



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

LOWNDES COUNTY, MISSISSIPPI
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2014



LOWNDES COUNTY, MISSISSIPPI

TABLE OF CONTENTS

FINANCIAL SECTION1
INDEPENDENT AUDITORS' REPORT2
MANAGEMENT'S DISCUSSION AND ANALYSIS5
FINANCIAL STATEMENTS14
 Statement of Net Position15
 Statement of Activities.....16
 Balance Sheet - Governmental Funds.....17
 Reconciliation of the Balance Sheet to the Statement of Net Position -
 Governmental Funds18
 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds19
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
 Balances of Governmental Funds to the Statement of Activities20
 Statement of Net Position - Proprietary Fund.....21
 Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary
 Fund22
 Statement of Cash Flows - Proprietary Fund.....23
 Statement of Fiduciary Assets and Liabilities24
 Notes to Financial Statements.....25
REQUIRED SUPPLEMENTARY INFORMATION56
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis).....57
 Notes to Required Supplementary Information61
SUPPLEMENTARY INFORMATION63
 Schedule of Expenditures of Federal Awards.....64
 Notes to Schedule of Expenditures of Federal Awards66
OTHER INFORMATION67
 Schedule of Surety Bonds for County Officials68
SPECIAL REPORTS.....69
 Independent Auditors' 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*70
 Independent Auditors' Report on Compliance With Requirements Applicable to
 each Major Program and Internal Control Over Compliance in Accordance
 With OMB Circular A-13372
 Independent Auditors' Report on Central Purchasing System, Inventory Control
 System and Purchase Clerk Schedules (Required By Section 31-7-115, Miss.
 Code Ann. (1972))75
SCHEDULE OF PURCHASES NOT MADE FROM THE LOWEST BIDDER77
SCHEDULE OF EMERGENCY PURCHASES78
SCHEDULE OF PURCHASES MADE NONCOMPETITIVELY FROM A SOLE SOURCE79
LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT
 REPORT.....80
SCHEDULE OF FINDINGS AND QUESTIONED COSTS83



FINANCIAL SECTION



T. E. LOTT & COMPANY, PA
CERTIFIED PUBLIC ACCOUNTANTS

QUALITY • INTEGRITY • SERVICE • PROFESSIONALISM • SINCE 1926

Alabama Society of Certified Public Accountants

Mississippi Society of Certified Public Accountants

Registered with Public Company Accounting Oversight Board

American Institute of Certified Public Accountants

Member of Center for Audit Quality

Member of Employee Benefit Plan Audit Quality Center

Member of Governmental Audit Quality Center

Private Companies Practice Section

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
 Lowndes County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lowndes County ("the County"), as of and for the year ended September 30, 2014, 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.

Auditors' Responsibility

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



T.E. Lott, CPA (1926-1971)
 T.E. Lott, Jr. CPA
 Charles M. Hawkins, CPA, CBA
 Jeffrey H. Read, CPA
 Thomas J. Buckley, CPA
 Vivian L. Yeatman, CPA
 Bobby G. Shaw, CPA, CBA
 Debby H. Gray, CPA, CPC
 Clayton H. Richardson, III, CPA, CVA
 J. Michael Prince, CPA, CSEP
 Mark A. Vickers, CPA, CVA
 Stewart R. Greene, CPA
 Leslie W. Wood, CPA
 Matthew S. Sasser, CPA
 J. Mark Ward, CPA
 Nellah F. Taylor, CPA
 J.H. Kennedy, Jr., CPA
 J. Richard Rollins, CPA
 Robert C. Crigler, CPA
 Lawrence E. Wilson, CPA
 Julie M. Melvin, CPA, CGMA
 W. Matthew Turner, CPA
 Katherine W. Little, CPA, CSEP
 Lacie B. Junkin, CPA
 Michael D. Watkins, CPA
 Joshua B. Shaw, CPA, CGMA
 Robert M. Whitaker, CPA
 Trent F. Yeatman, CPA
 Camille G. Anderson, CPA



COLUMBUS
 221 North Seventh St.
 P.O. Box 471
 Columbus, MS 39703-0471
 Tel: 662.328.5387
 Fax: 662.329.4993

STARKVILLE
 106 B South Washington St.
 P.O. Box 80282
 Starkville, MS 39759-0282
 Tel: 662.323.1234
 Fax: 662.323.1284

TUSCALOOSA
 6834 Hwy. 69 South
 Tuscaloosa, AL 35405
 Tel: 205.759.4195
 Fax: 205.759.1018

www.telott.com
info@telott.com

Board of Supervisors
Lowndes County, MS

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the County'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 County'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of September 30, 2014, 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 Management's Discussion and Analysis and Budgetary Comparison Schedule 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The 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 also not a required part of the basic financial statements.

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

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 June 12, 2015, on our consideration of the County'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 the County's internal control over financial reporting and compliance.

T.F. Lewis J. Canyon

Columbus, Mississippi
June 12, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

LOWNDES COUNTY, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

The following discussion and analysis by Lowndes County (the County) is designed to provide and assist the reader with (a) an overview of the County's financial activities for the year ended September 30, 2014, (b) any significant financial issues, (c) changes in the County's financial position, and to (d) identify any significant deviations from the County's financial plan (the original budget). This discussion and analysis by management is designed to focus on the fiscal year being audited. Readers also might wish to view the financial statements and the notes to these statements to gain a better understanding of the County's financial picture.

The management discussion and analysis is a requirement of the Governmental Accounting Standards Board which issues the standards for auditing county governments. This requirement for management to write a discussion and analysis is only a part of an overall change in accounting requirements from GASB Statement No. 34. The overall intent of the changes is to make government financial statements more like business financial statements, which show economic gain and loss.

Using the Annual Report

The primary focus of local government financial statements in the past has been on fund-type information. This is no longer the case. The new focus is the County as a whole (government-wide) and the major individual funds. The following discussion is intended to explain the County's basic financial statements which are comprised of 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a business-like overview of the County's financial activities.

The focus of the Statement of Net Position is designed to be similar to the bottom line for the County and its governmental and business-type activities. It presents financial information on all the County assets and liabilities with the difference being reported as net position. Over time, readers can use the increases and decreases in net position as a possible indicator of the financial health of the County. Is it improving, staying the same or deteriorating?

Component Units are other governmental units over which the County (the Board of Supervisors, as a group) can exercise influence and/or be obligated to provide financial assistance. These units are presented as a separate column in the government-wide statements and as individual activities in the Fund Financial Statements.

LOWNDES COUNTY, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

The Statement of Activities is focused on the gross and net cost of various activities. These include activities of government, business-type and component units which are provided by the government's general tax and other revenues. This statement is intended to summarize and simplify the readers' analysis of the cost of various government services.

Governmental activities of the County include general government (basic services), public safety (sheriff, emergency management and fire protection), public works (roads and bridges), health and welfare, culture and recreation, conservation of natural resources, economic development and interest on long-term debt. Included in basic services (general government) are costs for running the government, collecting taxes, appraising property and personal taxes, building inspection, supervisors, circuit clerk, chancery clerk and running the courts.

Fund Financial Statements. The focus is on Major Funds rather than fund types. A fund is used to group related accounts for financial purposes or legal compliance. The funds of the County are divided into governmental, proprietary and fiduciary funds.

Governmental funds account for basically the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide statements, governmental funds financial statements focus on current sources and uses. This is the manner in which the County's financial plan or budget is typically developed. Governmental funds include general, special revenue, debt service and capital project funds.

Financial information for governmental funds is presented in the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds. Both of these reports are reconciled to provide a comparison between governmental funds and governmental activities.

Proprietary Funds. These are business-type funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statement. Examples of enterprise funds are solid waste, electric departments and water and waste systems. Internal service funds account for various internal county functions such as self-insured health plans. Lowndes County does not use an enterprise fund. It uses an internal service fund for a self-insured health plan.

Fiduciary Funds. These funds are used to account for trust responsibilities of the government. These assets are usually restricted in purpose and do not represent discretionary assets, so they are not presented as part of the Government-Wide Financial Statements.

LOWNDES COUNTY, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

The County follows the Mississippi County Financial Accounting Manual to set up and maintain funds. The County adopts an annual operating budget for all governmental funds. *As required supplementary information*, this discussion and analysis includes a budgetary comparison statement for each major special revenue fund.

Government-Wide Financial Analysis

Statements of Net Position

The following statements reflect the condensed Statements of Net Position at September 30, 2014 and 2013:

Lowndes County
Statements of Net Position
Governmental Activities

	<u>2014</u>	<u>2013</u>
Non-Capital Assets	\$ 58,971,072	\$ 57,203,600
Capital Assets	<u>83,404,897</u>	<u>75,130,893</u>
Total Assets	<u>142,375,969</u>	<u>132,334,493</u>
Deferred Outflow of Resources	741,561	-
Current Liabilities	3,549,064	19,919,557
Long-Term Debt Outstanding	<u>53,937,734</u>	<u>44,143,791</u>
Total Liabilities	<u>57,486,798</u>	<u>64,063,348</u>
Deferred Inflow of Resources	14,116,390	-
Net Position		
Net Investment in Capital Assets	48,997,211	48,097,917
Restricted	32,221,148	1,819,262
Nonexpendable	885,000	1,414,053
Unrestricted	<u>(10,589,017)</u>	<u>16,939,913</u>
Total Net Position	<u>\$ 71,514,342</u>	<u>\$ 68,271,145</u>

LOWNDES COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

There are usually six basic normal financial transactions that will affect the Statement of Net Position.

Net Result of Activities - This will either increase/decrease current assets and unrestricted assets. During fiscal year ("FY") 2014, net position increased \$4 million (before prior period adjustment) from FY 2013.

Borrowing for Capital - This will increase current assets and long-term debt. During 2014, the County borrowed \$8.4 million for capital projects. Long-term debt increased by \$7.4 million, net of principal repayments.

Spending Borrowed Proceeds on New Capital - This will reduce current assets and increase capital assets. This also will increase the amount invested in capital assets and related net debt which will not change the net investment in capital assets. In 2014, the County spent approximately \$8.4 million of debt proceeds on capital projects.

Spending of Non-borrowed Current Assets on New Capital - This will reduce current assets, increase capital assets, reduce unrestricted assets, and increase net investment in capital assets. Lowndes spent \$2.4 million of non-borrowed cash on new capital assets during 2014.

Principal Payment on Debt - This will reduce current assets, reduce long-term debt, reduce unrestricted net position, and increase net investment in capital assets. The County reduced principal on debt \$20 million.

Reduction of Capital Assets through Depreciation - This will reduce capital assets and net investment in capital assets. This is a non-cash expense. The County recorded depreciation of \$2.5 million in FY 2014.

Changes in Net Position

Lowndes County's total revenues for the fiscal year ended September 30, 2014, were \$41.1 million, up \$7.5 million from the fiscal year ended September 30, 2013. The total cost for services provided by the County was \$37 million, as compared to \$33.6 million for the fiscal year ended September 30, 2013. The County had an increase in net position from current year operations of \$4 million.

LOWNDES COUNTY, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2014 and 2013.

Revenues:

	<u>2014</u>	<u>2013</u>
Program Revenues		
Charges for Services	\$ 6,673,022	\$ 5,324,047
Operating Grants	4,122,079	1,280,249
Capital Grants	264,911	627,282
General Revenues		
Property Taxes	16,871,715	14,638,900
In Lieu of Taxes	5,489,971	5,579,385
Road Bridge Privilege Taxes	705,599	718,391
Other Revenues	<u>6,989,277</u>	<u>5,492,026</u>
Total Revenues	<u>41,116,574</u>	<u>33,660,280</u>

Expenses:

General Government	2,332,445	4,496,076
Public Safety	11,210,865	10,299,691
Public Works	10,182,874	9,606,600
Economic Development	9,595,671	4,306,872
Interest on Debt	1,670,778	2,334,870
Other Expenses	<u>2,212,243</u>	<u>2,569,791</u>
Total Expenses	<u>37,204,876</u>	<u>33,613,900</u>
Change in Net Position	<u>3,911,698</u>	<u>46,380</u>
Net position, beginning, as previously stated	68,271,145	68,224,765
Prior period adjustment	<u>(668,501)</u>	<u>-</u>
Net position, beginning, as restated	<u>67,602,644</u>	<u>68,224,765</u>
Net position, ending	<u>\$ 71,514,342</u>	<u>\$ 68,271,145</u>

Governmental Activities:

The following table presents the cost of six of the major services provided by the County. These are General Government, Public Safety, Public Works, Health and Welfare, Culture and Recreation and Economic Development.

LOWNDES COUNTY, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

The table summarizes what some major services cost the taxpayers of Lowndes County during fiscal years 2014 and 2013:

2014

	<u>Total Costs</u>	<u>Revenues</u>	<u>Net Costs</u>
General Government	\$ 2,332,445	\$ 3,503,096	\$ (1,170,651)
Public Safety	11,210,865	2,837,342	8,373,523
Public Works	10,182,874	2,230,802	7,952,072
Health and Welfare	527,000	147,676	379,324
Culture and Recreation	1,185,085	-	1,185,085
Conservation of Natural Resources	27,325	-	27,325
Economic Development and Assistance	9,595,671	2,341,096	7,254,575
Education	129,762	-	129,762
Interest on Long-Term Debt	1,670,778	-	1,670,778
Debt Issuance Costs	343,071	-	343,071

2013

	<u>Total Costs</u>	<u>Revenues</u>	<u>Net Costs</u>
General Government	\$ 4,496,076	\$ 1,945,486	\$ 2,550,590
Public Safety	10,299,691	2,074,301	8,225,390
Public Works	9,606,600	2,445,458	7,161,142
Health and Welfare	576,580	329,656	246,924
Culture and Recreation	1,630,012	-	1,630,012
Conservation of Natural Resources	363,199	-	363,199
Economic Development and Assistance	4,306,872	436,677	3,870,195
Interest on Long-Term Debt	2,334,870	-	2,334,870

LOWNDES COUNTY, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

Financial Analysis of the County's Funds

Governmental Funds:

As of year-end, the governmental funds reported, as audited, a fund balance of \$41 million. This is an increase of approximately \$2 million from the prior year's fund balance of \$38.8 million.

The General Fund, the County's principal operating fund, had an ending fund balance of \$39 million, substantially the same as the prior year.

Capital Assets and Debt Administration

Capital Assets:

As of September 30, 2014, Lowndes County had a total of \$156 million invested in a variety of capital assets. The largest investments are in roads and bridges (infrastructure) with a total of \$87.6 million (56%). Roads and bridges and other infrastructure are included, as required by GASB 34, in the County's financial records. GASB 34 also requires depreciation, a non-cash expense, to now be recorded. Accumulated depreciation was \$72.9 million at September 30, 2014. The County's total capital assets, net of depreciation are \$83.4 million. Last year the County had \$75.1 million in net position. (See capital assets discussion on page 41.)

Debt:

At the end of the year (September 30, 2014), the County had \$53.4 million in outstanding long-term debt. This includes General Obligations Bonds, loans, capital lease purchases, compensated absences and bond premium and discount. This is \$6.8 million more than the prior year. Of the outstanding debt, \$2.5 million is due within one year. (See debt discussion beginning on page 48.)

The State of Mississippi limits the amount of debt counties can issue to 15% of total assessed value. During this year, Lowndes County is at 5.1%, well below its current limit.

Long-Term Debt As of September 30, 2014

	<u>Balance</u> <u>9/30/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/2014</u>
Governmental Activities:				
General Obligation Bonds	\$ 24,283,467	\$ 24,228,779	\$ 10,102,246	\$ 38,410,000
Other Loans	21,543,880	2,407,798	8,939,883	15,011,795
Total Debt Payable	\$ 45,827,347	\$ 26,636,577	\$ 19,042,129	\$ 53,421,795

LOWNDES COUNTY, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

Budget - Original vs. Final

The following is a review of the significant changes from the original budget to the final for the major governmental funds. The County's budget is a financial plan for the various departments and their management to follow during the year. This plan is made in the summer before the fiscal year starts in October. These estimates and projections change as the year progresses. Some changes to the budget are made by budget amendment and the remainder is amended at the end of the year to reflect actual revenues received and expenditures made.

Budget Analysis Summary

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Between Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Between Final Budget and Actual</u>
General Fund					
Revenues	\$ 23,128,534	\$23,808,058	\$ 679,524	\$ 23,808,058	\$ -
Expenditures	23,449,986	22,307,398	(1,142,588)	22,650,469	343,071
Countywide Roads Fund					
Revenues	5,280,691	5,678,267	397,576	5,678,267	-
Expenditures	5,606,832	5,755,762	148,930	5,755,762	-

General Fund revenues were consistent with budgeted expectations with revenues agreeing with the final budget. General Fund expenditures exceeded budgeted expenditures of \$22,650,469 due to the refunding of two bonds during the year. The County saw approximately \$680,000 additional tax revenue than originally budgeted and managed to keep expenditures under the original budget.

Financial Contact

The County's financial statements and schedules are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the County's finances and to demonstrate the County's accountability and fiduciary responsibilities for the funds it receives and the services it provides. If you have questions about the report or need additional financial information, contact the County's Chief Financial Officer, Davis W. Basinger, CPA, on the second floor of the Tax/Administration Building, 1121 Main Street, P.O. Box 1364, Columbus, Mississippi 39703.

FINANCIAL STATEMENTS

LOWNDES COUNTY, MISSISSIPPI

Exhibit 1

STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

	Primary	Component Units	
	Government	Lowndes County	Lowndes
	Governmental	Industrial	County Port
	Activities	Development	Authority
ASSETS			
Cash	\$ 10,934,530	\$ 3,467,826	\$ 1,271,090
Investments	30,754,227	-	-
Property tax receivable	14,116,390	-	-
Fines receivable, net	818,119	-	-
Loans receivable, net	795,000	-	-
Intergovernmental receivables	1,177,890	468,590	-
Other receivables	374,916	76,605	176,114
Capital assets:			
Land and construction in progress	18,794,025	17,648,939	1,013,844
Other capital assets, net	64,610,872	9,172,595	2,530,922
Total Assets	\$ 142,375,969	\$ 30,834,555	\$ 4,991,970
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	\$ 741,561	\$ -	\$ -
Total deferred outflows of resources	\$ 741,561	\$ -	\$ -
LIABILITIES			
Claims payable	\$ 1,445,563	\$ 511,420	\$ 164,616
Intergovernmental payables	560,143	-	-
Accrued interest payable	762,637	85,148	1,431
Amounts held in custody for others	545,316	-	-
Other payables	235,405	-	-
Long-term liabilities:			
Due within one year:			
Capital debt	1,698,456	400,168	38,548
Non-capital debt	1,235,000	-	-
Long-term liabilities:			
Due in more than one year:			
Capital debt	32,709,230	11,993,926	92,711
Non-capital debt	18,295,048	-	-
Total Liabilities	\$ 57,486,798	\$ 12,990,662	\$ 297,306
DEFERRED INFLOWS OF RESOURCES			
Property tax for future reporting periods	\$ 14,116,390	\$ -	\$ -
Total deferred inflows of resources	\$ 14,116,390	\$ -	\$ -
NET POSITION			
Net investment in capital assets	\$ 48,997,211	\$ 14,422,200	\$ 3,413,507
Restricted:			
Expendable:			
General government	30,083,035	-	-
Public safety	1,010,462	-	-
Public works	791,287	-	-
Culture and recreation	116,501	-	-
Economic development and assistance	219,863	-	-
Nonexpendable	885,000	-	-
Unrestricted	(10,589,017)	3,421,693	1,281,157
Total Net Position	\$ 71,514,342	\$ 17,843,893	\$ 4,694,664

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

LOWNDES COUNTY, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Program Revenues			Net Expense and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units
					Government	Lowndes County Industrial Development Authority
Governmental Activities:						
General government	\$ 2,332,445	\$ 3,246,991	\$ 256,105	\$ -	\$ -	\$ -
Public safety	11,210,865	1,460,140	1,377,202	-	-	-
Public works	10,182,874	1,965,891	-	264,911	-	-
Health and welfare	527,000	-	147,676	-	-	-
Culture and recreation	1,185,085	-	-	-	-	-
Conservation of natural resources	27,325	-	-	-	-	-
Economic development and assistance	9,595,671	-	2,341,096	-	-	-
Education	129,762	-	-	-	-	-
Interest on long-term debt	1,670,778	-	-	-	-	-
Debt issuance costs	343,071	-	-	-	-	-
Total Governmental Activities	37,204,876	6,673,022	4,122,079	264,911	(26,144,864)	-
Component Units:						
Lowndes County Industrial Development Authority	1,427,423	803,671	-	-	(623,752)	-
Lowndes County Port Authority	408,080	443,520	315,544	-	-	350,984
Total Component Units	1,835,503	1,247,191	315,544	-	(623,752)	350,984
General Revenues:						
Property taxes					16,871,715	-
Revenues in lieu of taxes					5,489,971	-
Road and bridge privilege taxes					705,599	-
Grants and contributions not restricted to specific programs					4,570,519	6,324,601
Unrestricted investment income					1,722,389	1,669
Gain on disposition of assets					115,966	-
Miscellaneous					580,403	572,700
Total General Revenues					30,056,562	7,854,942
Changes in Net Position					3,911,698	7,231,190
Net Position - Beginning, as previously reported					68,271,145	10,612,703
Prior period adjustment					(668,501)	-
Net Position - Beginning, as restated					67,602,644	10,612,703
Net Position - Ending					\$ 71,514,342	\$ 17,843,893

Exhibit 2

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

LOWNDES COUNTY, MISSISSIPPI

Exhibit 3

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

<i>ASSETS</i>	General Fund	Countywide Roads	2011 GO Bond	Other Governmental Funds	Total Governmental Funds
Cash	\$ 8,161,608	\$ 76,883	\$ -	\$ 2,450,094	\$ 10,688,585
Investments	30,754,227	-	-	-	30,754,227
Property tax receivable	10,479,390	1,999,300	-	1,637,700	14,116,390
Fines receivable	818,119	-	-	-	818,119
Loans receivable	-	-	-	795,000	795,000
Intergovernmental receivables	1,169,950	1,685	-	6,255	1,177,890
Other receivables	73,786	-	-	46,869	120,655
Advances to other funds	90,000	-	-	-	90,000
Due from other funds	461,908	80,786	-	20,217	562,911
Total Assets	\$ 52,008,988	\$ 2,158,654	\$ -	\$ 4,956,135	\$ 59,123,777
 <i>LIABILITIES</i>					
Liabilities:					
Claims payable	\$ 315,276	\$ 54,506	\$ -	\$ 729,613	\$ 1,099,395
Intergovernmental payables	560,143	-	-	-	560,143
Advances from other funds	-	-	-	90,000	90,000
Due to other funds	101,411	-	-	461,868	563,279
Other payables	780,721	-	-	-	780,721
Total Liabilities	1,757,551	54,506	-	1,281,481	3,093,538
 <i>DEFERRED INFLOWS OF RESOURCES</i>					
Unavailable revenue - property taxes	10,479,390	1,999,300	-	1,637,700	14,116,390
Unavailable revenue - fines	818,119	-	-	-	818,119
	11,297,509	1,999,300	-	1,637,700	14,934,509
Fund balances:					
Nonspendable:					
Advances	90,000	-	-	-	90,000
Economic development loans	-	-	-	795,000	795,000
Restricted:					
General government	30,000,000	-	-	83,035	30,083,035
Public safety	-	-	-	924,866	924,866
Public works	-	104,848	-	686,439	791,287
Culture and recreation	-	-	-	116,501	116,501
Assigned:					
Public safety	-	-	-	85,596	85,596
Economic development and assistance	-	-	-	219,863	219,863
Unassigned:	8,863,927	-	-	(874,346)	7,989,581
Total Fund Balances	38,953,927	104,848	-	2,036,954	41,095,729
Total Liabilities and Fund Balances	\$ 52,008,987	\$ 2,158,654	\$ -	\$ 4,956,135	\$ 59,123,776

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

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION -
GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2014

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 41,095,729
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 \$72,844,082	83,404,897
Other long-term assets, such as fines receivable, are not available to pay for current period expenditures and, therefore, are deferred in the funds	818,118
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(53,769,020)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds	(762,637)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds	(168,715)
Deferred amount on refunding	741,561
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position	<u>154,408</u>
Total Net Position - Governmental Activities	<u>\$ 71,514,341</u>

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

LOWNDES COUNTY, MISSISSIPPI

Exhibit 4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Countywide Roads	2011 GO Bond	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 12,450,427	\$ 2,410,506	\$ -	\$ 2,010,782	\$ 16,871,715
Revenues in lieu of taxes	3,462,171	1,927,300	-	100,500	5,489,971
Road and bridge privilege taxes	1,966	705,599	-	-	707,565
Licenses, commissions and other revenue	1,118,234	-	-	17,321	1,135,555
Fines and forfeitures	589,174	-	-	104,183	693,357
Intergovernmental revenues	5,003,494	581,418	-	3,201,319	8,786,231
Charges for services	519,082	-	-	2,674,312	3,193,394
Interest income	1,054,674	-	200	16,700	1,071,574
Dividend income	433,812	-	-	-	433,812
Net increase in the fair value of investments	217,004	-	-	-	217,004
Miscellaneous revenues	462,399	36,559	-	258,342	757,300
Total Revenues	25,312,437	5,661,382	200	8,383,459	39,357,478
EXPENDITURES					
Current:					
General government	6,539,960	-	-	-	6,539,960
Public safety	9,377,100	-	-	1,769,778	11,146,878
Public works	266,809	5,518,368	-	4,393,702	10,178,879
Health and welfare	355,849	-	-	171,151	527,000
Culture and recreation	1,106,927	-	-	123,879	1,230,806
Conservation of natural resources	26,212	-	-	-	26,212
Economic development and assistance	603,109	-	6,015,051	5,385,310	12,003,470
Education	84,041	-	-	129,762	213,803
Debt service:					
Principal	2,181,665	124,145	-	55,000	2,360,810
Interest	1,536,216	4,017	-	32,450	1,572,683
Bond issue costs	343,071	-	-	1,500	344,571
Total Expenditures	22,420,959	5,646,530	6,015,051	12,062,532	46,145,072
Expenditures (over) under Revenues	2,891,478	14,852	(6,014,851)	(3,679,073)	(6,787,594)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	-	-	6,013,779	2,407,798	8,421,577
Proceeds from refunding bonds	18,187,871	-	-	-	18,187,871
Payment to refunded bond escrow agent	(17,690,039)	-	-	-	(17,690,039)
Proceeds from sale of capital asset	19,990	154,380	-	-	174,370
Transfers in	78	-	-	219,478	219,556
Transfers out	(219,478)	-	(78)	-	(219,556)
Total Other Financing Sources and Uses	298,422	154,380	6,013,701	2,627,276	9,093,779
Net change in fund balances	3,189,900	169,232	(1,150)	(1,051,797)	2,306,185
Fund Balances - Beginning	35,764,027	(64,384)	1,150	3,088,751	38,789,544
Fund Balances - Ending	\$ 38,953,927	\$ 104,848	\$ -	\$ 2,036,954	\$ 41,095,729

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

**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, 2014

Net Changes in Fund Balances - Governmental Funds	\$ 2,306,185
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 \$10,884,963 exceeded depreciation of \$2,552,555 in the current period.	8,332,408
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 \$58,404 in the current period.	(58,404)
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.	128,307
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 proceeds of \$26,609,448 exceeded repayments of \$20,050,849.	(6,558,599)
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	(30,633)
The amount of increase in accrued interest payable	(103,677)
The accretion of bond discounts and premiums	7,080
An internal service fund is used by management to charge the cost of insurance to individual funds. The net revenue is reported within governmental activities.	<u>(110,970)</u>
Change in Net Position of Governmental Activities	<u>\$ 3,911,697</u>

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

LOWNDES COUNTY, MISSISSIPPI

Exhibit 5

STATEMENT OF NET POSITION - PROPRIETARY FUND

SEPTEMBER 30, 2014

	Governmental Activities
	<u>Internal Service Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 245,945
Reimbursement receivable	<u>254,261</u>
Total Assets	<u>500,206</u>
LIABILITIES	
Current liabilities:	
Claims payable	<u>345,798</u>
Total Liabilities	<u>345,798</u>
NET POSITION	
Unrestricted	<u>154,408</u>
Total Net Position	<u>\$ 154,408</u>

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION -
PROPRIETARY FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Governmental Activities <u>Internal Service Fund</u>
OPERATING REVENUES	
Premium income	<u>\$ 1,514,824</u>
Total Operating Revenues	<u>1,514,824</u>
OPERATING EXPENSES	
Claims payments	1,505,215
Administrative	<u>120,579</u>
Total Operating Expenses	<u>1,625,794</u>
Operating Income	<u>(110,970)</u>
Change in Net Position	(110,970)
Net Position - Beginning	<u>265,378</u>
Net Position - Ending	<u>\$ 154,408</u>

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

LOWNDES COUNTY, MISSISSIPPI

Exhibit 7

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Governmental Activities
	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for premiums	\$ 1,514,824
Payments for claims	(1,415,073)
Payments to administrator for services	<u>(120,579)</u>
Net Cash Provided by Operating Activities	<u>(20,828)</u>
Net Increase in Cash and Cash Equivalents	(20,828)
Cash and Cash Equivalents at Beginning of Year	<u>266,773</u>
Cash and Cash Equivalents at End of Year	<u>\$ 245,945</u>

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

LOWNDES COUNTY, MISSISSIPPI

Exhibit 8

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

SEPTEMBER 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 101,015
Intergovernmental receivables	<u>50,507</u>
Total Assets	<u>\$ 151,522</u>
LIABILITIES	
Amounts held in custody for others	\$ 38,186
Intergovernmental payables	<u>113,336</u>
Total Liabilities	<u>\$ 151,522</u>

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

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Reporting Entity

Lowndes County ("the County") is a political subdivision of the State of Mississippi. The County is governed by the elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require the County to present these financial statements on the primary government and its component units that 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
- Purchasing Clerk
- Tax Assessor-Collector
- Sheriff

(b) Individual Component Unit Disclosure – 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 separate columns to emphasize that they are legally separate from the County. A majority of the members of the governing bodies of these component units are appointed by the County's Board of Supervisors.

- Lowndes County Port Authority
- Lowndes County Industrial Development Authority

LOWNDES COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 and fund financial statements, 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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues. 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 of the County and its component units 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 its component units. 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, 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. Internal service charges have been eliminated against the expenses and program revenue. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be a separate accounting entity. 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 are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column.

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Measurement Focus and Basis of Accounting

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

The County's proprietary funds apply all applicable Governmental Accounting Standards Board ("GASB") pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of proprietary funds are classified as operating or non-operating. 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 non-operating.

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 sixty 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 liability is 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.

LOWNDES COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Measurement Focus and Basis of Accounting (Continued)

The County reports the following major governmental funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

Countywide Roads Fund - This fund is used to account for revenues from specific revenue sources that are restricted for construction and maintenance of County roads.

2011 GO Bond Fund - This fund is used to account for the proceeds and expenditures of the general obligation bond issued for the economic development.

The County reports the following major proprietary fund:

Self-Insurance Fund - This fund is used to account for premiums and claims related to employees' medical benefits. In 2014, this included premiums and claims for primary health coverage, as well as a bridge plan.

Additionally, the County reports the following fund types:

Governmental Fund Type

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. Its revenues are primarily derived from property and other local taxes, charges for services and interest income. Its expenditures primarily relate to the operation and maintenance of the County.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

LOWNDES COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Measurement Focus and Basis of Accounting (Continued)

Proprietary Fund Type

Internal Service Funds - These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

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 2005 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, and 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. Any governmental securities the County invests in will be included in those investments referenced in Note (2).

LOWNDES COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

(h) Receivables

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

(i) Inter-fund 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 fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources. Inter-fund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

(j) Restricted Assets

Certain proceeds of the County's capital projects fund general obligation bonds are restricted for capital project expenditures and repayment of the bonds during the construction period. Certain assets in other funds are restricted by state law for specified uses.

LOWNDES COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. 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.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all depreciable assets. 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>Description</u>	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ -	N/A
Infrastructure	-	20 - 50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5 - 10 years
Furniture and equipment	5,000	3 - 7 years
Leased property under capital leases	*	*

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

LOWNDES COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Deferred Outflows/Inflows of Resources

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

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

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

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

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

(m) Long-Term Liabilities

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of non-current 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.

LOWNDES COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Long-Term Liabilities (Continued)

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the term of the related debt using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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 issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(n) Equity Classifications

Government-wide Financial Statements:

Equity is classified as net position for the primary government and its discretely presented component units and is displayed in the following 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 improvements 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 or regulation 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."

LOWNDES COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Equity Classifications (Continued)

Net position flow assumption

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

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Government fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County.

Non-spendable 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.

LOWNDES COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(a) **Equity Classifications** (Continued)

Fund Financial Statements (Continued):

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 non-spendable and is neither restricted nor committed.

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.

LOWNDES COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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 that 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.

(p) 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.

LOWNDES COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Compensated Absences

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

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. The provisions of these standards have been incorporated into the financial statements and notes.

(r) Prior Period Adjustment

A summary of significant fund equity adjustment is as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
Restatement due to change in accounting standards related to expensing debt issuance cost previously reported as an asset (GASB 65)	\$ (668,501)
Total prior period adjustment	\$ (668,501)

(2) DEPOSITS AND INVESTMENTS

The carrying amount of the County's total deposits, not including component units, with financial institutions at September 30, 2014, was \$9,951,340, and the bank balance was \$11,771,268. 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.

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(2) DEPOSITS AND INVESTMENTS (Continued)

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.

In April 2013, Senate Bill 2702 was passed by the Mississippi Legislature authorizing the Board of Supervisors to establish a reserve and trust fund. House Bill 1508 was subsequently passed in 2014, which governs the nature and use of such investments. The proceeds received by the County as a result of the sale of hospital facilities owned by the County were allowed to be deposited into the fund to provide for the establishment of the reserve and trust fund. The proceeds were to provide for the investment of the assets of the trust fund and that the fund will be divided into a corpus component and an earning component. The corpus component is to remain inviolate except as otherwise provided in the bill. The earnings component is allowed to be transferred from the trust fund to the general fund of the County and shall be available for appropriation and spending by the Board of Supervisors of the County. The money from the corpus of the trust can be expended by the County only under certain circumstances as defined by the bill. The investment balances at September 30, 2014, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>
Cash and equivalents	\$ 536,976	2%
Fixed income	17,407,143	57%
Equities	12,810,108	41%
		<u>100%</u>

For the year ended September 30, 2014, the change in the investments of the County is as follows:

Investment income:	
Interest	\$ 103,410
Dividends	433,812
Net increase in the fair value of investments	<u>217,005</u>
	<u>\$ 754,227</u>

Interest Rate Risk. The County has approved an investment policy that is in accordance with that allowed by state law. Section 19-9-29, Miss. Code Ann. (1972) and House Bill 1508 define restrictions, if any, that exist with the County's current investments.

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(2) DEPOSITS AND INVESTMENTS (Continued)

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972), except as allowed by the previously-mentioned legislation. The County does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. Of the County's investment, \$ -0- of underlying securities were held by the investment counterparty on behalf of the County, not in the name of the County.

(3) INTER-FUND TRANSACTIONS AND BALANCES

A summary of inter-fund balances at September 30, 2014, follows:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 461,908
Other governmental funds	General fund	20,217
Countywide roads fund	General fund	<u>80,786</u>
		<u>\$ 562,911</u>

The receivables represent the tax revenue collected in September 2014, but not settled until October 2014. All inter-fund balances are expected to be repaid within one year from the date of the financial statements.

Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 90,000

The receivable represents loans to the fire department funds to purchase fire trucks and fire stations.

LOWNDES COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(3) INTER-FUND TRANSACTIONS AND BALANCES (Continued)

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	2011 GO Bond	\$ 78
Other governmental	General	<u>219,478</u>
Total		<u>\$ 219,556</u>

The principal purpose of interfund transfers was to provide funds for grant matching contributions or to pay for capital and operating needs. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at September 30, 2014, consisted of the following:

<u>Description</u>	<u>Amount</u>
Primary Government:	
Federal reimbursement	\$ 639,307
State legislative tax credit	327,655
Other state receivables	183,957
Receivables from local governments	<u>26,971</u>
Total intergovernmental receivables	<u>\$1,177,890</u>
Fiduciary Fund:	
Other state receivables	<u>\$ 50,509</u>

(5) LOANS RECEIVABLE

Loans receivable at September 30, 2014, consisted of the following:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Balance Receivable</u>
Golden Triangle Regional Airport Auth.	06-11-04	3.9 - 5.1	11-01-15	\$ 615,000
Mississippi Steel Processing	06-15-11	0.0	10-01-26	<u>180,000</u>
Total loans receivable				<u>\$ 795,000</u>

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(6) CAPITAL ASSETS

A summary of governmental activities capital assets activity for the year ended September 30, 2014, follows:

	<u>Balance</u> <u>10-01-2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers *</u>	<u>Balance</u> <u>9-30-2014</u>
Nondepreciable capital assets:					
Land	\$ 8,746,123	\$ 6,295,377	\$ -	\$ -	\$ 15,041,500
Construction in progress	<u>140,214</u>	<u>3,612,311</u>	<u>-</u>	<u>-</u>	<u>3,752,525</u>
Total nondepreciable capital assets	8,886,337	9,907,688	-	-	18,794,025
Depreciable capital assets:					
Infrastructure	87,535,811	-	-	-	87,535,811
Buildings	28,965,025	-	-	-	28,965,025
Improvements other than buildings	4,411,965	-	-	-	4,411,965
Mobile equipment	12,727,500	724,579	(575,163)	-	12,876,916
Other equipment	2,922,869	252,696	(29,250)	-	3,146,315
Leased property under capital leases	<u>518,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>518,922</u>
Total depreciable capital assets	<u>137,082,092</u>	<u>977,275</u>	<u>(604,413)</u>	<u>-</u>	<u>137,454,954</u>
Less accumulated depreciation for:					
Infrastructure	50,509,486	891,895	-	-	51,401,381
Buildings	8,853,278	514,721	-	-	9,367,999
Improvements other than buildings	176,481	176,481	-	-	352,962
Mobile equipment	8,899,245	727,800	(517,637)	-	9,109,408
Other equipment	2,305,634	194,952	(28,372)	-	2,472,214
Leased property under capital leases	<u>93,412</u>	<u>46,706</u>	<u>-</u>	<u>-</u>	<u>140,118</u>
Total accumulated depreciation	<u>70,837,536</u>	<u>2,552,555</u>	<u>(546,009)</u>	<u>-</u>	<u>72,844,082</u>
Total depreciable capital assets, net	<u>66,244,556</u>	<u>(1,575,280)</u>	<u>(58,404)</u>	<u>-</u>	<u>64,610,872</u>
Net capital assets - governmental activities	<u>\$ 75,130,893</u>	<u>\$ 8,332,408</u>	<u>\$ (58,404)</u>	<u>\$ -</u>	<u>\$ 83,404,897</u>

* Transfers represent construction-in-progress costs placed in service due to project completion during the year ended September 30, 2014.

LOWNDES COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(6) CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

<u>Description</u>	<u>Amount</u>
Governmental activities:	
General government	\$ 477,378
Public safety	688,395
Public works	1,385,669
Construction and natural resources	<u>1,113</u>
Total governmental activities depreciation expense	<u>\$2,552,555</u>

A summary of Lowndes County Port Authority's capital assets activity for the year ended September 30, 2014, follows:

	<u>Balance</u> <u>10-01-13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed</u> <u>Construction</u>	<u>Balance</u> <u>9-30-14</u>
<i>Non-depreciable capital assets:</i>					
Land	\$ 1,013,844	\$ -	\$ -	\$ -	\$ 1,013,844
<i>Depreciable capital assets:</i>					
Port facilities	7,564,648	9,333	-	-	7,573,981
Improvements other than buildings	1,884,584	291,382	-	-	2,175,966
Port equipment	<u>1,309,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,309,646</u>
Total depreciable capital assets	10,758,878	300,715	-	-	11,059,593
<i>Less accumulated depreciation for:</i>					
Port facilities	6,677,673	66,081	-	-	6,743,754
Improvements other than buildings	938,637	66,847	-	-	1,005,484
Port equipment	<u>657,691</u>	<u>121,742</u>	<u>-</u>	<u>-</u>	<u>779,433</u>
Total accumulated depreciation	<u>8,274,001</u>	<u>254,670</u>	<u>-</u>	<u>-</u>	<u>8,528,671</u>
Total depreciable capital assets, net	<u>2,484,877</u>	<u>46,045</u>	<u>-</u>	<u>-</u>	<u>2,530,922</u>
Governmental activities capital assets, net	<u>\$3,498,721</u>	<u>\$ 46,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,544,766</u>

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(6) CAPITAL ASSETS (Continued)

The following is a summary of Lowndes County Industrial Development Authority's capital assets activity for the year ended September 30, 2014:

	Balance October 1, <u>2013</u>	Additions	Completed Construction	Balance September 30, <u>2014</u>
<i>Non-depreciable capital assets:</i>				
Land	\$ 1,159,226	\$ 319,218	\$ -	\$ 1,478,444
Construction in progress	<u>9,391,064</u>	<u>6,779,431</u>	<u>-</u>	<u>16,170,495</u>
Total non-depreciable capital assets	10,550,290	7,098,649	-	17,648,939
<i>Depreciable capital assets:</i>				
Buildings and improvements	166,807	-	-	166,807
Water and sewer utility	12,291,320	-	90,060	12,381,380
Access road system to GTIP	1,094,849	-	-	1,094,849
Equipment	<u>9,393</u>	<u>-</u>	<u>-</u>	<u>9,393</u>
Total depreciable capital assets	13,562,369	-	90,060	13,652,429
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	45,620	3,336	-	48,956
Water and sewer utility	3,327,212	381,579	-	3,708,791
Access road system to GTIP	685,292	29,190	-	714,482
Equipment	<u>6,263</u>	<u>1,342</u>	<u>-</u>	<u>7,605</u>
Total accumulated depreciation	<u>4,064,387</u>	<u>415,447</u>	<u>-</u>	<u>4,479,834</u>
Total depreciable capital assets, net	<u>9,497,982</u>	<u>(415,447)</u>	<u>90,060</u>	<u>9,172,595</u>
Governmental activities capital assets, net	<u>\$ 20,048,272</u>	<u>\$ 6,683,202</u>	<u>\$ 90,060</u>	<u>\$ 26,821,534</u>

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(7) CLAIMS AND JUDGMENTS

The County is exposed to risk of loss relating to employee health coverage. Beginning in January 2014, and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the County established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss.

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. The County pays the premium on a single coverage policy for its employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The county has minimum uninsured risk retention for the County, to the extent that actual claims submitted exceed the predetermined premium. The County has implemented the following plans to minimize this potential loss:

The County has purchased coinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$100,000, and the aggregate policy covers all submitted claims in excess of \$1,586,961.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2014, the amount of these liabilities was \$545,798. An analysis of claims activities is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2014	\$ -	\$ 1,276,257	\$ 932,354	\$ 343,903

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(7) CLAIMS AND JUDGMENTS (Continued)

The primary health insurance plan provided by the County requires each employee to meet a \$2,500 annual deductible. In addition to the primary plan, the County offers a bridge policy for additional health insurance coverage to its employees. This policy covers the \$2,500 deductible, plus the 20% coinsurance required by the primary health insurance plan, up to an annual \$4,000 maximum. The County Board of Supervisors has extended this coverage to the employees of the following public entities:

- Lowndes County Port Authority
- Lowndes County District Attorney's Office
- Lowndes County Soil and Conservation District

Beginning in 2009, in lieu of providing the coverage through a third party, the County elected to self-insure the bridge policy. Pursuant to Section 25-15-101, Miss. Code Ann. (1972), the County established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss up to the \$4,000 annual maximum.

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. If the employee chooses to participate in the bridge plan, the County pays a portion of the premium with the employee paying the balance through a payroll deduction. Employees desiring spouse and/or dependent coverage pay the additional premium through a payroll deduction. The County has an uninsured risk to the extent that actual claims submitted exceed the predetermined premium.

Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. At September 30, 2014, the amount of those liabilities was \$1,895. The risk management fund had an accumulated balance of \$180,110 at September 30, 2014. On January 1, 2015, the County discontinued the bridge plan and replaced with a lower deductible (\$100) option for its employees.

LOWNDES COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(7) CLAIMS AND JUDGMENTS (Continued)

	Claim Liability				Cash Balance End of Year
	Beginning of Year	Claims and Changes in Estimates	Claims Paid	End of Year	
2012 - 2013	\$ 18,802	\$ 138,954	\$156,631	\$ 1,395	\$ 266,773
2013 - 2014	1,395	144,793	144,293	1,895	180,110

(8) CAPITAL LEASES

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2014.

Mobile equipment	\$ 518,922
Less accumulated depreciation	<u>140,118</u>
Leased property under capital leases	<u>\$ 378,804</u>

The following is a schedule by years of the total payments due as of September 30, 2014:

Year Ending September 30	Principal	Interest
2015	\$ 126,181	\$ 1,982
2016	<u>42,532</u>	<u>188</u>
Total	<u>\$ 168,713</u>	<u>\$ 2,170</u>

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(9) OTHER POST-EMPLOYMENT BENEFITS

The County's Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the County's Board of Supervisors. As discussed in Note 7, the County self-insures a portion of this risk and purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan ("the Plan"). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a post-employment healthcare benefit reportable under GASB Statement No. 45 as a single employer defined benefit health care plan. GASB Statement No. 45 requires reporting on an accrual basis the liability associated with other post-employment benefits. However, the County has determined that the effect of recording any liability for other post-employment benefits would not be material to the financial statements due to the limited number of retiree participants and has not recorded a liability for other post-employment benefits.

Employees' premiums are funded by the County with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-you-go basis. The Board of Supervisors, acting in conjunction with the commercial insurance company, has the sole authority for setting health insurance premiums for the County's health insurance plan.

Per Section 25-15-103, Mississippi Code Ann. (1972), any retired employee electing to purchase retiree health insurance must pay the full cost of the insurance premium monthly to the County. For the year ended September 30, 2014, retiree premiums were \$433 per month.

LOWNDES COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(10) LONG-TERM DEBT

Debt outstanding as of September 30, 2014, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates (%)</u>	<u>Final Maturity Date</u>
Governmental Activities:			
(a) <u>General Obligation Debt:</u>			
2011 capital projects	\$ 7,350,000	2.00 - 5.13	12/2028
Airport bonds	615,000	3.88 - 5.13	11/2015
2011 USDA	13,000,000	3.75	12/2041
FNB Clarksdale Series 2013 refunding	8,280,000	2.75 - 4.00	7/2025
FNB Clarksdale Series 2014 refunding	<u>9,165,000</u>	2.50 - 2.75	7/2027
Total general obligation bonds	<u>\$ 38,410,000</u>		
(b) Other Loans:			
Capital lease	\$ 168,713	2.36	8/2016
MDA Capital Improvement Loan	5,346,608	3.00	7/2028
Economic development (Baldor)	161,474	3.50	1/2016
MS Dev. Bank - Industrial Development	9,155,000	4.00 - 5.00	7/2027
MDA Rail loan	<u>180,000</u>	3.50	9/2026
Total other loans	<u>\$ 15,011,795</u>		

The County will use certain future legally available revenues to repay \$21,290,000 in economic development debt issued in 2007. Proceeds from the debt provided funding for economic development grants. The debt is not a general obligation of the County and, therefore, is not secured by the full faith and credit of the County. The County anticipates that this debt will be repaid from future revenues in lieu of taxes to be generated by the economic development project. The total interest and principal remaining to be paid on the debt is \$25,225,100. Principal and interest paid for the current year was \$1,801,250.

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(10) LONG-TERM DEBT (Continued)

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

Governmental Activities:

<u>Year Ending September 30,</u>	<u>General Obligation Debt</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,570,400	\$ 1,296,466	\$ 1,363,056	\$ 252,315
2016	2,025,540	1,290,730	1,361,290	228,709
2017	1,536,060	1,227,222	1,282,917	894,562
2018	1,581,975	1,175,351	1,339,393	835,336
2019	1,638,299	1,120,671	1,461,066	733,413
2020 - 2024	11,856,789	4,641,497	5,127,748	2,119,147
2025 - 2029	10,515,826	2,271,691	1,437,789	356,356
2030 - 2034	2,531,412	1,258,088	1,638,536	125,985
2035 - 2039	3,043,010	746,490	-	-
2040 - 2044	2,110,689	163,011	-	-
Total	\$ 38,410,000	\$ 15,191,217	\$ 15,011,795	\$ 5,545,823

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, 2014, the amount of outstanding debt was equal to 5.6% of the latest property assessments.

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(10) LONG-TERM DEBT (Continued)

A summary of changes in long-term liabilities and obligations for the year ended September 30, 2014, follows:

	<u>Balance</u> <u>10/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance</u> <u>9/30/2014</u>	<u>Due Within</u> <u>One Year</u>
Governmental						
Activities:						
Compensated absences	\$ 566,983	\$ 30,633	\$ -	\$ -	\$ 597,616	\$ -
General obligation debt	24,283,467	24,228,779	(10,102,246)	-	38,410,000	1,570,400
Other loans	21,251,022	2,407,798	(8,815,738)	-	14,843,082	1,236,875
Capital leases	292,858	-	(124,145)	-	168,713	126,181
Bond premium	292,208	107,617	(298,934)	-	100,891	-
Bond discount	<u>(54,372)</u>	<u>(134,746)</u>	<u>6,550</u>	<u>-</u>	<u>(182,568)</u>	<u>-</u>
Total	<u>\$46,632,166</u>	<u>\$26,640,081</u>	<u>\$ (19,334,513)</u>	<u>\$ -</u>	<u>\$ 53,937,734</u>	<u>\$ 2,933,456</u>

Compensated absences will be paid from the General and Countywide Road funds.

Current Refunding - On December 12, 2013, the County issued \$9,050,000 in general obligation refunding bonds with an interest rate of 2.75% - 4.00% to refund \$8,892,246 of the following outstanding bond issue:

<u>Issue</u>	<u>Average</u> <u>Interest</u> <u>Rate</u>	<u>Outstanding</u> <u>Amount</u> <u>Refunded</u>
USDA 2005 Series General Obligation Bond	4.125%	\$ 8,892,246

The County refunded the above bonds to reduce its total debt service payments over the next 12 years by almost \$327,991 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$243,147.

Advance Refunding - On September 30, 2014, the County issued \$9,165,000 in general obligation refunding bonds with an interest rate of 2.525% to advance refund \$7,800,000 of the following outstanding bond issue.

<u>Issue</u>	<u>Average</u> <u>Interest</u> <u>Rate</u>	<u>Outstanding</u> <u>Amount</u> <u>Refunded</u>
Mississippi Development Bank Series 2007 Industrial Development Bonds	3.000%	\$ 7,800,000

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(10) LONG-TERM DEBT (Continued)

The Mississippi Development Bank Series 2007 Bond issue had an outstanding balance of \$16,955,000 at the time of refunding, but only \$7,800,000 of the bond was refunded, leaving a remaining principal balance of \$9,155,000, of which \$9,155,000 was redeemed during fiscal year 2015.

The net proceeds of \$8,797,793 (after payment of \$367,207 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 13 years by \$517,417 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$434,972.

(11) DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS

The following funds reported accrual basis deficits in fund balances at September 30, 2014:

<u>Fund</u>	<u>Fund Balance</u>
Special revenue funds:	
Fire Department Millage	\$ (1,749)
Fire Truck Grant Fund	(6,138)
Sheriff's Grant	(2,799)
Mississippi Health Grant	(23,475)
State Aid Road Projects Fund	(18,513)
Capital Projected Fund	(850,871)

These deficits are the result of claims payable accruals or amounts due to other funds and are not cash basis deficit fund balances.

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(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.

Revenue Bond and Note Contingencies - The County issues revenue bonds and notes to provide funds for constructing and improving capital facilities of the Lowndes County Port Authority, the Lowndes County Industrial Development Authority, and the Golden Triangle Regional Airport Authority. Revenue bonds and notes are reported as liabilities of these entities because such debt is payable primarily from their pledged revenues. However, the County remains contingently liable for the retirement of these bonds and notes because the full faith, credit and taxing power of the County is secondarily pledged in case of default. The principal amount of such debt outstanding at September 30, 2014, consisted of the following:

<u>Description</u>	<u>Balance at September 30, 2014</u>
Lowndes County Industrial Development Authority	\$10,692,868
Golden Triangle Regional Airport Authority	180,000

(13) COMMITMENTS

In August 2010, the City of Columbus committed to issue \$3,000,000 in tax increment limited obligation bonds in connection with an economic development project, provided certain requirements are met by the developer. The County has pledged all of the incremental increase in its real and personal ad valorem tax revenue from this district to be used by the City to repay the bonds. As of June 12, 2015, these bonds have not yet been issued.

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(13) COMMITMENTS (Continued)

In December 2008, the Lowndes County Industrial Development Authority incurred \$1,034,560 in debt to finance the purchase of land. The County has committed to grant the Industrial Development Authority funds to repay the debt. In 2014, the County provided grants totaling \$82,130 to the Industrial Authority for these bonds. Future payments to be granted by the County, including interest, are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2015	\$ 82,130
2016	82,130
2017	82,130
2018	82,130
2019 - 2021	<u>704,815</u>
Total	<u>\$1,033,335</u>

(14) JOINT VENTURES

The County participates in the following joint ventures:

The County is a participant with the City of Columbus in a joint venture, authorized by Section 61-3-5, Mississippi Code Ann. (1972), to operate Columbus/Lowndes Airport. The joint venture was created to provide airport facilities. The joint venture is governed by a four-member board of commissioners appointed equally. The County appropriated \$34,911 for airport maintenance in 2014.

The County is a participant with the City of Columbus in a joint venture, authorized by Section 55-9-27, Mississippi Code Ann. (1972), to operate the Columbus/Lowndes Recreation Authority. The joint venture was created to provide recreation facilities. The joint venture is governed by a five-member board. Each entity appoints two of the five board members, with the fifth member being appointed by both. The County's appropriation from the General Fund to the joint venture was \$692,904 in 2014. Complete financial statements for the Columbus/Lowndes Recreation Authority can be obtained from Post Office Box 2245, Columbus, Mississippi 39704.

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(14) JOINT VENTURES (Continued)

The County is a participant with the Counties of Choctaw, Clay, Noxubee, Oktibbeha and Webster and the Cities of Ackerman, Columbus, Eupora, Louisville, Macon, Starkville and West Point in a joint venture, authorized by Section 17-17-307, Mississippi Code Ann. (1972), to operate the Golden Triangle Regional Solid Waste Management Authority. The joint venture was created to provide a regional disposal site for solid waste. The County appoints 6 of the 38 members of the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from Post Office Box DN, Mississippi State, Mississippi 39762.

The County is a participant with the City of Columbus in a joint venture, authorized by Section 39-3-8, Mississippi Code Ann. (1972), to operate the Lowndes County Library System. The joint venture was created to provide library services. Each member appoints five of the ten board members. The County's appropriation to the joint venture was \$333,371 in 2014. Complete financial statements for the Lowndes County Library System can be obtained from 314 North Seventh Street, Columbus, Mississippi 39701.

(15) JOINTLY GOVERNED ORGANIZATIONS

The County participates in the following jointly governed organizations:

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The County appoints one of the seven members of the board of commissioners. The County appropriated \$81,717 for support of the agency in 2014.

East Mississippi Community College operates in a district composed of the counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee and Oktibbeha. The County appoints two of the twelve members of the college board of trustees. The County appropriated \$1,181,355 for maintenance and support of the college in 2014.

Golden Triangle Planning and Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The County appoints four of the 28 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County appropriated \$90,000 to the district in 2014.

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(15) **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

Golden Triangle Regional Airport Authority operates in a district composed of the Counties of Lowndes and Oktibbeha and the Cities of Columbus, Starkville and West Point. The County appoints one of the five members of the board of commissioners. The County did not provide any financial support to the Authority in 2014.

Columbus-Lowndes Convention and Visitors Bureau operates in the City of Columbus and the surrounding areas in Lowndes County. The County appoints four members of the board of the Bureau. The County did not provide any support to the Bureau in 2014.

Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The County appoints one of the nine board members. The County generally provides no financial support to the organization.

(16) **DEFINED BENEFIT PENSION PLAN**

Plan Description- Lowndes 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, Mississippi 39201-1005 or by calling 1-800-444-PERS.

Funding Policy- At September 30, 2014, 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, 2014, 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, 2014, 2013, and 2012, were \$1,706,229, \$1,581,437 and \$1,398,128, respectively, equal to the required contributions for each year.

(17) **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 12, 2015, the date the financial statements were available for distribution.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

LOWNDES COUNTY, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL (NON-GAAP BASIS)

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 12,351,770	\$ 12,367,751	\$ 12,367,751	\$ -
Revenues in lieu of taxes	3,540,414	3,545,967	3,545,967	-
Licenses, commissions and other revenue	1,055,500	1,113,089	1,113,089	-
Fines and forfeitures	605,000	528,038	528,038	-
Intergovernmental revenues	4,392,150	4,233,762	4,233,762	-
Charges for services	525,000	585,313	585,313	-
Interest income	305,000	968,501	968,501	-
Miscellaneous revenues	353,700	465,637	465,637	-
Total revenues	<u>23,128,534</u>	<u>23,808,058</u>	<u>23,808,058</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	7,106,423	6,575,882	6,575,882	-
Public safety	8,415,566	9,315,772	9,315,772	-
Public works	213,735	224,753	224,753	-
Health and welfare	366,217	382,519	382,519	-
Culture and recreation	1,180,833	1,217,644	1,217,644	-
Education	325,000	84,041	84,041	-
Conservation of natural resources	168,748	143,872	143,872	-
Economic development and assistance	375,000	537,997	537,997	-
Debt service:				
Principal	3,663,546	2,190,000	2,190,000	-
Interest	1,634,918	1,634,918	1,634,918	-
Bond issue costs	-	-	343,071	(343,071)
Total expenditures	<u>23,449,986</u>	<u>22,307,398</u>	<u>22,650,469</u>	<u>(343,071)</u>
Revenues over (under) expenditures	<u>\$ (321,452)</u>	<u>\$ 1,500,660</u>	<u>\$ 1,157,589</u>	<u>\$ (343,071)</u>

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

LOWNDES COUNTY, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL (NON-GAAP BASIS)

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues over (under) expenditures (brought forward)	\$ (321,452)	\$ 1,500,660	\$ 1,157,589	\$ (343,071)
OTHER FINANCING SOURCES (USES)				
Proceeds from refunding bonds	-	-	18,187,871	18,187,871
Payments to refunded bond escrow	-	-	(17,690,039)	(17,690,039)
Proceeds from sale of capital assets	-	19,990	19,990	-
Transfers in	30,000	15,078	15,078	-
Transfers out	<u>(1,480,145)</u>	<u>(219,478)</u>	<u>(219,478)</u>	<u>-</u>
Total other financing sources and uses	<u>(1,450,145)</u>	<u>(184,410)</u>	<u>313,422</u>	<u>497,832</u>
Net Change in Fund Balance	(1,771,597)	1,316,250	1,471,011	154,761
Fund Balances - Beginning	<u>36,467,740</u>	<u>36,467,740</u>	<u>36,467,740</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 34,696,143</u>	<u>\$ 37,783,990</u>	<u>\$ 37,938,751</u>	<u>\$ 154,761</u>

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

LOWNDES COUNTY, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL (NON-GAAP BASIS)

COUNTYWIDE ROADS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,089,391	\$ 2,410,354	\$ 2,410,354	\$ -
Revenues in lieu of taxes	1,927,300	1,927,300	1,927,300	-
Road and bridge privilege taxes	675,000	703,980	703,980	-
Intergovernmental revenues	574,000	581,319	581,319	-
Miscellaneous revenues	15,000	55,314	55,314	-
Total revenues	<u>5,280,691</u>	<u>5,678,267</u>	<u>5,678,267</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	435,214	350,384	350,384	-
Public works	5,043,456	5,277,216	5,277,216	-
Debt service:				
Principal	124,145	124,145	124,145	-
Interest	4,017	4,017	4,017	-
Total Expenditures	<u>5,606,832</u>	<u>5,755,762</u>	<u>5,755,762</u>	<u>-</u>
Revenues over (under) expenditures	(326,141)	(77,495)	(77,495)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	154,380	154,380	-
Total Other Financing Sources and uses	<u>-</u>	<u>154,380</u>	<u>154,380</u>	<u>-</u>
Net Change in Fund Balance	(326,141)	76,885	76,885	-
Fund Balances - Beginning	<u>89,960</u>	<u>89,960</u>	<u>89,960</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (236,181)</u>	<u>\$ 166,845</u>	<u>\$ 166,845</u>	<u>\$ -</u>

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

LOWNDES COUNTY, MISSISSIPPI

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2014

(A) **Budgetary Information**

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

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

(B) **Basis of Presentation**

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

(C) **Budget/GAAP Reconciliation**

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

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

LOWNDES COUNTY, MISSISSIPPI

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2014

(C) Budget/GAAP Reconciliation (Continued)

The following schedule reconciles the fund balance on budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

	<u>General</u>	<u>Countywide Roads</u>
Budget (cash basis)	\$ 1,771,597	\$ (77,495)
Increase (decrease):		
Net adjustment for revenue accruals	1,531,866	81,880
Net adjustment for expenditure accruals	<u>(113,563)</u>	<u>100,463</u>
GAAP Basis	<u>\$3,189,900</u>	<u>\$ 104,848</u>

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

LOWNDES COUNTY, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through the Mississippi Development Authority			
Community Development Block Grant	14.228	1124-07-044-PF-01	\$ 8,809
Community Development Block Grant	14.228	1127-10-044-ED-01	821,179
Community Development Block Grant	14.228	1130-13-044-ED-01	1,191,287
Community Development Block Grant	14.228	R-1030296-04-KED	2,951
Home Investment Partnership Program	14.239	1220-M08-SG-280-954	<u>147,676</u>
Total U.S. Department of Housing and Urban Development			<u>2,171,902</u>
U.S. Department of Homeland Security - Federal Emergency Management Agency - Passed through the Mississippi Emergency Management Agency:			
Homeland Security Grant Program	97.067	JAG 12LB1441	15,102
Hazard Mitigation Grant	97.039	HGMP 1604-0130	188,949
Assistance to Firefighters Grant	97.044	EMW-2012-FO-03058	24,122
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4175-DR-MS	<u>771,333</u>
Total U.S. Department of Homeland Security			<u>999,506</u>
U.S. Department of Defense Direct Programs:			
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610		<u>232,174</u>
Total U.S. Department of Defense			<u>232,174</u>
Total Expenditures of Federal Awards			<u>\$ 3,403,582</u>

See accompanying notes to schedule of expenditures of federal awards.

LOWNDES COUNTY, MISSISSIPPI

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2014

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal awards activity of Lowndes County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

(2) Sub-recipients

Lowndes County provided no federal awards to sub-recipients during the year ended September 30, 2014.

OTHER INFORMATION

LOWNDES COUNTY, MISSISSIPPI

SCHEDULE OF SURETY BONDS FOR COUNTY OFFICIALS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(Unaudited)

<u>Position</u>	<u>Company</u>	<u>Bond</u>
Supervisor District 1	Hopkins Insurance Company	\$ 100,000
Supervisor District 2	Hopkins Insurance Company	100,000
Supervisor District 3	Hopkins Insurance Company	100,000
Supervisor District 4	Hopkins Insurance Company	100,000
Supervisor District 5	Hopkins Insurance Company	100,000
County Administrator	Hopkins Insurance Company	100,000
Chief Financial Officer	Hopkins Insurance Company	100,000
Chancery Clerk	Hopkins Insurance Company	100,000
Deputy Chancery Clerks (each)	Hopkins Insurance Company	25,000
Purchase Clerk	Hopkins Insurance Company	75,000
Assistant Purchase Clerk	Hopkins Insurance Company	50,000
Receiving Clerk	Hopkins Insurance Company	75,000
Assistant Receiving Clerk	Hopkins Insurance Company	50,000
Road Manager	Hopkins Insurance Company	50,000
Constables (each)	Hopkins Insurance Company	50,000
Circuit Clerk	Hopkins Insurance Company	100,000
Deputy Circuit Clerks (each)	Hopkins Insurance Company	100,000
Sheriff	Hopkins Insurance Company	100,000
Sheriff's Deputies (each)	Hopkins Insurance Company	50,000
Justice Court Judges (each)	Hopkins Insurance Company	50,000
Justice Court Clerk	Hopkins Insurance Company	50,000
Deputy Justice Court Clerks (each)	Hopkins Insurance Company	50,000
Tax Collector-Assessor	Hopkins Insurance Company	100,000
Deputy Tax Collectors (each)	Hopkins Insurance Company	50,000

SPECIAL REPORTS



T. E. LOTT & COMPANY, PA
CERTIFIED PUBLIC ACCOUNTANTS

QUALITY • INTEGRITY • SERVICE • PROFESSIONALISM • SINCE 1926

Alabama Society of Certified Public Accountants

Mississippi Society of Certified Public Accountants

Registered with Public Company Accounting Oversight Board

American Institute of Certified Public Accountants

Member of Center for Audit Quality

Member of Employee Benefit Plan Audit Quality Center

Member of Governmental Audit Quality Center

Private Companies Practice Section



T.E. Lott, CPA (1926-1971)
 T.E. Lott, Jr. CPA
 Charles M. Hawkins, CPA, CBA
 Jeffrey H. Read, CPA
 Thomas J. Buckley, CPA
 Vivian L. Yeatman, CPA
 Bobby G. Shaw, CPA, CBA
 Debby H. Gray, CPA, CPC
 Clayton H. Richardson, III, CPA, CVA
 J. Michael Prince, CPA, CSEP
 Mark A. Vickers, CPA, CVA
 Stewart R. Greene, CPA
 Leslie W. Wood, CPA
 Matthew S. Sasser, CPA
 J. Mark Ward, CPA
 Nellah F. Taylor, CPA
 J.H. Kennedy, Jr., CPA
 J. Richard Rollins, CPA
 Robert C. Crigler, CPA
 Lawrence E. Wilson, CPA
 Julie M. Melvin, CPA, CGMA
 W. Matthew Turner, CPA
 Katherine W. Little, CPA, CSEP
 Lacie B. Junkin, CPA
 Michael D. Watkins, CPA
 Joshua B. Shaw, CPA, CGMA
 Robert M. Whitaker, CPA
 Trent F. Yeatman, CPA
 Camille G. Anderson, CPA



COLUMBUS

221 North Seventh St.
 P.O. Box 471
 Columbus, MS 39703-0471
 Tel: 662.328.5387
 Fax: 662.329.4993

STARKVILLE

106 B South Washington St.
 P.O. Box 80282
 Starkville, MS 39759-0282
 Tel: 662.323.1234
 Fax: 662.323.1284

TUSCALOOSA

6834 Hwy. 69 South
 Tuscaloosa, AL 35405
 Tel: 205.759.4195
 Fax: 205.759.1018

www.telott.com
 info@telott.com

**INDEPENDENT AUDITORS' 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
 Lowndes County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lowndes County, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lowndes 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 Lowndes 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 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.

Members of the Board of Supervisors
Lowndes County, Mississippi

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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lowndes 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 Lowndes County, Mississippi, in the Independent Auditors' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated June 12, 2015, included within this document.

Purpose of this Report

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



Columbus, Mississippi
June 12, 2015



T. E. LOTT & COMPANY, PA
CERTIFIED PUBLIC ACCOUNTANTS

QUALITY • INTEGRITY • SERVICE • PROFESSIONALISM • SINCE 1926

Alabama Society of Certified Public Accountants

Mississippi Society of Certified Public Accountants

Registered with Public Company Accounting Oversight Board

American Institute of Certified Public Accountants

Member of Center for Audit Quality

Member of Employee Benefit Plan Audit Quality Center

Member of Governmental Audit Quality Center

Private Companies Practice Section

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Lowndes County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Lowndes County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lowndes County's major federal programs for the year ended September 30, 2014. Lowndes County's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Lowndes County's major federal programs 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 Lowndes County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

T.E. Lott, CPA (1926-1971)
T.E. Lott, Jr. CPA
Charles M. Hawkins, CPA, CBA
Jeffrey H. Read, CPA
Thomas J. Buckley, CPA
Vivian L. Yeatman, CPA
Bobby G. Shaw, CPA, CBA
Debby H. Gray, CPA, CPC
Clayton H. Richardson, III, CPA, CVA
J. Michael Prince, CPA, CSEP
Mark A. Vickers, CPA, CVA
Stewart R. Greene, CPA
Leslie W. Wood, CPA
Matthew S. Sasser, CPA
J. Mark Ward, CPA
Nellah F. Taylor, CPA
J.H. Kennedy, Jr., CPA
J. Richard Rollins, CPA
Robert C. Crigler, CPA
Lawrence E. Wilson, CPA
Julie M. Melvin, CPA, CGMA
W. Matthew Turner, CPA
Katherine W. Little, CPA, CSEP
Lacie B. Junkin, CPA
Michael D. Watkins, CPA
Joshua B. Shaw, CPA, CGMA
Robert M. Whitaker, CPA
Trent F. Yeatman, CPA
Camille G. Anderson, CPA

COLUMBUS
221 North Seventh St.
P.O. Box 471
Columbus, MS 39703-0471
Tel: 662.328.5387
Fax: 662.329.4993

STARKVILLE
106 B South Washington St.
P.O. Box 80282
Starkville, MS 39759-0282
Tel: 662.323.1234
Fax: 662.323.1284

TUSCALOOSA
6834 Hwy. 69 South
Tuscaloosa, AL 35405
Tel: 205.759.4195
Fax: 205.759.1018

www.telott.com
info@telott.com

Members of the Board of Supervisors
Lowndes County, Mississippi

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 of Lowndes County's compliance.

Opinion on Each Major Federal Program

In our opinion, Lowndes County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control over Compliance

Management of Lowndes County 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 Lowndes County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Lowndes County's internal control over compliance.

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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Members of the Board of Supervisors
Lowndes County, Mississippi

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.

T. E. Latta & Company

Columbus, Mississippi
June 12, 2015



T. E. LOTT & COMPANY, PA
CERTIFIED PUBLIC ACCOUNTANTS

QUALITY • INTEGRITY • SERVICE • PROFESSIONALISM • SINCE 1926

Alabama Society of Certified Public Accountants

Mississippi Society of Certified Public Accountants

Registered with Public Company Accounting Oversight Board

American Institute of Certified Public Accountants

Member of Center for Audit Quality

Member of Employee Benefit Plan Audit Quality Center

Member of Governmental Audit Quality Center

Private Companies Practice Section



T.E. Lott, CPA (1926-1971)
 T.E. Lott, Jr. CPA
 Charles M. Hawkins, CPA, CBA
 Jeffrey H. Read, CPA
 Thomas J. Buckley, CPA
 Vivian L. Yeatman, CPA
 Bobby G. Shaw, CPA, CBA
 Debby H. Gray, CPA, CPC
 Clayton H. Richardson, III, CPA, CVA
 J. Michael Prince, CPA, CSEP
 Mark A. Vickers, CPA, CVA
 Stewart R. Greene, CPA
 Leslie W. Wood, CPA
 Matthew S. Sasser, CPA
 J. Mark Ward, CPA
 Nellah F. Taylor, CPA
 J.H. Kennedy, Jr., CPA
 J. Richard Rollins, CPA
 Robert C. Crigler, CPA
 Lawrence E. Wilson, CPA
 Julie M. Melvin, CPA, CGMA
 W. Matthew Turner, CPA
 Katherine W. Little, CPA, CSEP
 Lacie B. Junkin, CPA
 Michael D. Watkins, CPA
 Joshua B. Shaw, CPA, CGMA
 Robert M. Whitaker, CPA
 Trent F. Yeatman, CPA
 Camille G. Anderson, CPA



COLUMBUS

221 North Seventh St.
 P.O. Box 471
 Columbus, MS 39703-0471
 Tel: 662.328.5387
 Fax: 662.329.4993

STARKVILLE

106 B South Washington St.
 P.O. Box 80282
 Starkville, MS 39759-0282
 Tel: 662.323.1234
 Fax: 662.323.1284

TUSCALOOSA

6834 Hwy. 69 South
 Tuscaloosa, AL 35405
 Tel: 205.759.4195
 Fax: 205.759.1018

www.telott.com
 info@telott.com

INDEPENDENT AUDITORS' 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
 Lowndes County, Mississippi

We have examined Lowndes 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, 2014. The Board of Supervisors of the County 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 the County 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 evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Lowndes County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

Members of the Board of Supervisors
Lowndes County, Mississippi

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 study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

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

T. E. Lee & Company

Columbus, Mississippi
June 12, 2015

LOWNDES COUNTY, MISSISSIPPI

Schedule 1

SCHEDULE OF PURCHASES NOT MADE FROM THE LOWEST BIDDER

SEPTEMBER 30, 2014

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reasons for Accepting Other than the Lowest Bid</u>
1/15/14	Wash gravel	\$8.25/ton	APAC	\$8.15/ton	Quality of product

LOWNDES COUNTY, MISSISSIPPI

Schedule 2

SCHEDULE OF EMERGENCY PURCHASES

SEPTEMBER 30, 2014

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reasons for Emergency Purchase</u>
6/13/14	Tornado sirens	\$ 6,890	Precision Communications	4 Sirens Damaged from Tornado

**SCHEDULE OF PURCHASES MADE NONCOMPETITIVELY
FROM A SOLE SOURCE**

SEPTEMBER 30, 2014

<u>Date</u>	<u>Items Purchased</u>	<u>Vendor</u>	<u>Amount</u>
-------------	----------------------------	---------------	---------------

No sole source purchases.

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



T. E. LOTT & COMPANY, PA
CERTIFIED PUBLIC ACCOUNTANTS

QUALITY • INTEGRITY • SERVICE • PROFESSIONALISM • SINCE 1926

Alabama Society of Certified Public Accountants

Mississippi Society of Certified Public Accountants

Registered with Public Company Accounting Oversight Board

American Institute of Certified Public Accountants

Member of Center for Audit Quality

Member of Employee Benefit Plan Audit Quality Center

Member of Governmental Audit Quality Center

Private Companies Practice Section

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors Lowndes County, Mississippi



- T.E. Lott, CPA (1926-1971)
- T.E. Lott, Jr. CPA
- Charles M. Hawkins, CPA, CBA
- Jeffrey H. Read, CPA
- Thomas J. Buckley, CPA
- Vivian L. Yeatman, CPA
- Bobby G. Shaw, CPA, CBA
- Debby H. Gray, CPA, CPC
- Clayton H. Richardson, III, CPA, CVA
- J. Michael Prince, CPA, CSEP
- Mark A. Vickers, CPA, CVA
- Stewart R. Greene, CPA
- Leslie W. Wood, CPA
- Matthew S. Sasser, CPA
- J. Mark Ward, CPA
- Nellah F. Taylor, CPA
- J.H. Kennedy, Jr., CPA
- J. Richard Rollins, CPA
- Robert C. Crigler, CPA
- Lawrence E. Wilson, CPA
- Julie M. Melvin, CPA, CGMA
- W. Matthew Turner, CPA
- Katherine W. Little, CPA, CSEP
- Lacie B. Junkin, CPA
- Michael D. Watkins, CPA
- Joshua B. Shaw, CPA, CGMA
- Robert M. Whitaker, CPA
- Trent F. Yeaman, CPA
- Camille G. Anderson, CPA



COLUMBUS
 221 North Seventh St.
 P.O. Box 471
 Columbus, MS 39703-0471
 Tel: 662.328.5387
 Fax: 662.329.4993

STARKVILLE
 106 B South Washington St.
 P.O. Box 80282
 Starkville, MS 39759-0282
 Tel: 662.323.1234
 Fax: 662.323.1284

TUSCALOOSA
 6834 Hwy. 69 South
 Tuscaloosa, AL 35405
 Tel: 205.759.4195
 Fax: 205.759.1018

www.telott.com
 info@telott.com

In planning and performing our audit of the financial statements of Lowndes County, Mississippi for the year ended September 30, 2014, we considered Lowndes County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lowndes 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 June 12, 2015, on the financial statements of Lowndes County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the 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.

Members of the Board of Supervisors
Lowndes County, Mississippi

This report is intended for use in evaluating the central purchasing system and inventory control system of the County and is not intended to be and should not be relied on for any other purpose. However, this report is a matter of public record and its distribution is not limited.

T. E. Lott R. Conner

Columbus, Mississippi
June 12, 2015

LOWNDES COUNTY, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2014

SECTION 1: SUMMARY OF AUDIT RESULTS

Financial Statements:

- 1. Type of auditors' report issued:
 - a. Governmental activities Unmodified
 - b. Aggregate discretely presented component units Unmodified
 - c. General fund Unmodified
 - d. Countywide roads fund Unmodified
 - e. Aggregate remaining fund information Unmodified
- 2. Internal control over financial reporting:
 - a. Material weaknesses identified No
 - b. Significant deficiencies identified that are not considered to be material weaknesses None reported
- 3. Noncompliance material to the financial statements noted No

Federal Awards:

- 4. Internal control over major programs:
 - a. Material weaknesses identified No
 - b. Significant deficiencies identified that are not considered to be material weaknesses None reported
- 5. Type of auditors' report issued on compliance for major federal programs Unmodified
- 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 No
- 7. Federal programs identified as major programs:
 - 14.228 - Community Development Block Grant
 - 91.036 - Disaster Grants - Public Assistance (Presidentially Declared Disaster)
- 8. The dollar threshold used to distinguish between type A and type B programs \$300,000
- 9. Auditee qualified as low-risk auditee No

LOWNDES COUNTY, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2014

SECTION 2: FINANCIAL STATEMENT FINDINGS

Compliance

The results of our tests did not disclose any compliance findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

SECTION 3: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No audit findings required to be reported by Section 510(a) of Circular A-133 were reported.