

LAUDERDALE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2013

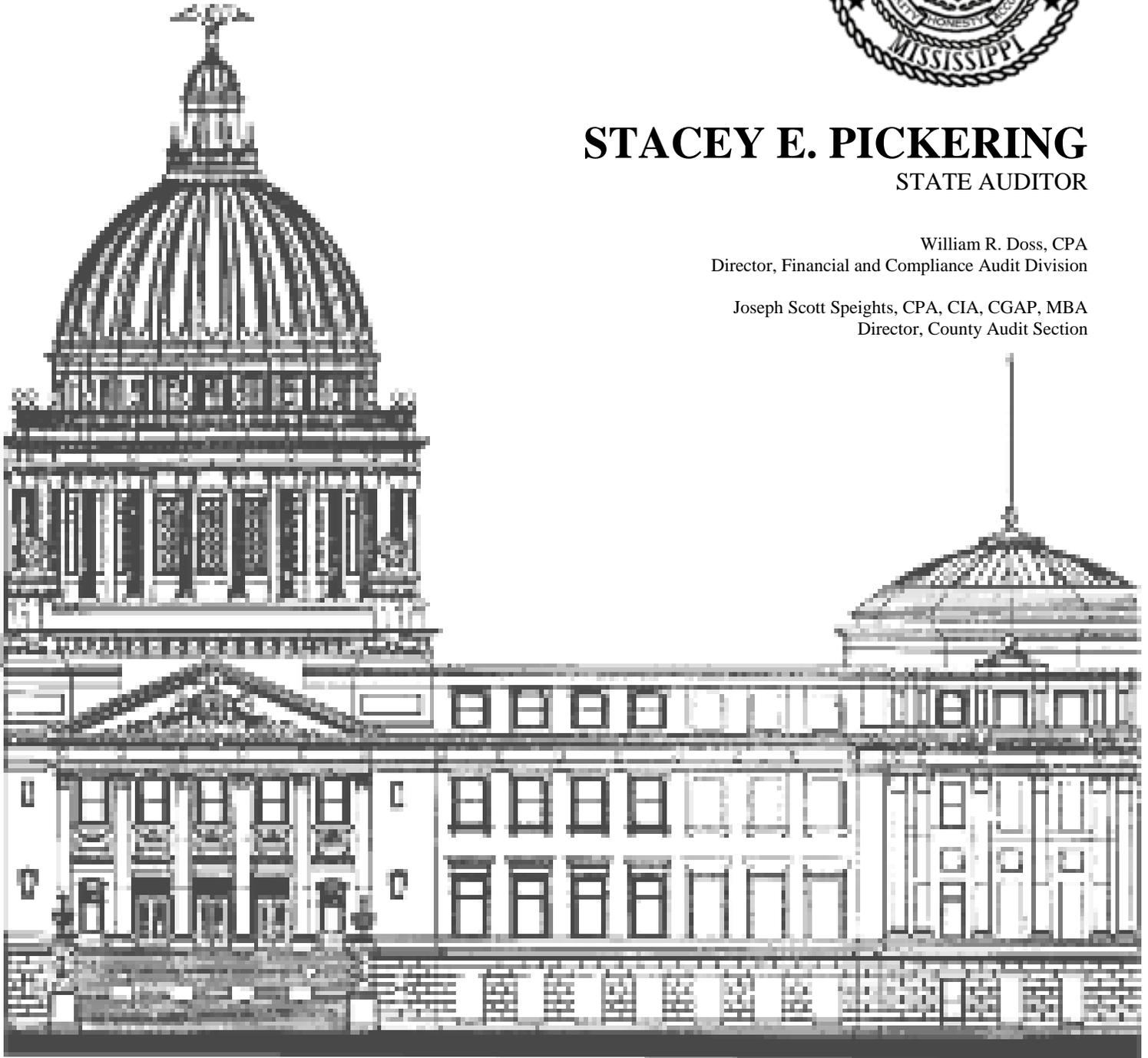


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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

January 16, 2015

Members of the Board of Supervisors
Lauderdale County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 financial and compliance audit report for Lauderdale 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 Lauderdale County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Lauderdale County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive.

Stacey E. Pickering
State Auditor

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

FINANCIAL SECTION

LAUDERDALE COUNTY

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Lauderdale County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Lauderdale County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Metro Ambulance Enterprise Fund, a blended component unit, which represents 100% of the assets, net position and revenues of the major enterprise fund and the business-type activities. We also did not audit the financial statements of the Lauderdale County Tourism Commission and the Meridian-Lauderdale Public Library, discretely presented component units, which represent 100%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aforementioned component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. However, the financial statements of the Lauderdale County Tourism Commission, component unit, audited by other auditors were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Lauderdale County, Mississippi, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lauderdale County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information 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. The Schedule of Expenditures of Federal Awards 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 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 taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2015, on our consideration of Lauderdale County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lauderdale County, Mississippi's internal control over financial reporting and compliance.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 16, 2015

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

FINANCIAL STATEMENTS

LAUDERDALE COUNTY

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LAUDERDALE COUNTY
Statement of Net Position
September 30, 2013

Exhibit 1

	Primary Government			Component	
	Governmental Activities	Business-type Activities	Total	Units County Tourism Commission	Meridian- Lauderdale County Public Library
ASSETS					
Cash	\$ 23,450,611	441,866	23,892,477	669,861	3,358,087
Investments					5,545
Accrued interest receivable					907
Property tax receivable	24,794,538		24,794,538		
Accounts receivable (net of allowance for uncollectibles of \$839,084)	275,130	696,449	971,579	143,555	
Fines receivable (net of allowance for uncollectibles of \$6,459,502)	310,184		310,184		
Intergovernmental receivables	898,101		898,101		
Other receivables	1,438		1,438		
Inventories and Prepaid items		171,053	171,053		15,961
Internal balances	(349)	349			
Deferred charges - Bond issuance cost	958,851		958,851		
Capital assets:					
Land and construction in progress	18,086,483		18,086,483		
Other capital assets, net	88,223,915	1,080,718	89,304,633	11,574	250,237
Total Assets	<u>156,998,902</u>	<u>2,390,435</u>	<u>159,389,337</u>	<u>824,990</u>	<u>3,630,737</u>
LIABILITIES					
Claims payable	3,172,295		3,172,295	20,483	11,989
Intergovernmental payables	804,861		804,861		
Accrued expenses					13,109
Accrued interest payable	120,590		120,590		
Deferred revenue	24,794,538		24,794,538		
Unearned revenue		138,148	138,148		
Amounts held in custody for others	362,280		362,280		
Other payables	2,509	333,772	336,281		
Long-term liabilities					
Due within one year:					
Capital debt	4,425,936		4,425,936		
Non-capital debt	405,000		405,000		
Due in more than one year:					
Capital debt	34,995,183		34,995,183		
Non-capital debt	2,664,593		2,664,593	10,468	
Total Liabilities	<u>71,747,785</u>	<u>471,920</u>	<u>72,219,705</u>	<u>30,951</u>	<u>25,098</u>
NET POSITION					
Net investment in capital assets	66,889,279	1,080,718	67,969,997	11,574	250,237
Restricted for:					
Expendable:					
General government	626,106		626,106		
Public safety	693,977		693,977		
Public works	10,693,169		10,693,169		
Health and welfare		837,797	837,797		
Culture and recreation	246,654		246,654		
Economic development and assistance	1,259,028		1,259,028		
Debt service	894,544		894,544		
Other purposes					405,291
Unrestricted	3,948,360		3,948,360	782,465	2,950,111
Total Net Position	<u>\$ 85,251,117</u>	<u>1,918,515</u>	<u>87,169,632</u>	<u>794,039</u>	<u>3,605,639</u>

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

LAUDERDALE COUNTY
Statement of Activities
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		County Tourism Commission	Meridian-Lauderdale County Public Library	
					Governmental Activities	Business-type Activities			Total
Primary government:									
Governmental activities:									
General government	\$ 8,023,419	1,750,212	469,800		(5,803,407)		(5,803,407)		
Public safety	11,239,357	2,532,263	793,552	13,547	(7,899,995)		(7,899,995)		
Public works	11,751,141	1,352,317	1,285,674	585,883	(8,527,267)		(8,527,267)		
Health and welfare	1,498,409		102,941		(1,395,468)		(1,395,468)		
Culture and recreation	31,654		100,000	521,217	589,563		589,563		
Conservation of natural resources	135,746				(135,746)		(135,746)		
Economic development and assistance	2,333,596			619,512	(1,714,084)		(1,714,084)		
Interest on long-term debt	1,581,877				(1,581,877)		(1,581,877)		
Fiscal agents' fees	19,917				(19,917)		(19,917)		
Total Governmental Activities	<u>36,615,116</u>	<u>5,634,792</u>	<u>2,751,967</u>	<u>1,740,159</u>	<u>(26,488,198)</u>		<u>(26,488,198)</u>		
Business-type activities:									
Metro Ambulance	7,433,323	6,652,843				(780,480)	(780,480)		
Total Business-type Activities	<u>7,433,323</u>	<u>6,652,843</u>	<u>0</u>	<u>0</u>		<u>(780,480)</u>	<u>(780,480)</u>		
Total Primary Government	<u>\$ 44,048,439</u>	<u>12,287,635</u>	<u>2,751,967</u>	<u>1,740,159</u>	<u>(26,488,198)</u>	<u>(780,480)</u>	<u>(27,268,678)</u>		
Component units:									
County Tourism Commission	\$ 614,923	806,282						191,359	
Meridian-Lauderdale County Public Library	1,041,626	61,941	190,951	4,260					(784,474)
Total Component Units	<u>\$ 1,656,549</u>	<u>868,223</u>	<u>190,951</u>	<u>4,260</u>				<u>191,359</u>	<u>(784,474)</u>

LAUDERDALE COUNTY
Statement of Activities
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Units	
					Governmental Activities	Business-type Activities	Total	County Tourism Commission	Meridian-Lauderdale County Public Library
General revenues:									
Property taxes					\$ 24,067,405	31,283	24,098,688		
Road & bridge privilege taxes					838,765		838,765		
Grants and contributions not restricted to specific programs					1,595,834		1,595,834		917,064
Unrestricted interest income					68,505	165	68,670		19,155
Miscellaneous					1,948,139	49,695	1,997,834		
Transfers								(100,000)	
Total General Revenues and Transfers					<u>28,518,648</u>	<u>81,143</u>	<u>28,599,791</u>	<u>(100,000)</u>	<u>936,219</u>
Changes in Net Position					<u>2,030,450</u>	<u>(699,337)</u>	<u>1,331,113</u>	<u>91,359</u>	<u>151,745</u>
Net Position - Beginning, as previously reported					83,770,810	2,617,852	86,388,662	702,680	3,453,894
Prior period adjustments					(550,143)		(550,143)		
Net Position - Beginning, as restated					<u>83,220,667</u>	<u>2,617,852</u>	<u>85,838,519</u>	<u>702,680</u>	<u>3,453,894</u>
Net Position - Ending					<u>\$ 85,251,117</u>	<u>1,918,515</u>	<u>87,169,632</u>	<u>794,039</u>	<u>3,605,639</u>

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

LAUDERDALE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2013

Exhibit 3

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	County Road Maintenance Fund	Combined GO Debt Fund	Series 2012 GO Bond Fund		
ASSETS						
Cash	\$ 7,223,095	3,038,208	661,163	6,978,054	5,550,091	23,450,611
Property tax receivable	12,985,917	1,667,502	4,790,907		5,350,212	24,794,538
Accounts receivable (net of allowance for uncollectibles of \$839,084)					275,130	275,130
Fines receivable (net of allowance for uncollectibles of \$6,459,502)	310,184					310,184
Intergovernmental receivables	534,203				363,898	898,101
Other receivables	1,438					1,438
Due from other funds	179,213	86,492	53,075	129,821	102,406	551,007
Advances to other funds	113,572					113,572
Total Assets	\$ 21,347,622	4,792,202	5,505,145	7,107,875	11,641,737	50,394,581
LIABILITIES						
Liabilities:						
Claims payable	\$ 1,014,908	258,512		1,209,914	688,961	3,172,295
Intergovernmental payables	781,812				3	781,815
Due to other funds	251,913	10,593			296,196	558,702
Advances from other funds					113,572	113,572
Deferred revenue	13,296,101	1,667,502	4,790,907		5,625,342	25,379,852
Amounts held in custody for others	377,980					377,980
Other payables	2,509					2,509
Total Liabilities	15,725,223	1,936,607	4,790,907	1,209,914	6,724,074	30,386,725
Fund balances:						
Nonspendable:						
Advances	113,572					113,572
Restricted for:						
General government					626,106	626,106
Public safety					693,977	693,977
Public works		2,855,595		5,897,961	1,664,483	10,418,039
Culture and recreation					246,654	246,654
Economic development and assistance					1,259,028	1,259,028
Debt service			714,238		300,896	1,015,134
Committed to:						
Public safety					119,801	119,801
Assigned to:						
Public safety					8,454	8,454
Unassigned	5,508,827				(1,736)	5,507,091
Total Fund Balances	5,622,399	2,855,595	714,238	5,897,961	4,917,663	20,007,856
Total Liabilities and Fund Balances	\$ 21,347,622	4,792,202	5,505,145	7,107,875	11,641,737	50,394,581

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

LAUDERDALE COUNTY

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2013

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 20,007,856
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$83,157,803.	106,310,398
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	585,314
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(42,490,712)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(120,590)
Deferred charges - bond issuance costs	<u>958,851</u>
Total Net Position - Governmental Activities	\$ <u><u>85,251,117</u></u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2013

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	County Road Maintenance Fund	Combined GO Debt Fund	Series 2012 GO Bond Fund		
REVENUES						
Property taxes	\$ 12,394,786	1,894,771	4,752,064		5,025,784	24,067,405
Road and bridge privilege taxes		838,765				838,765
Licenses, commissions and other revenue	963,595	472	831		64,771	1,029,669
Fines and forfeitures	997,263					997,263
Intergovernmental revenues	1,783,128	1,390,740	81,079		2,833,013	6,087,960
Charges for services	993,135				2,750,847	3,743,982
Interest income	52,613			13,560	2,332	68,505
Miscellaneous revenues	623,785	57,192			1,190,079	1,871,056
Total Revenues	<u>17,808,305</u>	<u>4,181,940</u>	<u>4,833,974</u>	<u>13,560</u>	<u>11,866,826</u>	<u>38,704,605</u>
EXPENDITURES						
Current:						
General government	6,648,536				1,076,731	7,725,267
Public safety	8,149,637				2,740,319	10,889,956
Public works		4,306,887		2,904,314	4,699,487	11,910,688
Health and welfare	922,213				569,475	1,491,688
Culture and recreation				478,402	540,924	1,019,326
Conservation of natural resources	133,260					133,260
Economic development and assistance	188,923				1,851,227	2,040,150
Debt service:						
Principal	350,694	408,610			4,019,745	4,779,049
Interest	54,137	24,523			1,472,229	1,550,889
Bond issue costs					667,205	667,205
Fiscal agents' fees	2,310				17,607	19,917
Total Expenditures	<u>16,449,710</u>	<u>4,740,020</u>	<u>0</u>	<u>3,382,716</u>	<u>17,654,949</u>	<u>42,227,395</u>
Excess of Revenues over (under) Expenditures	<u>1,358,595</u>	<u>(558,080)</u>	<u>4,833,974</u>	<u>(3,369,156)</u>	<u>(5,788,123)</u>	<u>(3,522,790)</u>
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	121,931	1,133,231			133,518	1,388,680
Refunding bonds issued					21,950,000	21,950,000
Proceeds from sale of capital assets	8,265	677,275			33,748	719,288
Premiums on bonds issued					174,185	174,185
Compensation for loss of capital assets	35,671					35,671
Transfers in	13,466	100,000		130,534	5,406,617	5,650,617
Transfers out	(476,173)		(4,823,659)		(350,785)	(5,650,617)
Lease principal payments					303,333	303,333
Payment to bond refunding escrow agent					(21,456,980)	(21,456,980)
Total Other Financing Sources and Uses	<u>(296,840)</u>	<u>1,910,506</u>	<u>(4,823,659)</u>	<u>130,534</u>	<u>6,193,636</u>	<u>3,114,177</u>
Net Changes in Fund Balances	<u>1,061,755</u>	<u>1,352,426</u>	<u>10,315</u>	<u>(3,238,622)</u>	<u>405,513</u>	<u>(408,613)</u>
Fund Balances - Beginning, as previously stated	4,640,584	1,503,171	703,923	9,136,583	4,512,142	20,496,403
Prior period adjustments	(79,940)	(2)			8	(79,934)
Fund Balances - Beginning, as restated	<u>4,560,644</u>	<u>1,503,169</u>	<u>703,923</u>	<u>9,136,583</u>	<u>4,512,150</u>	<u>20,416,469</u>
Fund Balances - Ending	<u>\$ 5,622,399</u>	<u>2,855,595</u>	<u>714,238</u>	<u>5,897,961</u>	<u>4,917,663</u>	<u>20,007,856</u>

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

LAUDERDALE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (408,613)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$3,484,250 exceeded depreciation of \$3,230,401 in the current period.	253,849
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$77,083 and the proceeds from the sale of \$ 719,288 and compensation for loss of capital assets of \$35,671 in the current period.	(677,876)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(131,787)
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(4,335)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$4,779,049 exceeded debt proceeds of \$1,388,680.	3,390,369
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences liability	(56,836)
The amount of decrease in accrued interest payable	119,714
The amortization of general obligation bond premium	13,114
The amortization of general obligation bond issuance cost	(19,314)

LAUDERDALE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013

	<u>Amount</u>
Issuance of refunding bonds	(21,950,000)
Premium on refunding bonds	(174,185)
The amortization of refunding bond premium	14,983
Payment to bond escrow agent for deferred refunding charges	21,456,980
The amortization of deferred refunding charges	(122,420)
Bond issuance cost on refunding bonds	667,205
The amortization of refunding bond issuance cost	(37,065)
 In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from change in fund balances by the principal collections on the capital leases.	 <u>(303,333)</u>
 Change in Net Position of Governmental Activities	 \$ <u><u>2,030,450</u></u>

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

LAUDERDALE COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2013

Exhibit 5

	Business-type Activities Enterprise Fund	
	Metro	Ambulance
ASSETS		
Current assets:		
Cash	\$	441,866
Accounts receivable		696,449
Due from other funds		349
Inventories and prepaid items		171,053
Total Current Assets		<u>1,309,717</u>
Noncurrent assets:		
Capital assets:		
Other capital assets, net		1,080,718
Total Noncurrent Assets		<u>1,080,718</u>
Total Assets		<u>2,390,435</u>
LIABILITIES		
Current liabilities:		
Unearned revenue		138,148
Other payables		333,772
Total Current Liabilities		<u>471,920</u>
NET POSITION		
Net investment in capital assets		1,080,718
Restricted for:		
Health and welfare		837,797
Total Net Position	\$	<u><u>1,918,515</u></u>

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

LAUDERDALE COUNTY
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2013

Exhibit 6

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Metro Ambulance</u>
Operating Revenues	
Charges for services	\$ 6,652,843
Total Operating Revenues	<u>6,652,843</u>
Operating Expenses	
Personal services	3,957,636
Materials and supplies	2,367,043
Depreciation expense	284,463
Repairs	331,940
Administrative	437,690
Miscellaneous	54,551
Total Operating Expenses	<u>7,433,323</u>
Operating Income (Loss)	<u>(780,480)</u>
Nonoperating Revenues (Expenses)	
Property tax	31,283
Interest income	165
Other income (expenses)	49,695
Net Nonoperating Revenue (Expenses)	<u>81,143</u>
Changes in Net Position	<u>(699,337)</u>
Net Position - Beginning	<u>2,617,852</u>
Net Position - Ending	\$ <u><u>1,918,515</u></u>

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

LAUDERDALE COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2013

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>Metro Ambulance</u>
Cash Flows From Operating Activities	
Cash received from customers	\$ 4,451,779
Cash payments to employees for services	(3,273,519)
Cash payments to other suppliers for goods and services	(1,613,445)
Net Cash Provided (Used) by Operating Activities	<u>(435,185)</u>
Cash Flows From Noncapital Financing Activities	
Membership revenue received	1,215
Operating grants received	79,818
Other grants received	48,225
Cash received from property taxes	31,283
Cash received from other funds:	
Loans from other funds	(349)
Cash paid to other funds:	
Interfund loan repayments	330
Licenses, commissions, & other	5
Other non-capital financing income	335
Net Cash Provided (Used) by Noncapital Financing Activities	<u>160,862</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(236,210)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(236,210)</u>
Cash Flows From Investing Activities	
Interest and dividends on investments	165
Net Cash Provided (Used) by Investing Activities	<u>165</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(510,368)
Cash and Cash Equivalents at Beginning of Year	<u>952,234</u>
Cash and Cash Equivalents at End of Year	<u>\$ 441,866</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (780,480)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	284,463
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(88,068)
(Increase) decrease in inventories and prepaid items	12,324
Increase (decrease) in accrued liabilities	136,576
Total Adjustments	<u>345,295</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (435,185)</u>

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

LAUDERDALE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2013

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 581,056
Due from other funds	23,046
Other receivables	15,700
Total Assets	<u>\$ 619,802</u>
LIABILITIES	
Amounts held in custody for others	\$ 581,056
Intergovernmental payables	23,046
Due to other funds	15,700
Total Liabilities	<u>\$ 619,802</u>

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

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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
- Tax Collector
- Sheriff

B. Individual Component Unit Disclosures.

Blended Component Unit

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component unit balances and transactions are blended with the balances and transactions of the primary government.

Section 41-59-61 of the Mississippi Code of 1972 created The Lauderdale County Emergency Medical Service District (Metro Ambulance) which provides emergency medical and patient transporting service in the Lauderdale County area. The Board of Supervisors serves as the board for Metro Ambulance. Metro Ambulance is reported as an enterprise fund in the County's financial statements.

Discretely Presented Component Units

The component units columns in the financial statements include the financial data of the following component units of the County. They are reported in a separate column to emphasize that they are legally separate from the County.

The Meridian-Lauderdale County Public Library was formed under Section 39-3-1 of the Mississippi Code of 1972 and is a legally separate entity. The library was originally organized by the City of Meridian. Effective October 1, 1994, the library became a County library rather than a municipal library. At that time the County Board of Supervisors began appointing members as the city members' terms expired. Complete financial statements for the Meridian-Lauderdale County Public Library can be obtained from 2517 7th Street, Meridian, MS 39301.

LAUDERDALE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

The Lauderdale County Tourism Commission was authorized under House Bill 1751. The Board of Supervisors appoints three of the seven board members. A majority of the Commission's funding is supplied by the County and the Commission's budget must be approved by the Board of Supervisors. Complete financial statements for the Lauderdale County Tourism Commission can be obtained from P.O. Box 5313, Meridian, MS 39302.

C. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

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

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

The County reports the following major Governmental Funds:

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

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

Combined General Obligation Debt Fund – This fund is used to account for specific debt service revenue resources and debt service payments that are restricted by individual instrument purpose.

Series 2012 General Obligation Bond Fund – This fund is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related cost of borrowing used for road and bridge projects, equipment, and recreation.

The County reports the following major Enterprise Fund:

Metro Ambulance Fund – This fund is used to account for monies from specific revenues of emergency medical and patient transporting services in the Lauderdale County area.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

F. Deposits and Investments.

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

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

G. Receivables.

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

H. Interfund Transactions and Balances.

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

I. Inventories and Prepaid Items.

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in/first-out method.

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

J. Restricted Assets.

Proprietary Fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

K. Capital Assets.

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

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

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

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

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

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

L. Long-term Liabilities.

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

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

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

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

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

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County's highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

Assigned fund balance includes amounts that are constrained by the County's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the County Administrator pursuant to authorization established by policy adopted by the County.

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

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

N. Property Tax Revenues.

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

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

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

O. Intergovernmental Revenues in Governmental Funds.

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

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

P. Compensated Absences.

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

Q. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The provisions of these standards have been incorporated into the financial statements and the notes.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
To correct errors in capital assets	\$ (470,209)
To reclassify Fund 004 Lauderdale County Health Insurance Account to Agency Fund 601	(79,940)
To record any adjustments made in prior year through cash that effect beginning fund balance	(2)
To record any adjustments made in prior year through cash that effect beginning fund balance	8
Total prior period adjustments	<u>\$ (550,143)</u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	Amount
To reclassify Fund 004 Lauderdale County Health Insurance Account to Agency Fund 601	\$ (79,940)
To record any adjustments made in prior year through cash that effect beginning fund balance	(2)
To record any adjustments made in prior year through cash that effect beginning fund balance	8
Total prior period adjustments	<u>\$ (79,934)</u>

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$24,473,533, and the bank balance was \$26,236,221. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. 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.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2013:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 161,375
General Fund	County Road Maintenance Fund	2,138
General Fund	Agency Funds	15,700
County Road Maintenance Fund	General Fund	86,492
Combined GO Debt Fund	General Fund	53,075
Series 2012 GO Bond Fund	Other Governmental Funds	129,821
Other Governmental Funds	General Fund	88,951
Other Governmental Funds	County Road Maintenance Fund	8,455
Other Governmental Funds	Other Governmental Funds	5,000
Metro Ambulance Fund	General Fund	349
Agency Funds	General Fund	23,046
Total		\$ 574,402

The receivables represent an error in posting revenue during the year, operating loans, and tax revenue collected in September 2013 but not settled until October, 2013. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	\$ 113,572

The purpose of the advances was to provide operating loans, grant matching requirements and debt service. All advances are expected to be paid within one year from the date of the financial statements.

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 13,466
County Road Maintenance Fund	General Fund	100,000
Series 2012 GO Bond Fund	Other Governmental Funds	130,534
Other Governmental Funds	General Fund	376,173
Other Governmental Funds	Combined GO Debt Fund	4,823,659
Other Governmental Funds	Other Governmental Funds	206,785
Total		<u>\$ 5,650,617</u>

The principal purpose of interfund transfers was to provide funds for debt service, grant matches, or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2013, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 336,417
Reimbursement for housing prisoners	197,786
Various reimbursement grants	363,898
Total Governmental Activities	<u>\$ 898,101</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2013:

Governmental activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
Non-depreciable capital assets:					
Land	\$ 14,880,964	3,720			14,884,684
Construction in progress	3,081,330	1,252,691	3,315	(1,128,907)	3,201,799
Total non-depreciable capital assets	<u>17,962,294</u>	<u>1,256,411</u>	<u>3,315</u>	<u>(1,128,907)</u>	<u>18,086,483</u>
Depreciable capital assets:					
Infrastructure	111,509,158			626,691	112,135,849
Buildings	34,229,921	354,157			34,584,078
Improvements other than buildings	5,796,533	336,269			6,132,802
Mobile equipment	15,123,075	166,845	1,578,758		13,711,162
Furniture and equipment	2,989,830	115,405	146,697		2,958,538
Leased property under capital leases	1,464,126	1,255,163	860,000		1,859,289
Total depreciable capital assets	<u>171,112,643</u>	<u>2,227,839</u>	<u>2,585,455</u>	<u>626,691</u>	<u>171,381,718</u>

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
<u>Less accumulated depreciation for:</u>					
Infrastructure	58,935,258	1,252,364			60,187,622
Buildings	7,763,554	662,199			8,425,753
Improvements other than buildings	972,003	236,246			1,208,249
Mobile equipment	11,201,657	718,114	1,380,396		10,539,375
Furniture and equipment	2,536,662	144,632	143,498	(32,007)	2,505,789
Leased property under capital leases	461,169	216,846	387,000		291,015
Total accumulated depreciation	<u>81,870,303</u>	<u>3,230,401</u>	<u>1,910,894</u>	<u>(32,007)</u>	<u>83,157,803</u>
Total depreciable capital assets, net	<u>89,242,340</u>	<u>(1,002,562)</u>	<u>674,561</u>	<u>658,698</u>	<u>88,223,915</u>
Governmental activities capital assets, net	<u>\$ 107,204,634</u>	<u>253,849</u>	<u>677,876</u>	<u>(470,209)</u>	<u>106,310,398</u>

Business-type activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
<u>Depreciable capital assets:</u>					
Leasehold improvements	\$ 285,207	100,214			385,421
Mobile equipment - Ambulances	1,549,375				1,549,375
Furniture, fixtures and equipment	1,706,102	135,996			1,842,098
Total depreciable capital assets	<u>3,540,684</u>	<u>236,210</u>	<u>0</u>	<u>0</u>	<u>3,776,894</u>
<u>Less accumulated depreciation for:</u>					
Leasehold improvements	130,500	20,821			151,321
Mobile equipment - Ambulances	1,070,370	93,806			1,164,176
Furniture, fixtures and equipment	1,210,843	169,836			1,380,679
Total accumulated depreciation	<u>2,411,713</u>	<u>284,463</u>	<u>0</u>	<u>0</u>	<u>2,698,176</u>
Total depreciable capital assets, net	<u>1,128,971</u>	<u>(48,253)</u>	<u>0</u>	<u>0</u>	<u>1,080,718</u>
Business-type activities capital assets, net	<u>\$ 1,128,971</u>	<u>(48,253)</u>	<u>0</u>	<u>0</u>	<u>1,080,718</u>

*Adjustments to capital assets were for construction in progress errors and miscellaneous adjustments made to correctly present capital assets at the year end.

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 520,042
Public safety	433,179
Public works	1,797,636
Health and welfare	6,721
Culture and recreation	29,985
Conservation of natural resources	2,486
Economic development and assistance	<u>440,352</u>
Total governmental activities depreciation expense	<u>\$ 3,230,401</u>
Business-type activities:	
Metro Ambulance	<u>\$ 284,463</u>

Commitments with respect to unfinished capital projects at September 30, 2013, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Mosley Lake Road	\$ 5,853	November 11, 2013
Whynot Road, Kewanee Road, Lauderdale Road	45,732	February 21, 2014
Smith-Spur Road	18,306	April 3, 2014
Fisher Road	3,567	January 31, 2015

Component Units:

The Meridian-Lauderdale Public Library capital asset balances at September 30, 2013, are as follows:

	<u>Balance Oct. 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2013</u>
<u>Depreciable capital assets:</u>					
Furniture, fixtures, equipment, and vehicles	\$ 414,744	195,091	164,795		445,040
Total depreciable capital assets	<u>414,744</u>	<u>195,091</u>	<u>164,795</u>		<u>445,040</u>
<u>Less accumulated depreciation for:</u>					
Furniture, fixtures, equipment, and vehicles	332,393	27,205	164,795		194,803
Total accumulated depreciation	<u>332,393</u>	<u>27,205</u>	<u>164,795</u>		<u>194,803</u>
Total depreciable capital assets, net	<u>82,351</u>	<u>167,886</u>			<u>250,237</u>
Component unit capital assets, net	<u>\$ 82,351</u>	<u>167,886</u>	<u>0</u>	<u>0</u>	<u>250,237</u>

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

The Lauderdale County Tourism Commission capital asset balances at September 30, 2013, are as follows:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
<u>Depreciable capital assets:</u>					
Computer equipment	\$ 14,753	4,261			19,014
Furniture and equipment	22,783				22,783
Vehicles	30,735	768			31,503
Total depreciable capital assets	<u>68,271</u>	<u>5,029</u>			<u>73,300</u>
<u>Less accumulated depreciation for:</u>					
Computer equipment	13,683	1,520			15,203
Furniture and equipment	17,294	668			17,962
Vehicles	25,785	2,776			28,561
Total accumulated depreciation	<u>56,762</u>	<u>4,964</u>			<u>61,726</u>
Total depreciable capital assets, net	<u>11,509</u>	<u>65</u>			<u>11,574</u>
Component unit capital assets, net	\$ <u>11,509</u>	<u>65</u>	<u>0</u>	<u>0</u>	<u>11,574</u>

(7) 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, 2013, to January 1, 2014. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Operating Leases.

As Lessor:

On February 5, 2007 in Lauderdale County, Tower Automotive Products Company, Inc. entered into a non-cancellable operating lease agreement with Lauderdale County Economic Development District for the lease of 43 acres of land owned by Lauderdale County Economic Development District for the purpose of heavy and light industrial uses as well as warehousing. The operating lease stipulated that the lessee would pay \$32,127.80 per month in lease payments which is comprised of a \$31,250 monthly rent with the balance of the payment being an additional consideration to the landlord for granting the right for payments to be made monthly as opposed to annually. The payments commenced February 1, 2007 for a term of 15 years.

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

The County receives income from property it leases under noncancellable operating leases. Total income from such leases was \$385,534 for the year ended September 30, 2013. The future minimum lease receivables for these leases are as follows:

Year Ended September 30		Amount
2014	\$	375,000
2015		375,000
2016		375,000
2017		375,000
2018		375,000
2019 – 2022		1,250,000
Total Minimum Payments Required	\$	3,125,000

(9) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2013:

Classes of Property		Governmental Activities
Mobile equipment	\$	1,559,352
Furniture and equipment		299,937
Total		1,859,289
Less: Accumulated depreciation		(291,015)
Leased Property Under Capital Leases	\$	1,568,274

The following is a schedule by years of the total payments due as of September 30, 2013:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2014	\$ 482,982	31,138
2015	487,467	22,483
2016	446,650	13,864
2017	401,484	5,946
2018	97,438	493
Total	\$ 1,916,021	73,924

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(10) Long-term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Recreation Construction – Series 1999	\$ 250,000	3.90/5.25%	03/2014
Road and Bridge Refunding – Series 2007	725,000	3.65/3.75%	06/2015
Road and Bridge – Series 2004	1,100,000	2.75/3.50%	04/2016
Industrial Development – Series 2006	1,285,000	5.20/5.75%	02/2016
Industrial Development – Series 2006	1,275,000	6.00/7.25%	07/2016
Road and Bridge – Series 2008	1,140,000	3.00/4.00%	04/2015
Road and Bridge – Series 2009	650,000	3.00%	02/2019
Series 2010 – Unlimited Refunding	705,000	2.00%	10/2014
Series 2010 – Unlimited Refunding Taxable	885,000	2.00/3.00%	10/2015
Series 2011 – General Obligation Refunding	1,965,000	2.00/3.00%	07/2019
Series 2012 – Road, Bridge, Equipment & Rec	10,000,000	2.00/3.50%	03/2027
Series 2013A – General Obligation Refunding	6,035,000	1.00/2.25%	04/2023
Series 2013B – GO Refunding Taxable	15,840,000	0.47/3.31%	02/2026
Total General Obligation Bonds	\$ <u>41,855,000</u>		
B. Capital Leases:			
Eventide Audio Recorder	\$ 12,510	0.00%	03/2015
IBM Computers & Software	82,186	2.24%	03/2017
Two-way Radio Equipment	278,008	1.96%	06/2017
AS400 Hardware/Software	94,366	2.00%	09/2017
(8) Kubota Tractors & (8) Bushhogs	350,958	1.87%	10/2017
Kyocera/Copystar Digital Copier	13,379	2.51%	04/2016
Telephone System	99,742	2.25%	05/2018
(9) 2013 International Dump Trucks	656,892	1.74%	02/2018
Durapatcher	44,414	1.85%	12/2017
(11) Vehicles	175,068	1.43%	02/2016
2014 International Model 4300 Knuckleboom	108,498	1.59%	06/2018
Total Capital Leases	\$ <u>1,916,021</u>		
C. Other Loans:			
MDA CAP Loan – S. Industrial Park Drainage	\$ 216,960	3.00%	04/2016
MDA CAP Loan – Agricultural Center	332,095	N/A	N/A
Total Other Loans	\$ <u>549,055</u>		

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2014	\$ 4,270,000	1,087,453
2015	4,040,000	1,002,049
2016	3,355,000	874,016
2017	3,080,000	778,609
2018	3,160,000	711,187
2019 – 2023	15,370,000	2,427,680
2024 – 2028	8,580,000	498,284
Total	\$ 41,855,000	7,379,278

Year Ending September 30	Other Loans	
	Principal	Interest
2014	\$ 77,954	4,915
2015	412,421	2,543
2016	58,680	360
Total	\$ 549,055	7,818

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, 2013, the amount of outstanding debt was equal to 7.12% of the latest property assessments.

Advance Refundings - On March 27, 2013, the County issued \$6,110,000 in general obligation refunding bonds with an average interest rate of 1.00/2.25% to advance refund \$5,715,000 of the following outstanding bond issues:

Issue	Average Interest Rate	Outstanding Amount Refunded
Series 2008 Road & Bridge General Obligation Bonds	3.00/4.00%	\$ 5,715,000

The Series 2008 Road & Bridge General Obligation Bonds had an outstanding balance of \$7,390,000 at the time of refunding, but only \$5,715,000 of the bond was refunded, leaving a remaining principal balance of \$1,675,000, of which \$535,000 was redeemed during fiscal year 2013.

The net proceeds of \$6,168,475.75 (after payment of \$54,609.60 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The County advance refunded the above bonds to reduce its total debt service payments over the next ten years by almost \$217,741 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$203,499.

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Also, On March 27, 2013, the County issued \$15,840,000 in taxable general obligation refunding bonds with an average interest rate of 0.47/3.31% to advance refund \$13,005,000 of the following outstanding bond issues:

Issue	Average Interest Rate	Outstanding Amount Refunded
Series 2006 Taxable Industrial Park Bonds	5.20/5.75%	6,515,000
Series 2006B Taxable Industrial Park Bonds	6.00/7.00%	6,490,000

The Series 2006 Taxable Industrial Park Bonds had an outstanding balance of \$8,205,000 at the time of refunding, but only \$6,515,000 of the bond was refunded, leaving a remaining principal balance of \$1,285,000, of which \$405,000 was redeemed during fiscal year 2013.

The Series 2006B Taxable Industrial Park Bonds had an outstanding balance of \$8,165,000 at the time of refunding, but only \$6,490,000 of the bond was refunded, leaving a remaining principal balance of \$1,275,000, of which \$400,000 was redeemed during fiscal year 2013.

The net proceeds of \$15,288,505.38 (after payment of \$393,094.62 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The County advance refunded the above Series 2006 Taxable Industrial Park bonds to reduce its total debt service payments over the next thirteen years by almost \$308,156 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$268,357.

The County advance refunded the above Series 2006B Taxable Industrial Park bonds to reduce its total debt service payments over the next thirteen years by almost \$429,996 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$322,442.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments	Balance Sept. 30, 2013	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 430,213	56,836			487,049	
General obligation bonds	42,790,000	21,950,000	4,165,000	(18,720,000)	41,855,000	4,270,000
Less:						
Deferred amt on refunding	(80,450)	(2,736,980)	(122,420)		(2,695,010)	
Add:						
Premiums	232,509	174,185	28,097		378,597	
Capital leases	1,199,255	1,255,162	538,396		1,916,021	482,982
Other loans	491,190	133,518	75,653		549,055	77,954
Total	\$ 45,062,717	20,832,721	4,684,726	(18,720,000)	42,490,712	4,830,936
Business-type Activities:						
Compensated absences	\$ 96,642	45,763			142,405	

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Road Maintenance Fund, and Metro Ambulance Fund.

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2013:

Fund	Deficit Amount
Occupant Protection Grant	\$ (1,070)
Sheriff Mental Health Grant	(486)
Lauderdale County Sheriff – K-9 Fund	(180)

(12) Contingencies.

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

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

(13) Joint Ventures.

The County participates in the following joint ventures:

Lauderdale County is participant with the City of Meridian in a joint venture authorized by Section 57-37-1, Miss. Code Ann. (1972), to operate the East Mississippi Business Development Corporation. The joint venture was created to encourage, foster and facilitate economic development in the County. The board is made up of citizens and corporate members, who are not appointed by the County or the City. The County's appropriation to the joint venture was \$282,600 in fiscal year 2013. Complete financial statements for the East Mississippi Business Development Corporation can be obtained from P.O. Box 790; Meridian, MS 39302.

(14) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Central Mississippi Emergency Medical Services District operates in a district composed of the counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Lauderdale County Board of Supervisors appoints two of the 26 members of the board. The County provided no financial support in fiscal year 2013.

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 Lauderdale County Board of Supervisors appoints one of the 15 members of the board of directors. The County contributed \$48,000 for financial support in fiscal year 2013.

East Mississippi Community College operates in a district composed of the counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee and Oktibbeha. The Lauderdale County Board of Supervisors appoints two of the 12 members of the board of directors. The County contributed \$205,088 for financial support in fiscal year 2013.

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

The Multi-County Community Service Agency operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Newton 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 Lauderdale County Board of Supervisors appoints three of the 24 members of the board of directors. Most of the funding is derived from federal funds. The County contributed \$33,878 for financial support in fiscal year 2013.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Lauderdale County Board of Supervisors appoints one of the nine members of the board of directors. The County contributed \$139,354 for financial support in fiscal year 2013.

Mid-Mississippi Development District operates in a district composed of the counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was created to encourage, foster and facilitate economic development in member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The County contributed the minimal financial support in fiscal year 2013.

(15) Defined Benefit Pension Plan.

Plan Description. Lauderdale 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. Benefit provisions are established by state law 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, 2013, 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, 2013 was 15.75% 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, 2013, 2012 and 2011 were \$1,548,801, \$1,325,121 and \$1,173,384, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Lauderdale County evaluated the activity of the County through January 16, 2015, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2013, the County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
11/04/2013	N/A	\$ 700,000	CAP Loan	Property taxes
03/12/2014	1.83%	27,423	Capital lease	Ad valorem taxes
05/30/2014	2.22%	15,947	Capital lease	Ad valorem taxes
06/30/2014	2.04%	238,618	Capital lease	Ad valorem taxes
07/21/2014	1.87%	69,650	Capital lease	Ad valorem taxes

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LAUDERDALE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 12,180,342	12,388,004	12,388,004	
Licenses, commissions and other revenue	541,860	573,829	573,829	
Fines and forfeitures	984,700	981,563	981,563	
Intergovernmental revenues	1,549,900	1,534,779	1,534,779	
Charges for services	725,000	795,349	795,349	
Interest income	130,000	50,820	50,820	
Miscellaneous revenues	717,500	954,775	954,775	
Total Revenues	<u>16,829,302</u>	<u>17,279,119</u>	<u>17,279,119</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	6,744,184	6,441,566	6,441,566	
Public safety	7,978,103	8,080,023	8,080,023	
Health and welfare	953,547	901,968	901,968	
Conservation of natural resources	125,429	119,488	119,488	
Economic development and assistance	185,900	189,423	189,423	
Debt service:				
Principal	300,000	306,732	306,732	
Interest	48,800	49,580	49,580	
Bond issue costs	2,500	2,310	2,310	
Total Expenditures	<u>16,338,463</u>	<u>16,091,090</u>	<u>16,091,090</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>490,839</u>	<u>1,188,029</u>	<u>1,188,029</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		286,303	286,303	
Compensation for loss of capital assets	5,500	37,043	37,043	
Transfers in	571,980	587,200	587,200	
Transfers out	(1,017,323)	(1,037,026)	(1,037,026)	
Total Other Financing Sources and Uses	<u>(439,843)</u>	<u>(126,480)</u>	<u>(126,480)</u>	<u>0</u>
Net Change in Fund Balance	50,996	1,061,549	1,061,549	
Fund Balances - Beginning	<u>2,362,554</u>	<u>4,778,195</u>	<u>5,257,876</u>	<u>479,681</u>
Fund Balances - Ending	<u>\$ 2,413,550</u>	<u>5,839,744</u>	<u>6,319,425</u>	<u>479,681</u>

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

LAUDERDALE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 County Road Maintenance Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,846,930	1,893,113	1,893,113	
Road and bridge privilege taxes	850,000	936,823	936,823	
Licenses, commissions and other revenue	340	472	472	
Fines and forfeitures	200,000	104,245	104,245	
Intergovernmental revenues	788,500	798,136	798,136	
Miscellaneous revenues	1,500	103	103	
Total Revenues	<u>3,687,270</u>	<u>3,732,892</u>	<u>3,732,892</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,741,151	2,736,069	2,736,069	
Debt service:				
Principal	577,200	408,610	408,610	
Interest	58,572	24,523	24,523	
Total Expenditures	<u>3,376,923</u>	<u>3,169,202</u>	<u>3,169,202</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>310,347</u>	<u>563,690</u>	<u>563,690</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		737,268	737,268	
Compensation for loss of capital assets		6,692	6,692	
Transfers in	125,726	100,000	100,000	
Total Other Financing Sources and Uses	<u>125,726</u>	<u>843,960</u>	<u>843,960</u>	<u>0</u>
Net Change in Fund Balance	436,073	1,407,650	1,407,650	
Fund Balances - Beginning	<u>(366,509)</u>	<u>1,691,276</u>	<u>1,630,560</u>	<u>(60,716)</u>
Fund Balances - Ending	<u>\$ 69,564</u>	<u>3,098,926</u>	<u>3,038,210</u>	<u>(60,716)</u>

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

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2013
UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the County’s budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor and Tax Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County’s budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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

	Government Fund Types	
	General Fund	County Road Maintenance Fund
Budget (Cash Basis)	\$ 1,061,549	1,407,650
Increase (Decrease)		
Net adjustments for revenue accruals	(202,027)	1,515,594
Net adjustments for expenditure accruals	202,233	(1,570,818)
GAAP Basis	\$ 1,061,755	1,352,426

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

SUPPLEMENTAL INFORMATION

LAUDERDALE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development/ Passed-through Mississippi Development Authority			
Community development block grants/state's program and non-Entitlement grants in Hawaii*	14.228	R-103-038-03-KED	\$ 522,412
Community development block grants/state's program and non-Entitlement grants in Hawaii*	14.228	1127-10-038-PF-01	521,220
Subtotal			<u>1,043,632</u>
HOME investment partnership program (Note B)	14.239	1222-M10-SG-280-942	<u>54,578</u>
Total U.S. Department of Housing and Urban Development			<u>1,098,210</u>
U.S. Department of Justice/ Passed-through City of Meridian			
Edward bryne memorial justice assistance grant program	16.738	2011-H3507-MS-DJ	17,166
Edward bryne memorial justice assistance grant program	16.738	2012-H1646-MS-DJ	13,547
Passed-through Mississippi Department of Public Safety			
Edward bryne memorial justice assistance grant program	16.738	11NM2221	1,316
Edward bryne memorial justice assistance grant program	16.738	12NM2221	141,819
Subtotal			<u>173,848</u>
Criminal and juvenile justice and mental health collaboration program (Direct Award)	16.745	2011-MO-BX-0026	<u>111,538</u>
Total U.S. Department of Justice			<u>285,386</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through Mississippi Department of Transportation			
Highway planning and construction	20.205	BR NBIS 078 B (38)	<u>68,830</u>
Passed-through Mississippi Department of Public Safety			
State and community highway safety	20.600	13-OP-138-1	38,132
Alcohol open container requirements	20.607	13-TA-138-1	93,196
Subtotal			<u>131,328</u>
Passed-through Mississippi Emergency Management Agency			
Interagency hazardous materials public sector training and planning grants	20.703	N/A	<u>8,908</u>
Total U.S. Department of Transportation			<u>209,066</u>

LAUDERDALE COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security/ Passed-through Mississippi Emergency Management Agency			
Disaster grants - public assistance (Presidentially declared disasters)	97.036	FEMA-4081-DR-MS	6,104
Emergency management performance grants	97.042	12EMPL	49,901
Emergency management performance grants	97.042	13EMPL	57,031
Subtotal			<u>106,932</u>
Staffing for adequate fire and emergency response (Direct Award)	97.083	EMW-2010-FF-00615	<u>102,230</u>
Total U.S. Department of Homeland Security			<u>215,266</u>
Total Expenditures of Federal Awards			<u>\$ 1,807,928</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - HOME Investment Partnership program

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$47,166 to subrecipients during the year ended September 30, 2013.

* Denotes major federal award program

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

OTHER INFORMATION

LAUDERDALE COUNTY

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LAUDERDALE COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2013
UNAUDITED

Name	Position	Company	Bond
Hank Florey	Supervisor District 1	Travelers	\$100,000
Wayman Newell	Supervisor District 2	State Farm Fire and Casualty	\$100,000
Josh Todd	Supervisor District 3	FCCI	\$100,000
Joe Norwood	Supervisor District 4	Travelers	\$100,000
Kyle Rutledge	Supervisor District 5	Liberty Mutual	\$100,000
Joe McCraney	County Administrator	Western Surety Company	\$100,000
Carolyn Mooney	Chancery Clerk	EMC Insurance Company	\$100,000
Tracey Rue	Purchase Clerk	Western Surety Company	\$75,000
Evelyn Cole	Receiving Clerk	EMC Insurance Company	\$75,000
Kim Poe	Inventory Control Clerk	EMC Insurance Company	\$75,000
Harris Wilder	Road Manager	EMC Insurance Company	\$50,000
Ondey Harris	Constable	EMC Insurance Company	\$50,000
Mike Myers	Constable	EMC Insurance Company	\$50,000
Tommy Coker	Constable	Liberty Mutual	\$50,000
Lee Roberts	Constable	Liberty Mutual	\$50,000
Donna Jill Johnson	Circuit Clerk	EMC Insurance Company	\$100,000
Deborah Massey	Deputy Circuit Clerk	EMC Insurance Company	\$50,000
(5) Circuit Deputy Clerks	Deputy Circuit Clerk	EMC Insurance Company	\$100,000
William Sollie	Sheriff	EMC Insurance Company	\$100,000
(8) Deputies	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	EMC Insurance Company	\$50,000
Melvin Robinson	Justice Court Judge	EMC Insurance Company	\$50,000
Gerald Thompson	Justice Court Judge	EMC Insurance Company	\$50,000
Darrell Theall	Justice Court Judge	EMC Insurance Company	\$50,000
Richard Roberts	Justice Court Judge	Western Surety Company	\$50,000
Darlene Mayo	Justice Court Clerk	Western Surety Company	\$50,000
Nikita McFarland	Deputy Justice Court Clerk	Western Surety Company	\$50,000
(10) Deputy Justice Court Clerks	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Stanley Shannon	Tax Collector	EMC Insurance Company	\$100,000
(10) Deputy Tax Collectors	Deputy Tax Collector	EMC Insurance Company	\$50,000
James Rainey	Tax Assessor	RLI	\$100,000
(10) Deputy Tax Assessors	Deputy Tax Assessor	EMC Insurance Company	\$10,000

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

SPECIAL REPORTS

LAUDERDALE COUNTY

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

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

Members of the Board of Supervisors
Lauderdale County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Lauderdale County, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 16, 2015. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Metro Ambulance Enterprise Fund, the Lauderdale County Tourism Commission, and the Meridian-Lauderdale County Public Library, as described in our report on Lauderdale County, Mississippi's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by each auditor. The financial statements of the Lauderdale County Tourism Commission which were audited by other auditors upon whose report we are relying were audited in accordance with auditing standards generally accepted in the United States of America but not in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 2013-001, 2013-002, 2013-003 and 2013-004 that we consider to be significant deficiencies.

Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of Lauderdale County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated January 16, 2015, included within this document.

Lauderdale County's Responses to Findings

Lauderdale County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Lauderdale County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 16, 2015



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Supervisors
Lauderdale County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Lauderdale County, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2013. Lauderdale 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Lauderdale County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lauderdale County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Lauderdale County, Mississippi's compliance.

Basis for Qualified Opinion on Community Development Block Grants/State's Program

As described in the accompanying Schedule of Findings and Questioned Costs, Lauderdale County, Mississippi did not comply with requirements regarding the Community development block grants/state's program detailed in finding number 2013-005 for the compliance requirement, Matching, Level of Effort, and Earmarking. Compliance with such requirements is necessary, in our opinion, for Lauderdale County, Mississippi to comply with the requirements applicable to that program.

Qualified Opinion on Community Development Block Grants/State's Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Lauderdale County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Community development block grants/state's program for the year ended September 30, 2013.

Report on Internal Control Over Compliance

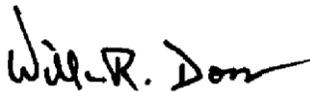
Management of Lauderdale County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lauderdale County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified 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 combination of deficiencies, in internal control over compliance, such that there is 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 2013-005 to be a material weakness.

Lauderdale County's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Lauderdale County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 OMB Circular A-133. 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.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 16, 2015



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

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

Members of the Board of Supervisors
Lauderdale County, Mississippi

We have examined Lauderdale County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. The Board of Supervisors of Lauderdale 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 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 Lauderdale 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.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Inventory Control Clerk.

1. **The Inventory Control Clerk should ensure all capital assets are recorded.**

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal controls over capital assets should include proper recording of additions and deletions in the fixed asset subsidiary records. During our audit we noted that several assets were sold at public auction that had never been recorded in the County's fixed asset records and other assets were sold at the same auction that had been deleted from the fixed asset records prior to the sale.

Also, the County failed to record the addition of a building with accrued costs of \$363,356 at September 30, 2013, in the County's construction in progress. Adjustments were proposed by the auditor and made by the county to correct these misstatements. Failure to record all fixed asset additions and deletions in the proper reporting period could result in the reporting of inaccurate amounts on the financial statements and increases the possibility of loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should properly record additions and deletions in the capital asset subsidiary records in the proper reporting period.

Inventory Control Clerk's Response

We have complied.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Lauderdale County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

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

Lauderdale County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating the central purchasing system and inventory control system of Lauderdale 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.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 16, 2015

LAUDERDALE COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2013

Schedule 1

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

LAUDERDALE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2013

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
08/19/2013	(2) Air Handler Units for Jail C-5 & C-7	\$ 68,000	The Service Co.	Units not working, needed immediate repair

LAUDERDALE COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2013

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
06/03/2013	DVM500 Plus Mirror Kit (Video Cameras for Patrol Cars)	\$ 13,975	Digital Ally

LAUDERDALE COUNTY

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

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lauderdale County, Mississippi

In planning and performing our audit of the financial statements of Lauderdale County, Mississippi for the year ended September 30, 2013, we considered Lauderdale 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 Lauderdale 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 January 16, 2015, on the financial statements of Lauderdale County, Mississippi.

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

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

Board of Supervisors.

1. Interfund transfers and loans should be approved in the board minutes.

Finding

Section 19-3-27, Miss. Code Ann. (1972), requires a complete and correct record be maintained of all proceedings of the Board of Supervisors. As reported in the prior year's audit report, interfund loans were made without board orders spread on the minutes. The failure to spread board orders on the minutes for interfund transfers and loans could result in erroneous amounts being reported and increases the possibility of the loss or misuse of public funds.

Recommendation

The Board of Supervisors should approve and record in the minutes the reason for the loan or transfer, when the loan will be repaid and the source of the funds for repayment.

Board of Supervisors' Response

The Board of Supervisors will approve and record in the minutes the reason for the loan or transfer, which the loan will be repaid and the source of the funds for repayment.

2. Board of Supervisors should approve auction companies along with a list of assets that are to be sold in the auction.

Finding

Section 17-25-25(4), Miss. Code Ann. (1972), States “the governing authority of a County or municipality may sell or dispose of any surplus personal or real property at a public auction that shall be conducted by an auctioneer or auction company that meets the standards established by the State Department of Audit and is hired by the governing authority of a County or municipality.” The Board of Supervisors should approve in the minutes of the Board of Supervisors all auction companies that the County hires for auction services. The County sold approximately 120 vehicles and equipment at public auction without approval of the auction company in the board minutes. Failure to approve the auction company prior to disposal of fixed assets could result in loss of revenue for the County if the board does not agree with the conditions of the auction and the commission rates the auction company charges.

Recommendation

The Board of Supervisors should approve, in the minutes of the Board of Supervisors, all auction companies prior to disposal of fixed assets along with a list of vehicles that are to be sold in the auction.

Board of Supervisors' Response

We will comply.

3. Lauderdale County should expire all individual's passwords on a periodic basis.

Finding

A review of Lauderdale County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best practices. All passwords should be set to expire in accordance with policy to be determined by Lauderdale County.

Recommendation

We recommend that a policy be implemented to ensure passwords are expired on a regular basis.

Board of Supervisors' Response

Lauderdale County agrees with the recommendation and will implement them as soon as possible.

Chancery Clerk.

4. Controls over cash receipts in the Chancery Clerk's Office should be strengthened.

Finding

An effective system of internal controls over the receipting of funds requires a system to ensure the amounts collected in cash, checks, and money orders per receipts and daily check-up sheets agree with the amounts recorded on the deposit slips. The amounts collected in the Chancery Clerk's office per receipts and daily check-up sheets do not agree with the amounts recorded on the deposit slips. The failure to implement proper controls could result in the loss or misappropriation of public funds.

Recommendation

We recommend the amounts collected in cash, checks, and money orders per receipts and daily check-up sheets agree with the amounts recorded on the deposit slips.

Chancery Clerk's Response

I will comply.

Circuit Clerk.

5. Circuit Clerk's Office should make timely deposits and settlements, and reconcile the bank statements to the cash journal.

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets and revenue. During our audit procedures we noted the following weaknesses:

- A. Criminal receipts were not being deposited and settled timely.
- B. Juvenile Center partial payments and restitution were not being settled timely.
- C. The cash journal for the Juvenile Center was not being adequately maintained and reconciled monthly.

These weaknesses are due to inadequate internal controls surrounding the collection, depositing, and recording of revenue collected in the Circuit Clerk's office. The failure to develop adequate internal controls in the Circuit Clerk's office regarding the collection, disbursing, and recording of funds could result in the misappropriation of public funds.

Recommendation

The Circuit Clerk should implement internal controls to ensure that daily deposits are being made, settlements are made on a timely basis, and the cash journals are adequately maintained and reconciled.

Circuit Clerk's Response

- A. County Court will make more frequent deposits from their criminal account even though the amounts are few and far between.
 - B. Chief Deputy Clerk will improve on payment being settled.
 - C. Chief Deputy Clerk will adequately maintain and reconcile the cash journal based on the audit department findings and suggestions from this day forward. Also, her work will be reviewed monthly.
6. Circuit Clerk paid disallowed expenses.

Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Circuit Clerk to \$90,000 after making deductions for employee salaries and related expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. 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 15th for the preceding calendar year. The Circuit Clerk claimed \$3,381 in expenses in 2013 which were not allowable business expenses. Failure to settle these additional excess fees could result in the loss of public funds.

Recommendation

We recommend the Circuit Clerk ensure all expenses are allowable per the IRS Schedule C expenses.

Circuit Clerk's Response

I will correct and resubmit the Annual Financial Report for 2013 not to include the \$3,381 applied incorrectly under Schedule C expenses. This was money missing from Circuit Court criminal account for felony fine payments.

7. Circuit Clerk should deposit money in an approved depository.

Finding

Section 27-105-303, Miss. Code Ann. (1972), requires that County funds be on deposit in an approved County depository. As reported in the prior year's audit report, the Circuit Clerk's funds were deposited in an unapproved depository for the 2013 fiscal year. Failure to have funds on deposit in an approved County depository could result in a loss of funds to the County.

Recommendation

The Circuit Clerk should deposit funds in an approved County depository, as required by law.

Circuit Clerk's Response

The Board of Supervisors approved all back in March 2014.

Justice Court Clerk.

8. Justice Court Clerk should implement proper internal controls by obtaining a separate cash drawer for each deputy clerk.

Finding

An effective system of internal controls over collection, recording, and disbursement of funds includes maintaining separate cash drawers for the clerk and each deputy clerk. During testing performed in the Justice Court Clerk's office, it was noted that more than one deputy clerk uses one cash drawer to receipt collections in the Justice Court Clerk's office. Inadequate controls surrounding the collections and disbursement of funds could result in the loss or misappropriation of public funds.

Recommendation

Justice Court Clerk should implement an effective system of internal controls by maintaining separate cash drawers for each deputy clerk.

Justice Court Clerk's Response

We do not have enough petty cash on hand for each clerk to have a separate cash drawer.

9. Justice Court Clerk should deposit money in an approved depository.

Finding

Section 27-105-303, Miss. Code Ann. (1972), requires that County funds be on deposit in an approved County depository. As reported in the prior year's audit report, the Justice Court Clerk's funds were deposited in an unapproved depository for the fiscal year 2013. Failure to have funds on deposit in an approved County depository could result in a loss of funds to the County.

Recommendation

Justice Court Clerk should deposit funds in an approved County depository, as required by law.

Justice Court Clerk's Response

I have made the Justice Court deposits into the Citizens National Bank for the past 26 years and was not aware that it was not an approved depository.

Tax Collector.

10. Tax Collector should deposit money in an approved depository.

Finding

Section 27-105-303, Miss. Code Ann. (1972), requires that County funds be on deposit in an approved County depository. As reported in the prior year's audit report, the Tax Collector's funds were deposited in an unapproved depository for fiscal year 2013. Failure to have funds on deposit in an approved County depository could result in a loss of funds to the County.

Recommendation

The Tax Collector should deposit funds in an approved County depository, as required by law.

Tax Collector's Response

In January, the Board of Supervisors accepts County depositories and will include banks of sub-offices.

11. A separate bank account should be maintained for garbage fee collections.

Finding

An effective system of internal control should include the separate accounting of garbage fee collections. A separate bank account should be used to account for all garbage fee collections, and a separate reconciliation should be prepared for the garbage account. As reported in the prior year's audit report, we noted that solid waste user fees were being combined into the tax collector bank account with all of the tax collections. Failure to separate the account of the garbage user fees could result in the loss of misappropriation of public funds.

Recommendation

The Tax Collector should establish and maintain a separate bank account and reconciliation monthly for the garbage user fees.

Tax Collector's Response

At this time, it is not economically feasible to establish and maintain a separate bank account for the garbage fee collections. In order to do so, we would have to hire an additional employee to collect and maintain all the garbage fee collections. We do not have the space or the funds to do so.

Sheriff.

12. Sheriff's Office should make timely deposits and settlements, and reconcile the bank statements to the cash journal.

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets and revenue. As reported in the prior year's audit report, we noted the following weaknesses:

- A. Bond and process receipts were not deposited timely.
- B. Report fees were not being deposited into a Sheriff's office bank account, and being settled monthly. Instead, currency was being delivered directly to the Chancery Clerk.
- C. Process fee and report settlements were not being made timely.

D. The cash journal for process and report fees was not being adequately maintained and reconciled monthly.

These weaknesses are due to inadequate internal controls surrounding the collection, depositing, and recording of revenue collected in the Sheriff's office. The failure to develop adequate internal controls in the Sheriff's office regarding the collection, disbursing, and recording of funds could result in the misappropriation of public funds.

Recommendation

The Sheriff should implement internal controls to ensure that daily deposits are being made, settlements are made on a timely basis, and bank statements are reconciled to the cash journal.

Sheriff's Response

- A. Since July 2013 bond proceeds have been deposited multiple times during the week.
- B. Since July 2013 all report fees are deposited into the Sheriff's Office checking account, then a check is issued to the Chancery Clerk on monthly basis.
- C. Process fees and report settlements will be in a more timely manner.
- D. Cash journals for process and report fees will be reconciled monthly.

Lauderdale 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.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 16, 2015

LAUDERDALE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness identified? | Yes |
| b. | Significant deficiency identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Qualified |
| 6. | Any audit finding disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | Yes |
| 7. | Identification of major programs: | |
| a. | CFDA 14.228, Community development block grants/state's program | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

Section 2: Financial Statement Findings

Inventory Control Clerk

Significant Deficiency

2013-001. The Inventory Control Clerk should ensure all capital assets are recorded.

Finding

An effective system of internal controls over capital assets should include proper recording of additions and deletions in the fixed asset subsidiary records. During our audit we noted that several assets were sold at public auction that had never been recorded in the County's fixed asset records and other assets were sold at the same auction that had been deleted from the fixed asset records prior to the sale. Also, the County failed to record the addition of a building with accrued costs of \$363,356 at September 30, 2013 in the County's construction in progress. Adjustments were proposed by the auditor and made by the County to correct these misstatements. Failure to record all fixed asset additions and deletions in the proper reporting period could result in the reporting of inaccurate amounts on the financial statements and increases the possibility of loss or misappropriation of public funds.

LAUDERDALE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Recommendation

The Inventory Control Clerk should properly record additions and deletions in the capital asset subsidiary records in the proper reporting period.

Inventory Clerk's Response

See Auditee's Corrective Action Plan.

Board of Supervisors.

Significant Deficiency

2013-002. Lauderdale County should establish and test a formal disaster recovery process.

Finding

During our review of the IS controls of Lauderdale County, we noted that the County has not established a disaster recovery process including a complete plan and documented test of this plan. As a result, Lauderdale County cannot fully ensure that the County's information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. Control Objectives for Information and Related Technology (CobiT Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the agency's ability to regain computer operation in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. An example is routinely verifying the veracity of back up medium as a part of the process of conducting a formal, documented test of the recoverability of critical systems in a timely manner. This should be done periodically (at least annually) as a part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

Lauderdale County is currently using an automated system to perform daily back-ups of the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that back-up files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building, servers, and staff. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that Lauderdale County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be updated when needed in order to maintain readiness for a disaster scenario.

LAUDERDALE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

Significant Deficiency

2013-003. Lauderdale County should implement a formal information security policy.

Finding

Lauderdale County has not adopted a formal Information Security Policy. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and Internet protocol.

Recommendation

While full compliance with all facets of a robust Information Security Policy may be an economic challenge for Lauderdale County, beginning steps to become compliant with such are necessary. We recommend that Lauderdale County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by County supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

Significant Deficiency

2013-004. Lack of oversight for payments to the Medical Examiner for death investigation reports.

Finding

Section 41-61-75(1)(a) Miss. Code Ann (1972) states a medical examiner shall receive One Hundred Twenty-five Dollars (\$125) for each completed report of investigation of death. An effective system of internal control over payments to the medical examiner for death investigations should include a documented review and approval of documents submitted for payment. Audit procedures noted the Board of Supervisors' did not approve the payments for death investigations in the official minutes. Failure to approve payments to the Medical Examiner for death investigation reports could result in the loss of public funds.

Recommendation

The Board of Supervisors should ensure that all payments to the Medical Examiner for death investigations be approved in the official minutes.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

Section 3: Federal Award Findings and Questioned Costs

2013-005. The County should establish controls to ensure the Matching, Level of Effort, and Earmarking compliance requirement is met.

LAUDERDALE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Finding

Program: Community development block grants/state's program, CFDA #14.228, Grant #R-103-038-03-KED, U.S. Department of Housing and Urban Development/Passed-through Mississippi Development Authority

Questioned Costs: \$105,000

Material Weakness
Material Non Compliance

Compliance Requirement: Matching

The 2013 OMB Circular A-133 Compliance Supplement and the Code of Federal Regulations, Title 24, Section 85.24(b)(7) specifies that cost and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of the grantees and sub-grantees or cost-type contractors. The County was unable to provide adequate documentation to support the in-kind contribution required by the terms of the award agreement. Failure to adequately document the County's in-kind contributions resulted in the reporting of questioned costs in the amount of \$105,000. As a result, the County could be required to make an actual dollar contribution to the federal government for the amount in question.

Recommendation

Management should establish controls to ensure that verifiable records are adequate and accurate and maintained to document all in-kind contributions required by federal award agreements.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

LAUDERDALE COUNTY

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

LAUDERDALE COUNTY

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BOARD OF SUPERVISORS

HANK FLOREY, DISTRICT 1
WAYMAN NEWELL, DISTRICT 2
JOSH TODD, DISTRICT 3
JOE NORWOOD, DISTRICT 4
KYLE RUTLEDGE, DISTRICT 5



410 Constitution Avenue, 11th Floor Meridian, MS 39301
Telephone: (601) 482-9746 Fax: (601) 482-9744
www.lauderdalecounty.org

January 12, 2015

CAROLYN MOONEY
Chancery Clerk

DAVID ENGEL
County Administrator

J. RICHARD "RICK" BARRY
Board Attorney

CORRECTIVE ACTION PLAN

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Gentlemen:

Lauderdale County respectfully submits the following corrective action plan for the year ended September 30, 2013.

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

13-1 Corrective Action Planned:
Additions and deletions of capital assets will be properly recorded in the appropriate reporting period.

Anticipated Completion Date: September 30, 2014

Name of Contact Person Responsible for Corrective Action: Kim Poe, Inventory Clerk

13-2 Corrective Action Planned:
A disaster recovery plan will be developed, implemented and tested. The plan will include procedures to be followed during an emergency.

Anticipated Completion Date: September 30, 2015

Name of Contact Person Responsible for Corrective Action:
Tim Chesney, Data Processing Department Head.

- 13-3 Corrective Action Planned:
Steps will be taken to begin the creation of a robust documented information security plan that is compliant with industry standards.

Anticipated Completion Date: September 30, 2015

Name of Contact Person Responsible for Corrective Action:
Tim Chesney, Data Processing Department Head

- 13-4 Corrective Action Planned:
Each completed death investigation report will be reviewed and approval of documents submitted for payment will be included in the official board minutes.

Anticipated Completion Date: January 31, 2015

Name of Contact Person Responsible for Corrective Action:
David Engel, County Administrator

SECTION 3: FEDERAL AWARD FINDINGS

- 13-5 Corrective Action Planned:
Controls will be established to ensure that adequate records are maintained for the documentation of in-kind contributions required by federal award agreements.

Anticipated Completion Date: December 31, 2014

Name of Contact Person Responsible for Corrective Action: David Engel, County Administrator

Sincerely yours,



Kyle Rutledge
President of the Board of Supervisors

BOARD OF SUPERVISORS

HANK FLOREY, DISTRICT 1
WAYMAN NEWELL, DISTRICT 2
JOSH TODD, DISTRICT 3
JOE NORWOOD, DISTRICT 4
KYLE RUTLEDGE, DISTRICT 5



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CAROLYN MOONEY
Chancery Clerk

JOE McCRANEY
County Administrator

J. RICHARD "RICK" BARRY
Board Attorney

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2013**

Office of the State Auditor
PO Box 956
Jackson, Mississippi 39205

Gentlemen:

The Lauderdale County Board of Supervisors respectfully submits the following summary schedule of prior audit findings relative to federal awards.

12-2. The County should establish controls to ensure the level of effort required within contract is met.

Program: CFDA #14.228, Community Development Block Grants/State's programs, Grant #R-103-038-04-KED, U.S. Department of Housing and Urban Development, passed through Mississippi Development Authority

Significant Deficiency

Compliance Requirement: Level of Effort

Finding

Lauderdale County Katrina Supplemental Community Block Grant sub-grant agreement, other special conditions, specifies the sub-grantee shall comply with the regulations on providing the availability of at least fifty-one percent (51%) of the jobs to persons of low and moderate income, as defined in the Code of Federal Regulations Title 24, Part 570. Furthermore, the sub-grantee, Handy Hardware Wholesale, Inc., committed to the creation of 175 new jobs within a three year period. However, during our audit we noted that the county's sub-grantee did not meet the level of effort compliance requirement regarding the hiring of 175 employees, 88 of which were to be dedicated to low income families.

It was also noted that Handy Hardware announced the close of its Meridian operations in November of 2012 and its subsequent filing of bankruptcy in January of 2013. Through the closure of this operation the County subsequently failed to meet the level of effort required within the contract and the national objectives of this grant.

The Lauderdale County Katrina Supplemental Community Development Block Grant Economic Development Quarterly Report, dated September 15, 2012, documented a cumulative number of permanent full time jobs created of 91, and 20 jobs had been dissolved.

As a result, the County could be held liable for the repayment of the \$3,600,000 in grant funds that were received, due to the failure to satisfy the agreements in the grant contract.

Recommendation

Management should establish controls to ensure the level of effort requirement is met and extend all legal efforts towards recouping funds expended for the benefit of Handy Hardware Wholesale, Inc. due to Handy's failure to fulfill its contractual obligation.

Current Status

The Department of Housing and Urban Development officials reviewed the case, took in consideration the low/moderate jobs created and the County discussions with other entities to move to the job site, and determined the County met an appropriate level of effort.

Sincerely,



Josh Todd
President, Lauderdale County Board of Supervisors
(601) 482-9746