare reimbursement	3,446
Emergency management performance grants	19,761
Total Governmental Activities	<u>\$ 152,411</u>

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2019:

Governmental activities:

	Balance Oct. 1, 2018	Additions	Deletions	Adjustments*	Balance Sept. 30, 2019
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,186,298				1,186,298
Construction in progress	3,082,953	590,473			3,673,426
Total non-depreciable capital assets	4,269,251	590,473	0	0	4,859,724
<u>Depreciable capital assets:</u>					
Infrastructure	69,770,080				69,770,080
Buildings	11,770,008				11,770,008
Improvements other than buildings	171,231				171,231
Mobile equipment	7,009,313	5,000	164,668	(64,750)	6,784,895
Furniture and equipment	967,201	8,622	39,822	21,712	957,713
Leased property under capital leases	338,453	209,641		43,038	591,132
Total depreciable capital assets	90,026,286	223,263	204,490	0	90,045,059
<u>Less accumulated depreciation for:</u>					
Infrastructure	44,905,034	348,361			45,253,395
Buildings	2,146,290	226,332			2,372,622
Improvements other than buildings	37,512	8,244			45,756
Mobile equipment	5,452,379	227,342	148,201	(67,746)	5,463,774
Furniture and equipment	756,165	27,022	38,163	7,822	752,846
Leased property under capital leases	99,508	65,076		59,924	224,508
Total accumulated depreciation	53,396,888	902,377	186,364	0	54,112,901
Total depreciable capital assets, net	36,629,398	(679,114)	18,126	0	35,932,158
Governmental activities capital assets, net	\$ 40,898,649	(88,641)	18,126	0	40,791,882

SMITH COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

Business-type activities:

	Balance Oct. 1, 2018	Additions	Balance Sept. 30, 2019
<u>Depreciable capital assets:</u>			
Mobile equipment	\$ 506,011	88,500	594,511
Total depreciable capital assets	506,011	88,500	594,511
<u>Less accumulated depreciation for:</u>			
Mobile equipment	349,891	66,447	416,338
Total accumulated depreciation	349,891	66,447	416,338
Total depreciable capital assets, net	156,120	22,053	178,173
Business-type activities capital assets, net	\$ 156,120	22,053	178,173

*Adjustments are for the reclassification of equipment transferred to mobile equipment and furniture and equipment from paid-off leases. Other adjustments were for prior year corrections and adjustments made to classify assets correctly.

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 208,678
Public safety	99,638
Public works	588,845
Culture and recreation	5,216
Total governmental activities depreciation expense	\$ 902,377
	Amount
Business-type activities:	
Solid waste	\$ 66,447

Commitments with respect to unfinished capital projects at September 30, 2019, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
LSBP 65 23 - County Road 538	\$ 24,094	December, 2019
LSBP 65 24 - County Road 32/County Road 102	32,172	December, 2019
LSBP 65 25 - County Road 71 (Site B)	3,266	May, 2020
BR 0065 28B - Strong River/Polkville Road	- *	November, 2019
STP 0383 5 B - Taylorsville-Mt. Olive Road	570,804	January, 2020

*Per County Engineer, the project is complete and no additional expenditures are expected. However, final inspection has not been performed and therefore, the project is not considered to be complete as of 9/30/2019.

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 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, 2019, to January 1, 2020. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2019:

Classes of Property		Governmental Activities
Mobile equipment	\$	591,132
Less: Accumulated depreciation		(224,508)
Leased Property Under Capital Leases	\$	<u>366,624</u>

The following is a schedule by years of the total payments due as of September 30, 2019:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2020	\$ 112,399	5,322
2021	53,402	3,374
2022	50,868	1,836
2023	25,838	494
2024	871	58
Total	\$ <u>243,378</u>	<u>11,084</u>

(8) Defined Benefit Pension Plan.

General Information about the Pension Plan

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

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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, 2019, 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, 2019 was 17.40% of annual covered payroll. This rate increased as of July 1, 2019 from 15.75%. 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, 2019, 2018 and 2017 were \$468,945, \$451,129 and \$469,384, 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, 2019, the County reported a liability of \$7,795,707 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019 net pension liability was 0.044314 percent, which was based on a measurement date of June 30, 2019. This was a decrease of 0.000905 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the County recognized pension expense of \$689,009. At September 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,706	8,842
Net difference between projected and actual earnings on pension plan investments		89,198
Changes of assumptions	76,493	
Changes in the proportion and differences between the County's contributions and proportionate share of contributions		264,980
County contributions subsequent to the measurement date	118,978	
Total	\$ 200,177	363,020

\$118,978 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, 2020. 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
2020	\$ (90,336)
2021	(218,035)
2022	(9,042)
2023	35,592
Total	\$ (281,821)

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The long-term expected rate of return on pension plan investments was determined using a lognormal 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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

Asset Class	Target Allocation	Long-Term Expected	
		Real	Rate of Return
Domestic Equity	27.00 %		4.90
International Equity	22.00		4.75
Global Equity	12.00		5.00
Fixed Income	20.00		1.50
Real Estate	10.00		4.00
Private Equity	8.00		6.25
Cash	1.00		0.25
Total	100.00 %		

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). 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	\$ 10,247,727	7,795,707	5,771,785

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

(9) Long-term Debt.

Debt outstanding as of September 30, 2019, consisted of the following:

SMITH COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
G.O. Refunding Bonds, Series 2015	\$ <u>2,120,000</u>	1.09-3.12%	03/2025
B. Capital Leases:			
2015 Dodge 1500 crew truck	\$ 500	1.93%	10/2019
New Holland tractor & Tiger Bengal boom	11,609	1.75%	04/2020
2005 International 7500 dump truck	6,035	2.00%	04/2020
John Deere motor grader	27,827	1.83%	04/2020
2012 John Deere tractor 5101E	16,224	1.75%	12/2020
2018 Chevrolet CK 1500 pickup	6,450	1.75%	01/2020
(2) 2019 Chevy trucks (Sheriff)	49,553	3.05%	03/2024
John Deere 5100E tractor	37,082	3.06%	01/2023
John Deere 5100E tractor	42,117	3.06%	01/2023
John Deere 6150E utility tractor	<u>45,981</u>	3.06%	01/2023
Total Capital Leases	\$ <u>243,378</u>		
C. Other Loans:			
Road and bridge construction loan	\$ 59,014	1.84%	07/2021
S.C. Capital project/Economic Development loan	<u>608,200</u>	2.95%	07/2023
Total Other Loans	\$ <u>667,214</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		Other Loans	
	Principal	Interest	Principal	Interest
2020	\$ 330,000	53,329	176,089	18,775
2021	340,000	45,436	178,162	13,871
2022	350,000	36,772	154,207	9,233
2023	355,000	27,359	158,756	4,683
2024	365,000	17,167		
2025 - 2029	<u>380,000</u>	<u>5,928</u>		
Total	\$ <u>2,120,000</u>	<u>185,991</u>	<u>667,214</u>	<u>46,562</u>

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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, 2019, the amount of outstanding debt was equal to 1.09 percentage of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2019:

	Balance Oct. 1, 2018	Additions	Reductions	Balance Sept. 30, 2019	Amount due within one year
Governmental Activities:					
Compensated absences	\$	43,873		43,873	
General obligation bonds	2,445,000		325,000	2,120,000	330,000
Capital leases	209,911	209,642	176,175	243,378	112,399
Other loans	839,096		171,882	667,214	176,089
Total	\$ 3,494,007	253,515	673,057	3,074,465	618,488

	Balance Oct. 1, 2018	Additions	Balance Sept. 30, 2019
Business-type Activities:			
Compensated absences	\$ 0	1,313	1,313

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, the Countywide Road and Bridge Fund, and the Solid Waste Fund.

(10) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balance at September 30, 2019:

Fund	Deficit Amount
County Annex Building Fund	\$ 8,447

(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.

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

(12) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of \$(914,637) 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 \$112,194 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, 2020. The \$79,498 balance of the deferred outflows of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next four years. The \$340,470 balance of the deferred inflows of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next three years.

The business-type activities' restricted for public works net position amount of \$905,572 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 \$6,784 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, 2020. The \$1,701 balance of the deferred outflows of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next four years. The \$22,550 balance of the deferred inflows of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next three years.

(13) Joint Venture.

The County participates in the following joint venture:

Smith County is a participant with Rankin, Scott and Simpson Counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide free library service to the public and is governed by a five-member board of which two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the County's appropriation to the joint venture was \$150,274 in fiscal year 2019. Complete financial statements for the Central Mississippi Regional Library System can be obtained from 3470 Highway 80 East, Pearl, MS 39208.

(14) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Central Mississippi Emergency Medical Services District operates in a district composed of the Counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Smith County Board of Supervisors appoints two of the 26 members of the board. The County provided no financial support for the district in fiscal year 2019.

Region Ten Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Smith County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$20,840 for support of the commission in fiscal year 2019.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Smith County Board of Supervisors appoints two of the 20 members of the college board of trustees. The County appropriated \$332,537 for maintenance and support of the college for the fiscal year 2019.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Smith County Board of Supervisors appoints one of the 15 members of the board of directors. The County appropriated \$9,616 for support of the district in fiscal year 2019.

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

Mid-Mississippi Development District operates in a district composed of the Counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was organized to foster, encourage and facilitate economic development in the member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The County appropriated \$21,750 for support of the district in fiscal year 2019.

(15) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Smith County evaluated the activity of the County through October 28, 2021, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2019, 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>
06/15/2020	1.43%	\$ 115,714	Capital lease	Ad valorem taxes
06/15/2020	1.43%	115,714	Capital lease	Ad valorem taxes
06/15/2020	1.43%	120,500	Capital lease	Ad valorem taxes
06/15/2020	1.43%	120,500	Capital lease	Ad valorem taxes
06/15/2020	1.43%	152,900	Capital lease	Ad valorem taxes
07/13/2020	2.94%	306,753	Capital lease	Ad valorem taxes
11/16/2020	1.24%	89,550	Capital lease	Ad valorem taxes
12/04/2020	1.24%	88,500	Capital lease	Ad valorem taxes
02/08/2021	1.14%	29,465	Capital lease	Ad valorem taxes
05/03/2021	1.24%	152,900	Capital lease	Ad valorem taxes

SMITH COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SMITH COUNTY

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SMITH COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2019
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,595,022	4,610,063	4,610,063	
Licenses, commissions and other revenue	427,000	436,146	436,146	
Fines and forfeitures	75,000	90,900	90,900	
In lieu taxes - salt dome	300,000			
Intergovernmental revenues	250,500	831,390	831,390	
Charges for services	13,000	7,606	7,606	
Interest income	27,500	158,401	158,401	
Miscellaneous revenues	130,000	255,811	199,949	(55,862)
Total Revenues	<u>5,818,022</u>	<u>6,390,317</u>	<u>6,334,455</u>	<u>(55,862)</u>
EXPENDITURES				
Current:				
General government	2,687,356	3,491,790	3,452,350	39,440
Public safety	2,828,800	1,999,440	1,999,402	38
Health and welfare	110,265	121,778	121,778	
Culture and recreation	150,274	150,274	150,274	
Education	300,000			
Conservation of natural resources	78,326	75,160	75,160	
Economic development and assistance	40,750	33,403	33,403	
Debt service:				
Principal	17,000	22,864	22,864	
Interest		342	342	
Bond issue costs		6,386	6,386	
Total Expenditures	<u>6,212,771</u>	<u>5,901,437</u>	<u>5,861,959</u>	<u>39,478</u>
Excess of Revenues over (under) Expenditures	<u>(394,749)</u>	<u>488,880</u>	<u>472,496</u>	<u>(16,384)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000		100,000	100,000
Transfers out	(250,000)	(255,000)	(255,000)	
Long-term capital debt issued	11,796	60,919	60,919	
Other financing uses	(45,000)		(53,380)	(53,380)
Total Other Financing Sources and Uses	<u>(183,204)</u>	<u>(194,081)</u>	<u>(147,461)</u>	<u>46,620</u>
Net Change in Fund Balance	(577,953)	294,799	325,035	30,236
Fund Balances - Beginning	<u>3,636,970</u>	<u>5,001,047</u>	<u>6,240,115</u>	<u>1,239,068</u>
Fund Balances - Ending	<u>\$ 3,059,017</u>	<u>5,295,846</u>	<u>6,565,150</u>	<u>1,269,304</u>

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

SMITH COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road and Bridge Fund
 For the Year Ended September 30, 2019
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,307,720	2,333,711	2,333,711	
In lieu taxes - salt dome	150,000	150,000	150,000	
Intergovernmental revenues	20,000	9,166	9,166	
Interest income	1,000	18,967	18,967	
Miscellaneous revenues	3,000			
Total Revenues	<u>2,481,720</u>	<u>2,511,844</u>	<u>2,511,844</u>	
EXPENDITURES				
Current:				
Public works	689,000	273,614	273,614	
Debt service:				
Principal	45,000			
Total Expenditures	<u>734,000</u>	<u>273,614</u>	<u>273,614</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>1,747,720</u>	<u>2,238,230</u>	<u>2,238,230</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,230,000)	(1,380,000)	(1,380,000)	
Other financing uses	(400,000)			
Total Other Financing Sources and Uses	<u>(1,630,000)</u>	<u>(1,380,000)</u>	<u>(1,380,000)</u>	<u>0</u>
Net Change in Fund Balance	117,720	858,230	858,230	0
Fund Balances - Beginning	<u>1,137,574</u>	<u>(261,250)</u>	<u>2,262,209</u>	<u>2,523,459</u>
Fund Balances - Ending	<u>\$ 1,255,294</u>	<u>596,980</u>	<u>3,120,439</u>	<u>2,523,459</u>

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

SMITH COUNTY
Schedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2019
UNAUDITED

	2019	2018	2017	2016	2015
County's proportion of the net pension liability (asset)	0.044314%	0.045219%	0.046694%	0.048113%	0.042588%
County's proportionate share of the net pension liability (asset)	\$ 7,795,707	7,521,264	7,762,128	8,594,182	6,583,263
Covered payroll	\$ 2,886,072	2,887,682	2,994,595	3,077,917	2,660,635
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	270.11%	260.46%	259.20%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	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.

SMITH COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2019
UNAUDITED

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 468,945	451,129	469,384	476,527	433,500
Contributions in relation to the contractually required contribution	<u>468,945</u>	<u>451,129</u>	<u>469,384</u>	<u>476,527</u>	<u>433,500</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 2,901,887	2,864,312	2,980,218	3,025,571	2,752,381
Contributions as a percentage of covered payroll	16.16% **	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 employer's rate at September 30, 2019 was 17.40% of annual covered payroll. This rate increased as of July 1, 2019 from 15.75%.

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

SMITH COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2019

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 the major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	County wide Road & Bridge Fund
Budget (Cash Basis)	\$ 325,035	858,230
Increase (Decrease)		
Net adjustments for revenue accruals	66,516	6,222
Net adjustments for expenditure accruals	2,253	(5,813)
GAAP Basis	\$ 393,804	858,639

SMITH COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2019

UNAUDITED

Pension Schedules

A. Changes of assumptions.

2015

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

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

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

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

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

2016

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

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%.

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.

For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

For males, 137% of male rates at all ages.

For females, 115% of female rates at all ages.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

SMITH COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2019

UNAUDITED

Withdrawal rates, pre-retirement mortality 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 7% to 9%.

B. Changes in benefit provisions.

2016

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

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). 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	38.4 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

SMITH COUNTY

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SMITH COUNTY

OTHER INFORMATION

SMITH COUNTY

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SMITH COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2019
UNAUDITED

Name	Position	Company	Bond
Kenneth R. Cain	Supervisor District 1	Western Surety	\$100,000
Dwight D. Norris	Supervisor District 2	Western Surety	\$100,000
Benjie Ford	Supervisor District 3	Western Surety	\$100,000
Danny W. Arender	Supervisor District 4	Western Surety	\$100,000
Howard Hammons	Supervisor District 5	Western Surety	\$100,000
Cindy Austin	Chancery Clerk	Western Surety	\$100,000
Delia Hodge	Deputy Chancery Clerk	Western Surety	\$50,000
Bonita Huddleston	Deputy Chancery Clerk	Western Surety	\$50,000
Debra Burch	Deputy Chancery Clerk	Western Surety	\$50,000
Rita McDonald	Purchase Clerk	Western Surety	\$75,000
Justin Lowery Middleton	Assistant Purchase Clerk	Western Surety	\$50,000
Jennifer Puckett	Assistant Purchase Clerk	Western Surety	\$75,000
Sheree Hester	Receiving Clerk	Western Surety	\$75,000
Marsha Ivy	Assistant Receiving Clerk	Western Surety	\$75,000
Paul Keyes	Assistant Receiving Clerk	Western Surety	\$50,000
Carlie Bowen	Assistant Receiving Clerk	Western Surety	\$50,000
LaRonnie Moffett	Assistant Receiving Clerk	Western Surety	\$50,000
Harold Nelson	Assistant Receiving Clerk	Western Surety	\$50,000
Tex Walley	Assistant Receiving Clerk	Western Surety	\$50,000
Kathryn L. Scott	Inventory Control Clerk	Western Surety	\$75,000
David Easterling	Constable	Western Surety	\$50,000
Johnny Hancock	Constable	Western Surety	\$50,000
Anthony Grayson	Circuit Clerk	Western Surety	\$100,000
Hope Westbrook	Deputy Circuit Clerk	Western Surety	\$50,000
Amber Craft	Deputy Circuit Clerk	Western Surety	\$50,000
Clara Brown	Deputy Circuit Clerk	Western Surety	\$50,000
Charlie Crumpton	Sheriff	Western Surety	\$100,000
Robert Garner	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Hulon West	Justice Court Judge	Western Surety	\$50,000
Jerry Baldwin	Justice Court Judge	Western Surety	\$50,000
Melissa Walker	Justice Court Clerk	Western Surety	\$50,000
Teresa Stewart	Deputy Justice Court Clerk	Western Surety	\$50,000
Rebecca Martin	Tax Assessor-Collector	Western Surety	\$100,000
Jamie Moore	Deputy Tax Assessor	Western Surety	\$10,000
Sharon Sheldon	Deputy Tax Assessor	Western Surety	\$10,000
Sharon Ellis Huddleston	Deputy Tax Collector	Western Surety	\$50,000
Jeannie Sullivan	Deputy Tax Collector	Western Surety	\$50,000
Megan Eubanks	Deputy Tax Collector	Western Surety	\$50,000
Kayla Crumpton	Deputy Tax Collector	Western Surety	\$50,000
Annette Thornton	Administrative Assistant	Western Surety	\$10,000
Kathryn L. Scott	Accountant Clerk	Western Surety	\$75,000

SMITH COUNTY

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SMITH COUNTY

SPECIAL REPORTS

SMITH COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

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

Members of the Board of Supervisors
Smith County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Smith County, Mississippi (the County), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 28, 2021. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. The report is qualified on the General Fund because the County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of Circuit Court fines receivables as required by accounting principles generally accepted in the United States of America. Except for the limitations related to the Circuit Court fines receivables, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2019-001, 2019-002, 2019-004 and 2019-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2019-003 and 2019-006 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Smith County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2019-002.

We also noted certain matters which we have reported to the management of Smith County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated October 28, 2021, included within this document.

Smith County's Responses to Findings

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

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 28, 2021



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

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

Members of the Board of Supervisors
Smith County, Mississippi

We have examined Smith County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2019. The Board of Supervisors of Smith County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

In our opinion, Smith County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2019.

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

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

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 28, 2021

SMITH COUNTY

Schedule 1Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2019

<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>
08/05/2019	Drone	\$ 14,088	Forestry Supply	\$ 12,798	Vendor selected was local to the County. The other vendor was online only.

SMITH COUNTY

Schedule 2

Schedule of Emergency Purchases

For the Year Ended September 30, 2019

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
09/17/2019	Timber pile repair	12,500	Grant Blakeney, LLC	Repair to timber pile needed on public county road.

SMITH COUNTY

Schedule 3

Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2019

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

SMITH COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Smith County, Mississippi

In planning and performing our audit of the financial statements of Smith County, Mississippi for the year ended September 30, 2019, we considered Smith County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Smith County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 28, 2021, on the financial statements of Smith County, Mississippi.

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

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

Board of Supervisors.

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

Repeat Finding Yes

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

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

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

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

Recommendation	The Board of Supervisors should cite the appropriate statute from the Mississippi Code to authorize the levying of taxes for each tax levy.
Views of Responsible Official(s)	Board attorney has corrected this issue.
2.	<u>The audit synopsis should be published.</u>
Repeat	Yes
Criteria	Section 7-7-221, Miss. Code Ann. (1972), requires the Clerk of the Board to publish a synopsis of the annual audit report as soon as possible after receipt of the report. The Clerk of the Board shall forward a copy of the published synopsis to the State Auditor.
Condition	As reported in the prior year's audit report, the Chancery Clerk has not published a synopsis of the prior year 2018 annual audit report.
Cause	The Chancery Clerk did not adhere to state statute.
Effect	If the synopsis is not published accordingly, the State Auditor is authorized to prepare the synopsis and have it published in accordance with Section 7-7-211 at cost to the County.
Recommendation	The Chancery Clerk should publish a synopsis of the annual audit report when the report is received and forward the synopsis to the State Auditor.
Views of Responsible Official(s)	Did not receive final audit from state auditor. Did not realize until auditors asked about it. I called and received the audit information and will get it published.
Auditor's Note	Final issued audit reports can be downloaded from the Office of the State Auditor's website when needed.
Circuit Clerk.	
3.	<u>Internal controls should be strengthened in the Circuit Clerk's office.</u>
Repeat Finding	Yes
Criteria	An effective system of internal control over cash should include daily bank deposits and proper segregation of duties.
Condition	As reported in the prior twelve years' audit reports, we noted that bank deposits are not being made on a daily basis, which is a deficiency in internal control. It was noted that the Clerk is preparing deposits, taking deposits to the bank, preparing cash journals, preparing settlements, disbursing checks, and reconciling accounts each month.
Cause	The Circuit Clerk lacked the necessary internal controls needed over cash.
Effect	The failure to implement proper controls and have proper segregation of duties could result in the loss or misappropriation of public funds.
Recommendation	The Circuit Clerk should ensure that bank deposits are made daily. Additionally, duties should be segregated between personnel in the Circuit Clerk's office.
Views of Responsible Official(s)	These findings are duly noted and changes will be implemented to increase number of deposits per month.

Sheriff.

4. The Sheriff should improve controls over the drug fund.

Repeat Finding Yes

Criteria An effective system of internal control should include a separate account used for the purchase of information and evidence. Additional controls associated with this account should include buy money vouchers that have the signature of at least one individual witnessing the payment and the signature of the confidential payee if utilized, and the Supervisor.

Condition As reported in the prior year's audit report, the Smith County Sheriff's office has an account which they use to purchase information and evidence. However, during our testing of the buy money, it was noted that no buy money vouchers were available for review. Therefore, we are unaware if they were documented and accounted for correctly.

Cause The Sheriff lacked the necessary controls needed over the drug fund.

Effect Failure to properly document all payments for the purchase of information and evidence increases the risk of the loss or misappropriation of public funds.

Recommendation The Sheriff should establish controls to ensure all payments for the purchase of information and evidence are properly documented.

Views of Responsible Official(s) I took office January 6, 2020. I have no knowledge of how the drug fund accounts were managed prior to January 6, 2020.

Sheriff and Board of Supervisors.

5. Sheriff should improve controls over special drug fund.

Repeat Finding Yes

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

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

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

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

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

Views of Responsible Official(s) I took office January 6, 2020. I have no knowledge of how the drug fund accounts were managed prior to January 6, 2020.

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

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

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 28, 2021

SMITH COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

SMITH COUNTY

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SMITH COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2019

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Unmodified
Business-type activities	Unmodified
Aggregate discretely presented component unit	Adverse
General Fund	Qualified
Countywide Road and Bridge Fund	Unmodified
Solid Waste Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? Yes
3. Noncompliance material to the financial statements noted? Yes

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2019-001. Controls over financial statement preparation should be strengthened.

Repeat Finding Yes

Criteria An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include adequate detail to document the compilation of individual funds' balances and transactions, proper accrual of revenues and expenditures/expenses, proper classification of revenues and expenditures/expenses, proper posting of transactions, proper classification of restricted net position and fund balances, accurate reporting of debt and inclusion of all required disclosures in the notes to the financial statements.

Condition As reported in the prior two years' audit reports, we noted a material deficiency in the financial statement preparation and reporting. Audit adjustments were proposed to management and made to the financial statements with management's approval to correct the deficiencies in the county's financial statements and notes.

Cause The County lacked the necessary internal controls over financial statement preparation needed to safeguard themselves against possible material misstatements in the financial statements.

Effect Audit adjustments to correct these errors in the County's financial statements and notes to the financial statements were proposed to management and made to the financial statements with management's approval.

SMITH COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2019

Recommendation The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures/expenses, proper classification of revenue and expenditure/expenses, proper posting of transactions, proper classification of net position and fund balance, accurate reporting of debt and the inclusion of all required disclosures in the notes to the financial statements.

**Views of Responsible
Official(s)**

Obtained the services of a private CPA firm to oversee and make any corrections.

Board of Supervisors.

**Material Weakness
Material Noncompliance**

2019-002. Controls over repayment of interfund advances should be strengthened.

Repeat Finding Yes

Criteria The Mississippi Code is silent regarding the authority of the County to make interfund loans.

Condition As reported in the prior two years' audit reports, the County has interfund loans outstanding that are over one year old. The loans were not repaid as of September 30, 2019.

Cause The County lacked the necessary controls to ensure that interfund loans were repaid within one year.

Effect Failure of the Board of Supervisors to ensure payment of these loans is an illegal diversion of legally restricted funds.

Recommendation For any interfund loan made, the Board of Supervisors should approve and record in the board minutes the reason for the loan, when the loan will be repaid and the source of funds for repayment. The Board of Supervisors should ensure these old loans are repaid by approving and recording in the minutes a repayment schedule and complying with the repayment schedule.

**Views of Responsible
Official(s)**

Please advise as to what interfund loans have not been repaid and Board will vote to repay and spread on the Board minutes.

Auditor's Note The County has been informed of all interfund loans, including advances, that are required to be repaid.

Board of Supervisors.

Significant Deficiency

2019-003. The County did not adequately reconcile the general ledger book balance at the end of the fiscal year.

Repeat Finding No

Criteria The general depository bank account and the payroll bank account were not adequately reconciled to the general ledger book balance at the end of the fiscal year.

SMITH COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2019

Condition	The test results indicated the September 30, 2019 general depository bank account and payroll bank account reconciliations notated many reconciling adjustments that were not posted to the general ledger book balance until after the end of the fiscal year.
Cause	The County failed to adequately reconcile the general ledger book balance at the end of the fiscal year.
Effect	Failure to adequately reconcile the general ledger book balance and to timely post reconciling adjustments to the general ledger could result in erroneous amounts being reported and increases the possibility of the loss or misuse of public funds.
Recommendation	The Board of Supervisors should ensure that all bank accounts are reconciled accurately on a monthly basis and that all reconciling adjustments are posted to the general ledger in a timely matter.
Views of Responsible Official(s)	Appropriate action has been taken to correct the problem.

Board of Supervisors and Solid Waste Clerk.

Material Weakness

2019-004. The County should establish adequate segregation of duties in Solid Waste.

Repeat Finding	Yes
Criteria	An effective system of internal control over cash should include an adequate segregation of duties.
Condition	As reported in the prior two years' audit reports, it was noted that controls were inadequate over cash. The Solid Waste clerk receipts monies, posts receipts, prepares daily checkup sheets, prepares bank deposits and takes deposits to the bank.
Cause	The County lacks the proper segregation of duties necessary to maintain effective internal controls over cash in the Solid Waste department.
Effect	The failure to implement adequate controls over cash could result in the loss or misappropriation of public funds.
Recommendation	The County should take steps to ensure adequate segregation of duties over cash in the Solid Waste department is implemented.
Views of Responsible Official(s)	Appropriate action has been taken to correct the problem.

Circuit Clerk.

Material Weakness

2019-005. Controls over fines receivable aging reports in the Circuit Clerk's office should be strengthened.

Repeat Finding	Yes
Criteria	An effective system of internal control over Circuit Court fines receivable should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance.

SMITH COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2019

Condition	As reported in the prior two years' audit reports, management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for Circuit Clerk fines at year end.
Cause	The Circuit Clerk lacked sufficient internal controls over subsidiary records for fines receivable.
Effect	Therefore, the Independent Auditor's Report includes a qualified opinion on the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Circuit Clerk's fines receivable. Failure to establish control procedures over aging of the Circuit Clerk fines receivable could result in erroneous amounts being reported in the financial statements.
Recommendation	The Circuit Court Clerk should establish procedures documenting the existence and valuation of Circuit Court fines receivable for inclusion in the financial statements.
Views of Responsible Official(s)	Board has addressed issue with Circuit Clerk to correct the problem.
Payroll Clerk.	
Significant Deficiency	
2019-006.	<u>Payroll Clerk should maintain adequate records for compensated absences liability.</u>
Repeat Finding	Yes
Criteria	The County has adopted a policy of compensated absences for its employees. The Payroll Clerk should maintain records that account for the number of leave hours each employee accumulates on a monthly basis and the current hourly rate of pay for each employee. This information is needed to calculate the end of the year compensated absences liability.
Condition	As reported in the prior five years' audit reports, the Payroll Clerk did not maintain the necessary records to properly calculate the compensated absences liability. It was noted during our audit procedures, the absence of current year accrued leave for employees on the County's annual and sick leave report. Also, some employees' total accrued leave balances were negative as of September 30, 2019.
Cause	The Payroll Clerk failed to maintain adequate documentation for leave balances.
Effect	Failure to properly account for compensated absences could result in the incorrect payments being made to employees leaving County service.
Recommendation	The Payroll Clerk should maintain adequate records of employees' accumulated leave balances.
Views of Responsible Official(s)	Problem has been addressed with the Payroll Clerk and appropriate measures are being taken to correct the issue.