

SMITH COUNTY, MISSISSIPPI

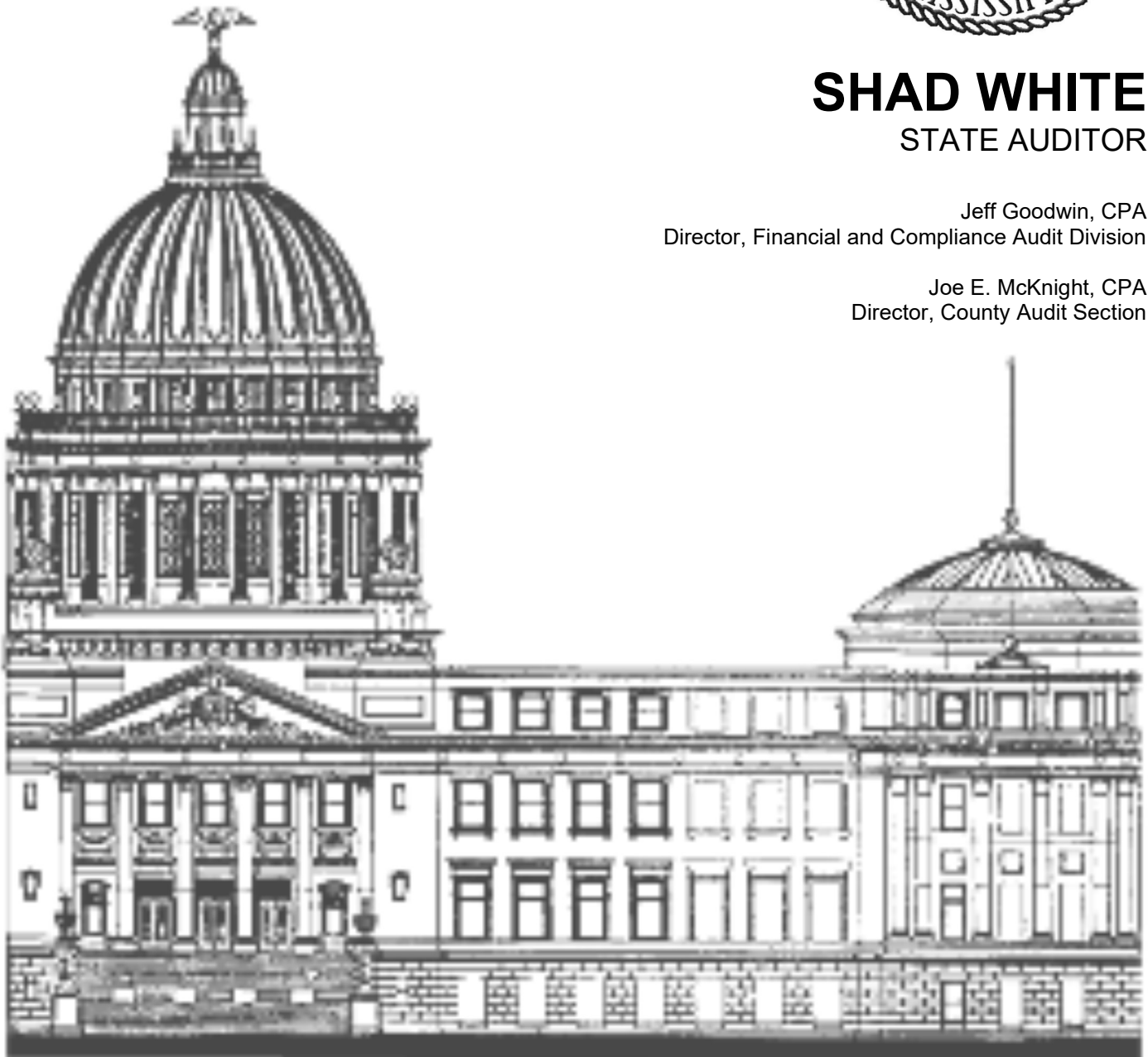
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2022



SHAD WHITE STATE AUDITOR

Jeff Goodwin, 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 17, 2024

Members of the Board of Supervisors
Smith County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2022 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 Audit of the Financial Statements

Adverse and Unmodified Opinions

We have audited the cash basis 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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Adverse Opinion on Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statements referred to above do not present fairly the cash basis financial position of the aggregate discretely presented component unit of Smith County, Mississippi, as of September 30, 2022, or the changes in cash basis financial position for the year then ended in accordance with accounting principles applicable to the County's cash basis of accounting.

Unmodified Opinions on Governmental Activities, Business-type Activities, Each Major Fund and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Smith County, Mississippi, as of September 30, 2022, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified opinions.

Matters Giving Rise to 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 applicable to the County's cash basis of accounting require the financial data for those 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 effects of not including the County's legally separate component unit on the aggregate discretely presented component unit has not been determined.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting, as described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood, that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Smith County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Schedules, Schedule of Interfund Loans and Advances, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2024 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 17, 2024

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SMITH COUNTY

FINANCIAL STATEMENTS

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SMITH COUNTY
Statement of Net Position - Cash Basis
September 30, 2022

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 22,019,204	662,074	22,681,278
Total Assets	<u>22,019,204</u>	<u>662,074</u>	<u>22,681,278</u>
NET POSITION			
Restricted:			
Expendable:			
General government	1,019,756		1,019,756
Public safety	878,437		878,437
Public works	7,286,205	662,074	7,948,279
Culture and recreation	3,155,893		3,155,893
Economic development and assistance	403,743		403,743
Debt service	1,233,265		1,233,265
Unrestricted	8,041,905		8,041,905
Total Net Position	<u>\$ 22,019,204</u>	<u>662,074</u>	<u>22,681,278</u>

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

SMITH COUNTY
Statement of Activities - Cash Basis
For the Year Ended September 30, 2022

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 3,755,260	178,683	713,616		(2,862,961)		(2,862,961)
Public safety	3,205,870	238,985	1,974,269		(992,616)		(992,616)
Public works	8,491,848		2,108,012	1,216,723	(5,167,113)		(5,167,113)
Health and welfare	138,257		25,286		(112,971)		(112,971)
Culture and recreation	186,888				(186,888)		(186,888)
Education	565,324				(565,324)		(565,324)
Conservation of natural resources	77,076				(77,076)		(77,076)
Economic development and assistance	153,811				(153,811)		(153,811)
Debt service:							
Principal	867,077				(867,077)		(867,077)
Interest	70,612				(70,612)		(70,612)
Total Governmental Activities	17,512,023	417,668	4,821,183	1,216,723	(11,056,449)	0	(11,056,449)
Business-type activities:							
Solid Waste	675,444	583,114				(92,330)	(92,330)
Total Business-type Activities	675,444	583,114	0	0		(92,330)	(92,330)
Total Primary Government	\$ 18,187,467	1,000,782	4,821,183	1,216,723	(11,056,449)	(92,330)	(11,148,779)
General receipts:							
Property taxes					\$ 7,800,378		7,800,378
Road & bridge privilege taxes					210,720		210,720
Grants and contributions not restricted to specific programs					1,534,516		1,534,516
In-lieu taxes - salt dome					560,919		560,919
Unrestricted interest income					85,345	2,716	88,061
Miscellaneous					242,674	1,550	244,224
Proceeds from debt issuance					1,128,386		1,128,386
Sale of county property					443,264	51,806	495,070
Total General Receipts and Other Cash Sources					12,006,202	56,072	12,062,274
Changes in Net Position					949,753	(36,258)	913,495
Net Position - Beginning					21,069,451	698,332	21,767,783
Net Position - Ending					\$ 22,019,204	662,074	22,681,278

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

SMITH COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2022

Exhibit 3

	Major Funds				
	General Fund	Countywide Road and Bridge Fund	Coronavirus Recovery Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 8,041,905	1,622,938	3,102,878	9,251,483	22,019,204
Total Assets	<u>\$ 8,041,905</u>	<u>1,622,938</u>	<u>3,102,878</u>	<u>9,251,483</u>	<u>22,019,204</u>
FUND BALANCES					
Restricted for:					
General government	\$			1,019,756	1,019,756
Public safety				878,437	878,437
Public works		1,622,938		5,663,267	7,286,205
Culture and recreation			3,102,878	53,015	3,155,893
Economic development and assistance				403,743	403,743
Debt service				1,233,265	1,233,265
Unassigned	8,041,905				8,041,905
Total Fund Balances	<u>\$ 8,041,905</u>	<u>1,622,938</u>	<u>3,102,878</u>	<u>9,251,483</u>	<u>22,019,204</u>

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

SMITH COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
Governmental Funds
For the Year Ended September 30, 2022

Exhibit 4

	Major Funds			Other	Total
	General	Countywide	Coronavirus	Governmental	Governmental
	Fund	Road and Bridge	Recovery	Funds	Funds
	Fund	Fund	Fund		
RECEIPTS					
Property taxes	\$ 4,701,763	2,557,617		540,998	7,800,378
Road and bridge privilege taxes				210,720	210,720
Licenses, commissions and other receipts	96,582			2,967	99,549
Fines and forfeitures	110,309				110,309
In-lieu taxes - salt dome	410,919	150,000			560,919
Intergovernmental receipts	1,721,108	101,387	1,545,748	4,204,179	7,572,422
Charges for services	51,346			156,464	207,810
Interest income	39,432	6,808	10,039	29,066	85,345
Miscellaneous receipts	132,136	634		109,904	242,674
Total Receipts	7,263,595	2,816,446	1,555,787	5,254,298	16,890,126
DISBURSEMENTS					
General government	3,754,228			1,032	3,755,260
Public safety	2,467,707			738,163	3,205,870
Public works		912,738		7,579,110	8,491,848
Health and welfare	138,257				138,257
Culture and recreation	155,000			31,888	186,888
Education	565,324				565,324
Conservation of natural resources	77,076				77,076
Economic development and assistance	97,301			56,510	153,811
Debt service:					
Principal	2,783	23,167		841,127	867,077
Interest	364	957		69,291	70,612
Total Disbursements	7,258,040	936,862	0	9,317,121	17,512,023
Excess (Deficiency) of Receipts over (under) Disbursements	5,555	1,879,584	1,555,787	(4,062,823)	(621,897)
OTHER CASH SOURCES (USES)					
Proceeds from long-term debt issuance	47,240	417,712		663,434	1,128,386
Sale of county property		23,500		419,764	443,264
Transfers in	127,914			4,337,947	4,465,861
Transfers out	(657,620)	(3,650,000)		(158,241)	(4,465,861)
Total Other Cash Sources and Uses	(482,466)	(3,208,788)	0	5,262,904	1,571,650
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	(476,911)	(1,329,204)	1,555,787	1,200,081	949,753
Cash Basis Fund Balances - Beginning	8,518,816	2,952,142	1,547,091	8,051,402	21,069,451
Cash Basis Fund Balances - Ending	\$ 8,041,905	1,622,938	3,102,878	9,251,483	22,019,204

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

SMITH COUNTY
Statement of Net Position - Cash Basis - Proprietary Fund
September 30, 2022

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Cash	\$ <u>662,074</u>
Total Assets	<u>662,074</u>
NET POSITION	
Restricted for:	
Public works	<u>662,074</u>
Total Net Position	\$ <u>662,074</u>

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

SMITH COUNTY

Exhibit 6Statement of Cash Receipts, Disbursements and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2022

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Operating Receipts	
Charges for services	\$ 583,114
Miscellaneous	1,550
Total Operating Receipts	<u>584,664</u>
Operating Disbursements	
Personal services	330,867
Contractual services	178,986
Materials and supplies	<u>141,002</u>
Total Operating Disbursements	<u>650,855</u>
Operating Income (Loss)	<u>(66,191)</u>
Nonoperating Receipts (Disbursements)	
Interest income	2,716
Sale of county property	51,806
Principal paid	(23,741)
Interest expense	<u>(848)</u>
Net Nonoperating Receipts (Disbursements)	<u>29,933</u>
Net Income (Loss)	<u>(36,258)</u>
Changes in Net Position	(36,258)
Net Position - Beginning	<u>698,332</u>
Net Position - Ending	\$ <u><u>662,074</u></u>

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

SMITH COUNTY
Statement of Fiduciary Net Position - Cash Basis
September 30, 2022

Exhibit 7

	<u>Custodial Funds</u>
ASSETS	
Cash	\$ 376,010
Total Assets	\$ <u>376,010</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	\$ 376,010
Total Net Position	\$ <u>376,010</u>

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

SMITH COUNTY
Statement of Changes in Fiduciary Net Position - Cash Basis
For the Year Ended September 30, 2022

Exhibit 8

	<u>Custodial Funds</u>
CASH ADDITIONS	
Tax collections for other governments	\$ 394,484
Licenses and fees collected for State	<u>197,219</u>
Total Additions	<u>591,703</u>
CASH DEDUCTIONS	
Payments of tax to other governments	321,371
Payments of licenses and fees to State	<u>172,564</u>
Total Deductions	<u>493,935</u>
Net increase (decrease) in fiduciary net position	97,768
Net Position - Beginning	<u>278,242</u>
Net Position - Ending	\$ <u><u>376,010</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, 2022

(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. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Smith County to present these financial statements on the primary government and its component unit which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component unit which has significant operational or financial relationship with the County. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in accordance with accounting principles applicable to the County's cash basis of accounting.

- 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 – Cash Basis and a Statement of Activities – Cash Basis, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis 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 receipts and other nonexchange receipts and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position – Cash Basis presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the County's governmental activities and business-type activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function.

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other receipts not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general receipts of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, fund balances, receipts and disbursements. 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, Governmental Funds, Proprietary Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

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.

Coronavirus Recovery Fund - This fund is used to account for monies from the American Rescue Plan Act of 2021 (ARPA) that are considered restricted in nature.

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 cash sources that are restricted or committed to disbursement 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 disbursement for principal and interest.

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement 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 receipts collected, disbursements paid and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

Custodial Funds - Custodial Funds are used to report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

D. Account Classifications.

The account classification 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.

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).

F. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in two components:

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

Unrestricted net position - All other net position not meeting the definition of "restricted."

Net Position Flow Assumption:

When a disbursement is paid 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 disbursements are paid 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.

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

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.

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

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

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned 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 disbursements paid 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 a disbursement is paid 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 disbursements are paid 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.

G. Property Tax Receipts.

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

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

H. Changes in Accounting Standards.

GASB 87, *Leases*, was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It established a single model for lease accounting based on the foundations principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. These financial statements do not reflect leases in accordance with GASB 87 as these financial statements were prepared using the cash basis of accounting.

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2022, was \$23,057,288, and the bank balance was \$23,145,990. 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, Mississippi Code of 1972 Annotated*. Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

(3) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2022:

Transfers In/Out:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 127,914
Other Governmental Funds	General Fund	657,620
Other Governmental Funds	Countywide Road and Bridge Fund	3,650,000
Other Governmental Funds	Other Governmental Funds	30,327
Total		<u>\$ 4,465,861</u>

The principal purpose of interfund transfers was to provide funds for budgeted operating costs and grant matches. All interfund transfers were routine and consistent with the activities of the funds making the transfer.

(4) 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, 2022, to January 1, 2023. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

(5) 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 disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

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.

(6) 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, Mississippi Code of 1972 Annotated*, 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 contribution to the joint venture was \$155,000 in fiscal year 2022. Complete financial statements for the Central Mississippi Regional Library System can be obtained from 3470 Highway 80 East, Pearl, MS 39208.

(7) 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 2022.

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 contributed \$20,840 for support of the commission in fiscal year 2022.

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 contributed \$321,371 for maintenance and support of the college for the fiscal year 2022.

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 contributed \$7,212 for support of the district in fiscal year 2022.

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 contributed \$36,000 for support of the district in fiscal year 2022.

SMITH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

The Multi-County Community Service Agency operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Neshoba, Newton, Scott, Smith and Wayne. The agency was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Smith County Board of Supervisors appoints three of the 27 members of the board of directors. Most of the funding is derived from federal funds. The County contributed \$10,000 for support of the agency in the fiscal year 2022.

(8) Defined Benefit 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.

Funding Policy. At September 30, 2022, 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 rate at September 30, 2022 was 17.40% of annual covered payroll. The contribution requirements of PERS members 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, 2022, 2021 and 2020 were \$595,805, \$583,666 and \$526,564, respectively, equal to the required contributions for each year.

These financial statements do not reflect pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources in accordance with GASB 67, 68 and 71 as these financial statements were prepared using the cash basis of accounting.

(9) Tax Abatements.

As of September 30, 2022, Smith County provides tax exempt status to an oil and gas company subject to the requirements of GASB Statement No. 77. This company is exempt from two-thirds (2/3) of the ad valorem taxes, including ad valorem for school district purposes. This exemption is authorized under *Section 27-31-104, Mississippi Code of 1972 Annotated*. This exemption encourages businesses to locate or expand operations in the County and to create jobs. The amount of taxes abated during fiscal year 2022 totaled \$1,841,358.

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SMITH COUNTY

SUPPLEMENTARY INFORMATION

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SMITH COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Forest Service / Passed-through the Mississippi State Treasurer's Office Forest service schools and roads cluster: Schools and roads - grants to states*	10.665	N/A	\$ 611,270
Total Forest service schools and roads cluster			611,270
Total U.S. Department of Agriculture			611,270
U.S. Department of Justice - Office of Justice Programs / Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	2020-MU-BX-0053	2,729
Total U.S. Department of Justice			2,729
U.S. Department of Transportation / Passed-through the Mississippi Emergency Management Agency E-911 grant program	20.615	Unkown	28,262
Total U.S. Department of Transportation			28,262
U.S. Department of Homeland Security Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance (Presidentially declared disasters)	97.036	FEMA-4536-DR-MS	8,749
Disaster grants - public assistance (Presidentially declared disasters)	97.036	FEMA-4551-DR-MS	3,715
Disaster grants - public assistance (Presidentially declared disasters)	97.036	FEMA-4598-DR-MS	153,373
Subtotal			165,837
Emergency management performance grants	97.042	EMA-2021-EP-APP-00016	20,186
Total U.S. Department of Homeland Security			186,023
Total Expenditures of Federal Awards			\$ 828,284

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Smith County under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Smith County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Smith County.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note C - Indirect Cost Rate

Smith County has elected to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note D - Schools and Roads - Grants to States

Of the federal expenditures presented in the Schedule, the County provided federal awards totaling \$171,741 to subrecipients during the year ended September 30, 2022.

* Denotes major federal award program

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SMITH COUNTY

OTHER INFORMATION

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SMITH COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2022
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 4,805,107	4,701,763	4,701,763	
Licenses, commissions and other receipts	95,000	96,582	96,582	
Fines and forfeitures	80,000	110,309	110,309	
In-lieu taxes - salt dome	340,000	410,919	410,919	
Intergovernmental receipts	750,500	1,721,108	1,721,108	
Charges for services	10,000	51,346	51,346	
Interest income	58,000	39,432	39,432	
Miscellaneous receipts	150,000	132,136	132,136	
Total Receipts	<u>6,288,607</u>	<u>7,263,595</u>	<u>7,263,595</u>	<u>0</u>
DISBURSEMENTS				
Current:				
General government	3,883,961	3,773,845	3,754,228	19,617
Public safety	2,091,800	2,468,299	2,467,707	592
Health and welfare	113,265	139,757	138,257	1,500
Culture and recreation	155,000	155,000	155,000	
Education	300,000	565,324	565,324	
Conservation of natural resources	94,326	77,076	77,076	
Economic development and assistance	55,500	97,301	97,301	
Debt service:				
Principal		2,783	2,783	
Interest		364	364	
Total Disbursements	<u>6,693,852</u>	<u>7,279,749</u>	<u>7,258,040</u>	<u>21,709</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(405,245)</u>	<u>(16,154)</u>	<u>5,555</u>	<u>(21,709)</u>
OTHER CASH SOURCES (USES)				
Proceeds from long-term debt issuance		47,240	47,240	
Transfers in		127,914	127,914	
Transfers out		(657,620)	(657,620)	
Other financing sources	386,796			
Other financing uses	(197,224)			
Total Other Cash Sources and Uses	<u>189,572</u>	<u>(482,466)</u>	<u>(482,466)</u>	<u>0</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>(215,673)</u>	<u>(498,620)</u>	<u>(476,911)</u>	<u>(21,709)</u>
Cash Basis Fund Balances - Beginning	<u>7,050,000</u>	<u>8,518,816</u>	<u>8,518,816</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 6,834,327</u>	<u>8,020,196</u>	<u>8,041,905</u>	<u>(21,709)</u>

The accompanying notes to the Other 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, 2022
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 2,630,156	2,557,617	2,557,617	
In-lieu taxes - salt dome	150,000	150,000	150,000	
Intergovernmental receipts	5,000	101,387	101,387	
Interest income	4,500	6,808	6,808	
Miscellaneous receipts	3,000	634	634	
Total Receipts	<u>2,792,656</u>	<u>2,816,446</u>	<u>2,816,446</u>	<u>0</u>
DISBURSEMENTS				
Current:				
Public works	689,000	912,738	912,738	
Debt service:				
Principal		23,167	23,167	
Interest		957	957	
Total Disbursements	<u>689,000</u>	<u>936,862</u>	<u>936,862</u>	<u>0</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>2,103,656</u>	<u>1,879,584</u>	<u>1,879,584</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Proceeds from long-term debt issuance		417,712	417,712	
Sale of county property		23,500	23,500	
Transfers out		(3,650,000)	(3,650,000)	
Other financing uses	<u>(1,630,000)</u>			
Total Other Cash Sources and Uses	<u>(1,630,000)</u>	<u>(3,208,788)</u>	<u>(3,208,788)</u>	<u>0</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>473,656</u>	<u>(1,329,204)</u>	<u>(1,329,204)</u>	<u>0</u>
Cash Basis Fund Balances - Beginning	<u>1,000,000</u>	<u>2,952,142</u>	<u>2,952,142</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 1,473,656</u>	<u>1,622,938</u>	<u>1,622,938</u>	<u>0</u>

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

SMITH COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Coronavirus Recovery Fund
 For the Year Ended September 30, 2022
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental receipts	\$ 1,543,405	1,545,748	1,545,748	
Interest income		10,039	10,039	
Total Receipts	<u>1,543,405</u>	<u>1,555,787</u>	<u>1,555,787</u>	<u>0</u>
DISBURSEMENTS				
Total Disbursements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Total Other Cash Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements	1,543,405	1,555,787	1,555,787	0
Cash Basis Fund Balances - Beginning	<u>1,543,405</u>	<u>1,547,091</u>	<u>1,547,091</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 3,086,810</u>	<u>3,102,878</u>	<u>3,102,878</u>	<u>0</u>

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

SMITH COUNTY
Schedule of Interfund Loans and Advances
For the Year Ended September 30, 2022
UNAUDITED

The following is a summary of interfund balances at September 30, 2022:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	Balance at Sept. 30, 2022
General Fund	Other Governmental Funds	\$ <u>10,000</u>

The amount payable to the General Fund was to cover expenditures in the Waste Tire Disposal Fund until grant funds are received. 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>	Balance at Sept. 30, 2022
General Fund	Other Governmental Funds	\$ 36,456
General Fund	Solid Waste Fund	42,560
Countywide Road and Bridge Fund	Other Governmental Funds	938
Other Governmental Funds	General Fund	6,863
Other Governmental Funds	Other Governmental Funds	150,000
Other Governmental Funds	Custodial Funds	<u>56,747</u>
Total		\$ <u>293,564</u>

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

SMITH COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2022
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2021	Additions	Deletions	Adjustments *	Balance Sept. 30, 2022
Land	\$ 1,283,798				1,283,798
Construction in progress	1,695,413	1,295,573		(20,459)	2,970,527
Infrastructure	71,908,053			607,123	72,515,176
Buildings	12,030,008				12,030,008
Improvements other than buildings	171,231	95,556			266,787
Mobile equipment	6,975,291	2,186,946	722,071	2,621,984	11,062,150
Furniture and equipment	755,669	90,828	8,433	361,246	1,199,310
Leased property under capital leases	1,478,802			(1,478,802)	0
Total capital assets	\$ 96,298,265	3,668,903	730,504	2,091,092	101,327,756

Business-type activities:

	Balance Oct. 1, 2021	Additions	Deletions	Adjustments *	Balance Sept. 30, 2022
Mobile equipment	\$ 478,394	25,000	173,572	88,500	418,322
Leased property under capital leases	88,500			(88,500)	0
Total capital assets	\$ 566,894	25,000	173,572	0	418,322

These financial statements do not reflect leases in accordance with GASB 87 as these financial statements were prepared using the cash basis of accounting.

*Adjustments are to reclassify capital leases to mobile equipment due to the implementation of GASB 87, and to correct prior year errors in capital asset records.

SMITH COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2022
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2022:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2021	Issued	Principal Payments	Balance Sept. 30, 2022
Governmental Activities:							
A. General Obligation Bonds:							
Series 2015 General Obligation Bonds	05/01/2015	03/01/2025	1.09-3.12%	\$ 1,450,000		350,000	1,100,000
B. Financed Purchases:							
John Deere 5100E tractor	01/25/2019	01/25/2023	3.06%	15,287		11,407	3,880
John Deere 5100E tractor	01/25/2019	01/25/2023	3.06%	17,363		12,956	4,407
John Deere 6150E utility tractor	01/25/2019	01/25/2023	3.06%	18,956		14,145	4,811
Caterpillar 309 hydraulic excavator	06/15/2020	06/15/2023	1.43%	97,049		15,176	81,873
2020 Kenworth dump truck	06/15/2020	06/15/2023	1.43%	119,877		26,850	93,027
2021 Kenworth T370 dump truck	06/15/2020	06/15/2023	1.43%	101,197		15,696	85,501
2021 Kenworth T370 dump truck	06/15/2020	06/15/2023	1.43%	101,197		15,695	85,502
E-911 equipment	07/13/2020	07/13/2025	2.94%	239,165		59,857	179,308
Caterpillar 309 E2 mini hydraulic excavator	10/28/2020	11/28/2023	1.83%	102,134		15,069	87,065
2020 CAT CW169 wheel pneumatic roller	11/16/2020	12/05/2024	1.24%	73,144		22,193	50,951
2021 Chevrolet Silverado 1500	02/08/2021	02/08/2024	1.14%	23,814		9,775	14,039
2022 Kenworth dump truck	05/03/2021	05/03/2024	1.24%	147,501		16,332	131,169
CAT 430-4CEM backhoe loader	09/20/2021	09/20/2024	1.19%	122,139		40,530	81,609
D1 - John Deere tractor & Alamo cutter	09/30/2021	09/27/2025	1.25%	127,986		31,399	96,587
Case backhoe 590	01/05/2022	01/05/2026	1.33%		119,214	19,415	99,799
Caterpillar 140GC motor grader	02/24/2022	03/01/2027	1.49%		150,000	14,454	135,546
John Deere 670G motor grader	03/14/2022	04/01/2027	1.49%		115,000	9,173	105,827
D5 - 2022 Ford F-150 4WD super crew	06/09/2022	06/09/2025	1.59%		48,780	3,973	44,807
John Deere 509E utility tractor	07/06/2022	07/06/2026	2.35%		58,558	2,275	56,283
2022 Ford F-150 4WD super crew	07/01/2022	06/01/2026	3.15%		47,240	2,783	44,457
2022 Chevrolet Silverado 1500 4WD super crew	08/25/2022	08/25/2026	3.30%		25,000	488	24,512
RTC 350 Broce broom	08/25/2022	08/25/2027	3.35%		63,515	975	62,540
D2 - John Deere 6105E tractor & Alamo cutter	08/25/2022	08/25/2027	3.32%		146,882	2,254	144,628
Etnyre chip spreader	09/15/2022	09/15/2025	3.57%		354,197		354,197
C. Other Loans:							
S.C. Capital project/economic development	07/09/2018	07/01/2023	2.95%	312,963		154,207	158,756
Total				\$ 3,069,772	1,128,386	867,077	3,331,081
Business-type Activities:							
A. Financed Purchases:							
2020 T370 Kenworth cab & chassis	12/04/2020	12/01/2024	1.24%	\$ 74,081		23,741	50,340

These financial statements do not reflect leases in accordance with GASB 87 as these financial statements were prepared using the cash basis of accounting.

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

SMITH COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2022
UNAUDITED

Name	Position	Company	Bond
Jerry Fields	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
Heather Dolan	Purchase Clerk	Western Surety	\$100,000
Jennifer Carol Puckett	Assistant Purchase Clerk	Western Surety	\$50,000
Sheree Hester	Receiving Clerk	Western Surety	\$75,000
Marsha Ivy	Assistant Receiving Clerk	Western Surety	\$50,000
Makayla S. Gregory	Assistant Receiving Clerk	Western Surety	\$50,000
Garland Craft	Assistant Receiving Clerk	Western Surety	\$50,000
LaRonnie Moffett	Assistant Receiving Clerk	Western Surety	\$50,000
Paul Keyes	Assistant Receiving Clerk	Western Surety	\$50,000
Carlie Bowen	Assistant Receiving Clerk	Western Surety	\$50,000
Harold Nelson	Assistant Receiving Clerk	Western Surety	\$50,000
Jennifer Carol Puckett	Inventory Control Clerk	Western Surety	\$75,000
Heather Dolan	Assistant Inventory Control Clerk	Western Surety	\$50,000
Bobby Easterling	Constable	Western Surety	\$50,000
Joe Blakeney	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
Tina Crumpton	Deputy Circuit Clerk	Western Surety	\$50,000
Lacey Bourn	Deputy Circuit Clerk	Western Surety	\$50,000
Joel Houston	Sheriff	Western Surety	\$100,000
Hulon West	Justice Court Judge	Western Surety	\$50,000
David Easterling	Justice Court Judge	Western Surety	\$50,000
Teresa Stewart	Justice Court Clerk	Western Surety	\$50,000
Adair Young	Deputy Justice Court Clerk	Western Surety	\$50,000
Ashley Laird	Deputy Justice Court Clerk	Western Surety	\$50,000
Mary Lou Powell	Tax Assessor-Collector	Western Surety	\$100,000
Sharon Shelden	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

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SMITH COUNTY

Notes to the Other Information For the Year Ended September 30, 2022 UNAUDITED

(1) Budgetary Comparison Information.

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 receipt, each general item of disbursement, 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 presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary 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.

(2) Long-term Debt Information:

- A. 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, 2022, the amount of outstanding debt was equal to 0.55 percent (0.55%) of the latest property assessments.

SMITH COUNTY

Notes to the Other Information
For the Year Ended September 30, 2022
UNAUDITED

B. Subsequent Events.

Subsequent to September 30, 2022, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/19/2022	3.95%	\$ 63,515	Financed purchase	Ad valorem taxes
10/19/2022	4.05%	99,000	Financed purchase	Ad valorem taxes
12/05/2022	4.69%	127,160	Financed purchase	Ad valorem taxes
12/05/2022	4.35%	20,646	Financed purchase	Ad valorem taxes
03/06/2023	4.71%	49,935	Financed purchase	Ad valorem taxes
03/20/2023	4.40%	49,935	Financed purchase	Ad valorem taxes
06/19/2023	4.60%	74,847	Financed purchase	Ad valorem taxes
06/19/2023	4.60%	74,858	Financed purchase	Ad valorem taxes
06/19/2023	4.60%	74,857	Financed purchase	Ad valorem taxes
07/05/2023	4.60%	50,332	Financed purchase	Ad valorem taxes
09/18/2023	4.94%	248,800	Financed purchase	Ad valorem taxes
12/18/2023	4.90%	162,967	Financed purchase	Ad valorem taxes
02/05/2024	4.67%	56,480	Financed purchase	Ad valorem taxes
02/05/2024	4.67%	56,480	Financed purchase	Ad valorem taxes
03/04/2024	4.70%	75,702	Financed purchase	Ad valorem taxes
03/04/2024	4.65%	58,526	Financed purchase	Ad valorem taxes
03/18/2024	4.70%	75,702	Financed purchase	Ad valorem taxes
03/18/2024	4.65%	58,526	Financed purchase	Ad valorem taxes
06/03/2024	4.84%	105,000	Financed purchase	Ad valorem taxes

SMITH COUNTY

SPECIAL REPORTS

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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 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 (*Government Auditing Standards*), the cash basis 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, 2022, 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 17, 2024. 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 applicable to the County's cash basis of accounting 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.

Report on 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) as a basis for designing 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

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Report on 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 financial statements. 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 is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001.

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 17, 2024, included within this document.

Smith County's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Smith County, Mississippi's responses to the findings identified in our audit and described in the accompanying Auditee's Corrective Action Plan. Smith County, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 17, 2024



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Members of the Board of Supervisors
Smith County, Mississippi

Report on Compliance for the Major Federal Program

Qualified Opinion

We have audited Smith County, Mississippi's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Smith County, Mississippi's major federal program for the year ended September 30, 2022. Smith County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on ALN 10.665, Schools and Roads – Grants to States

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, Smith County, Mississippi complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on ALN 10.665, Schools and Roads – Grants to States for the year ended September 30, 2022.

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Smith County, Mississippi and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Smith County, Mississippi's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on ALN 10.665, Schools and Roads – Grants to States

As described in the accompanying Schedule of Findings and Questioned Costs, Smith County, Mississippi did not comply with requirements regarding ALN 10.665, Schools and Roads – Grants to States, as described in finding number 2022-003, for special tests and provisions. Compliance with such requirements is necessary, in our opinion, for Smith County, Mississippi to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Smith County, Mississippi's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Smith County, Mississippi's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Smith County, Mississippi's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Smith County, Mississippi's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Smith County, Mississippi's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Smith County, Mississippi's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2022-003. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Smith County, Mississippi's response to the noncompliance findings identified in our compliance audit described in the accompanying Auditee's Corrective Action Plan. Smith County, Mississippi's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Smith County, Mississippi's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Auditee's Corrective Action Plan. Smith County, Mississippi's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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 17, 2024

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**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
(AS REQUIRED BY SECTION 31-7-115, MISSISSIPPI CODE OF 1972 ANNOTATED)**

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, Mississippi Code of 1972 Annotated* and compliance with the purchasing requirements in accordance with the bid requirements of *Section 31-7-13, Mississippi Code of 1972 Annotated* during the year ended September 30, 2022. 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, 2022.

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, Mississippi Code of 1972 Annotated*. The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Smith County, Mississippi, 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, appearing to read "Joe E. McKnight". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 17, 2024

SMITH COUNTY

Schedule of Purchases From Other Than the Lowest Bidder

For the Year Ended September 30, 2022

Schedule 1

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

SMITH COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2022

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
3/21/2022	HVAC Chancery Building	\$ 8,688	Hendry Services	Extreme temperatures in courtroom.

SMITH COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2022

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

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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 cash basis financial statements of Smith County, Mississippi (the County) for the year ended September 30, 2022, 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 17, 2024, 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, Mississippi Code of 1972 Annotated*, 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. Board of Supervisors should strengthen controls over collateralization of public funds.

Repeat Finding Yes

Criteria *Section 27-105-5(6)(b), Mississippi Code of 1972 Annotated*, requires each public depositor to notify the State Treasurer, not later than thirty (30) days following its fiscal year end, of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end.

Condition The Board of Supervisors did not submit the public depositor's annual report to the State Treasurer's Office within thirty (30) days of the fiscal year end.

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Cause	The County did not comply with state law.
Effect	Failure to submit the public depositor's annual report in a timely manner could result in the State Treasurer's Office having inaccurate records and increases the risk that the County's total deposits may not be properly collateralized.
Recommendation	The Board of Supervisors should ensure that the public depositor's annual report is submitted to the State Treasurer's Office within thirty (30) days of fiscal year end, as required by law.
Views of Responsible Official(s)	There was a lot of staff turnover and was overlooked. Issue has been corrected.
2.	<u>The Board of Supervisors should make daily deposits.</u>
Repeat Finding	Yes
Criteria	An effective system of internal control for collecting, recording, and depositing of cash in the Board of Supervisors' office should be maintained.
Condition	During testing performed in the Board of Supervisors' office, it was noted that the bookkeeper was not depositing money on a timely basis.
Cause	The County lacked the necessary controls needed over the collecting, recording, and depositing of cash.
Effect	Failure to deposit money on a timely basis could result in the loss or misuse of public funds.
Recommendation	The Board of Supervisors should ensure that the bookkeeper is making daily deposits.
Views of Responsible Official(s)	We will comply.
3.	<u>Controls over the levying of ad valorem taxes should be strengthened.</u>
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 seven 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	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 <i>Mississippi Code of 1972 Annotated</i> , to authorize the levying of taxes for each levy.
Views of Responsible Official(s)	The issue will be corrected.

Board of Supervisors and Deputy Justice Court Clerks.

4.	<u>The Deputy Justice Court Clerks should be bonded as required by state statute.</u>
Repeat Finding	No
Criteria	<i>Section 9-11-29(2), Mississippi Code of 1972 Annotated</i> , requires each Deputy Justice Court Clerk to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law.
Condition	There was no bond on record for one Deputy Justice Court Clerk.
Cause	The County did not comply with state law.
Effect	Failure to comply with state statute would limit the amount available for recovery if a loss occurred.
Recommendation	The County should obtain individual bonds for each Deputy Justice Court Clerk in the amount of \$50,000.
Views of Responsible Official(s)	We have taken measures to correct this.

Board of Supervisors and Payroll Clerk.

5.	<u>PERS retirees should be paid as required by state statutes.</u>
Repeat Finding	No
Criteria	<i>Section 25-11-127(4)(a), Mississippi Code of 1972 Annotated</i> , requires retirees to receive no more than one-half of the salary in effect for the position at the time of employment in a fiscal year. Also, <i>Section 25-11-127(4)(b), Mississippi Code of 1972 Annotated</i> , requires retirees who make the election, to receive no more than twenty-five percent (25%) of the final average compensation used in calculating the retirees service retirement allowance.
Condition	During our test work, we noted three (3) instances where PERS retirees were either paid more than one-half of the salary for their positions or paid more than twenty-five percent (25%) of retiree's average compensation during the State's fiscal year.
Cause	The Board of Supervisors and Payroll Clerk did not comply with state laws.
Effect	Failure to comply with state laws regarding compensation of retired employees resulted in retired employees being overpaid.
Recommendation	The County should ensure that PERS retirees are not being paid more than the allowable amount.
Views of Responsible Official(s)	We will ensure that PERS retirees are not paid more than their allowed amounts.

Board of Supervisors and Deputy Tax Assessors.

6.	<u>Deputy Tax Assessors should be bonded as required by state statute.</u>
Repeat Finding	No

Criteria	<i>Section 27-1-3, Mississippi Code of 1972 Annotated</i> , requires each Deputy Tax Assessor to execute a bond for \$10,000 to be payable, conditioned and approved as provided by law.
Condition	There was no bond on record for one Deputy Tax Assessor.
Cause	The County did not comply with state laws.
Effect	Failure to issue individual bonds for each Deputy Tax Assessor could result in the loss or misappropriation of public funds.
Recommendation	The County should obtain individual bonds for each Deputy Tax Assessor in the amount of \$10,000.
Views of Responsible Official(s)	We have taken measures to correct the problem.

Board of Supervisors and Deputy Tax Collectors.

7.	<u>Deputy Tax Collectors should be bonded as required by state statute.</u>
Repeat Finding	No
Criteria	<i>Section 27-1-9(a), Mississippi Code of 1972 Annotated</i> , requires each Deputy Tax Collector to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law.
Condition	There was no bond on record for one Deputy Tax Collector.
Cause	The County did not comply with state laws.
Effect	Failure to issue individual bonds for each Deputy Tax Collector could result in the loss or misappropriation of public funds.
Recommendation	The County should obtain individual bonds for each Deputy Tax Collector in the amount of \$50,000.
Views of Responsible Official(s)	We have taken measures to correct this.

Circuit Clerk.

8.	<u>The Circuit Clerk claimed unallowable expenses on the Annual Financial Report.</u>
Repeat Finding	No
Criteria	<i>Section 9-1-43(1), Mississippi Code of 1972 Annotated</i> , limits the compensation of the Circuit Clerk to \$97,000 for calendar year 2022 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. A business expense must be adequately documented and both ordinary and necessary to be deductible. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15 for the preceding calendar year.

Condition	The Circuit Clerk claimed \$2,665 in unallowable expenses in calendar year 2022 for which there was insufficient documentation, and were therefore unallowable on the 2022 Annual Financial Report.
Cause	The Circuit Clerk did not comply with state statute.
Effect	Failure to maintain adequate documentation for expenses resulted in the Circuit Clerk overstating expenses on the 2022 Annual Financial Report by \$2,665, which created an amount over the salary limitation of \$2,662.
Recommendation	The Circuit Clerk should ensure that only expenses with sufficient documentation are claimed on the Annual Financial Report. Additionally, the Clerk should amend the 2022 Annual Financial Report and settle the over the salary limitation monies of \$2,662 to the County's General Fund.

Views of Responsible Official(s)

I strongly disagree as laid out in my response. Expenses have been adequately documented.

Auditor's Note As of the report date, the Circuit Clerk has not repaid the County.

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

Repeat Finding Yes

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

Condition As reported in the prior fifteen years' audit reports, we noted that bank deposits are not being made on a daily basis, which is a deficiency in internal control.

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

Effect The failure to implement proper controls could result in the loss or misappropriation of public funds.

Recommendation The Circuit Clerk should ensure that bank deposits are made daily.

Views of Responsible Official(s)

Efforts will be made to ensure that deposits are made at least weekly.

The Mississippi Office of the State Auditor has taken exception to certain costs. The details of the exception and disposition are as follows:

Exception Issued On:

Anthony Grayson, Circuit Clerk

Nature of Exception: unallowed expenses

See Circuit Clerk Finding # 8 described in this report.

Amount of Exception:

\$2,662

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

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

A handwritten signature in black ink, appearing to read "Joe E. McKnight".

JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 17, 2024

SMITH COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SMITH COUNTY

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SMITH COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

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	Unmodified
Countywide Road and Bridge Fund	Unmodified
Coronavirus Recovery Fund	Unmodified
Solid Waste Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiency identified? None Reported

Federal Awards:

4. Internal control over major federal programs:
 - a. Material weakness identified? Yes
 - b. Significant deficiency identified? None Reported
5. Type of auditor's report issued on compliance for the major federal program:

ALN 10.665, Schools and Roads - Grants to States	Qualified
--	-----------
6. Any audit finding disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes
7. Identification of the major federal program:
 - a. ALN 10.665, Schools and Roads - Grants to States
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)? Yes

SMITH COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

Material Noncompliance

2022-001. 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 five years' audit reports, the County has interfund loans outstanding that are over one year old. The loans were not repaid as of September 30, 2022.

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 the 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) See Auditee's Corrective Action Plan.

Board of Supervisors and Solid Waste Clerk

Material Weakness

2022-002. 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 five 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 lacked the proper segregation of duties necessary to maintain effective internal controls over cash in the Solid Waste department.

Effect Failure to implement adequate controls over cash could result in the loss or misappropriation of public funds.

SMITH COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

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) See Auditee's Corrective Action Plan.

Section 3: Federal Award Findings and Questioned Costs

Compliance Requirement Special Tests and Provisions

**Material Weakness
Material Noncompliance**

2022-003. The County should establish controls to ensure the public comment period requirement is following before using Title III funds.

Assistance Listing Number

10.665

Federal Award Schools and Roads – Grants to States

Federal Agency U.S. Department of Agriculture - Forest Service

Pass-through Mississippi State Treasurer's Office

Questioned Costs None

Context There were two transactions noted for Title III expenditures.

Repeat Finding No

Criteria The 2022 OMB Compliance Supplement and the U.S. Code, Title 16, Section 7142(b) specifies that a participating county can use Title III funds only after a 45-day public comment period, at the beginning of which the participating county shall (1) publish in any publications of local record a proposal that describes the proposed use of the county funds and (2) submit the proposal to any resource advisory committee established under U.S. Code, Title 16, Section 7125 for the participating county.

Condition The County did not provide the required public notice prior to using Title III funds nor was the 45-day comment period observed before any Title III funds were expended. Also, the County did not have documentation of the proposal to the resource advisory committee.

Cause The County lacked the necessary controls over the public comment period federal requirement.

Effect Failure to provide the required public notice and observe the 45-day comment period before any Title III funds were expended could result in funds being used for unallowable purposes.

SMITH COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Recommendation The County should implement adequate internal controls to ensure that the County follows the public comment period requirement with using Title III funds. Also, the County should document submission of the proposal to the resource advisory committee.

**Views of Responsible
Official(s)** See Auditee's Corrective Action Plan.

SMITH COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN
AND
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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SMITH COUNTY BOARD OF SUPERVISORS

Jerry Fields
District 1

Wendell James
Board Attorney

Darron Keyes
District 2

Benjie Ford
District 3

Heather Dolan
Office Manager & Purchase Clerk

Danny Arender
District 4

Howard Hammons
District 5

Cindy Austin
Chancery Clerk

CORRECTIVE ACTION PLAN

July 24, 2024

Office of the State Auditor
501 N. West Street, Suite 801
Jackson, Mississippi 39201

Gentlemen:

Smith County respectfully submits the following corrective action plan for the year ended September 30, 2022.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

2022-001. Corrective Action Planned: We will comply.

Anticipated Completion Date: 9/30/24

Name of Contact Person Responsible for Corrective Action: Heather Dolan,
Office Manager and Purchase Clerk

2022-002. Corrective Action Planned: We will comply.

Anticipated Completion Date: 9/30/24

Name of Contact Person Responsible for Corrective Action: Heather Dolan,
Office Manager and Purchase Clerk

SECTION 3: FEDERAL AWARD FINDINGS

2022-003. Corrective Action Planned: When we initially did this, I spoke with the director at the Federal Forestry Office in Jackson, MS. He told me we could purchase the fire truck because the fire department joined the National Forest. We did not realize that once we had permission we had to advertise in the local paper. The local paper did state in the weekly report that the Board had approved to purchase the truck with no feedback from any individual. We are aware of the correct process now and will adhere to that going forward.

Anticipated Completion Date: 9/30/24

Name of Contact Person Responsible for Corrective Action: Cindy Austin,
Chancery Clerk

Sincerely,



President, Smith County Board of Supervisors



SMITH COUNTY BOARD OF SUPERVISORS

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District 1

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Board Attorney

Darron Keyes
District 2

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District 3

Heather Dolan
Office Manager & Purchase Clerk

Danny Arender
District 4

Howard Hammons
District 5

Cindy Austin
Chancery Clerk

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

July 24, 2024

Office of the State Auditor
501 N. West Street, Suite 801
Jackson, Mississippi 39201

Gentlemen:

The Smith County Board of Supervisors submits the following Summary Schedule of Prior Audit Findings for the year ended September 30, 2022.

The findings from the prior year's Schedule of Findings and Questioned Costs are discussed below. The findings are numbered with the numbers assigned in the first year of issuance. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

2017-003. Controls over repayment of interfund advances should be strengthened.

NOT CORRECTED. Repeated as 2018-002, 2019-002, 2020-002, 2021-001 and 2022-001.

2017-004. The County should establish adequate segregation of duties in Solid Waste.

NOT CORRECTED. Repeated as 2018-003, 2019-004, 2020-004, 2021-002 and 2022-002.

SECTION 3: FEDERAL AWARD FINDINGS

There were no prior year findings and questioned costs related to federal awards.

Signed: _____

President, Board of Supervisors