

LAWRENCE COUNTY, MISSISSIPPI

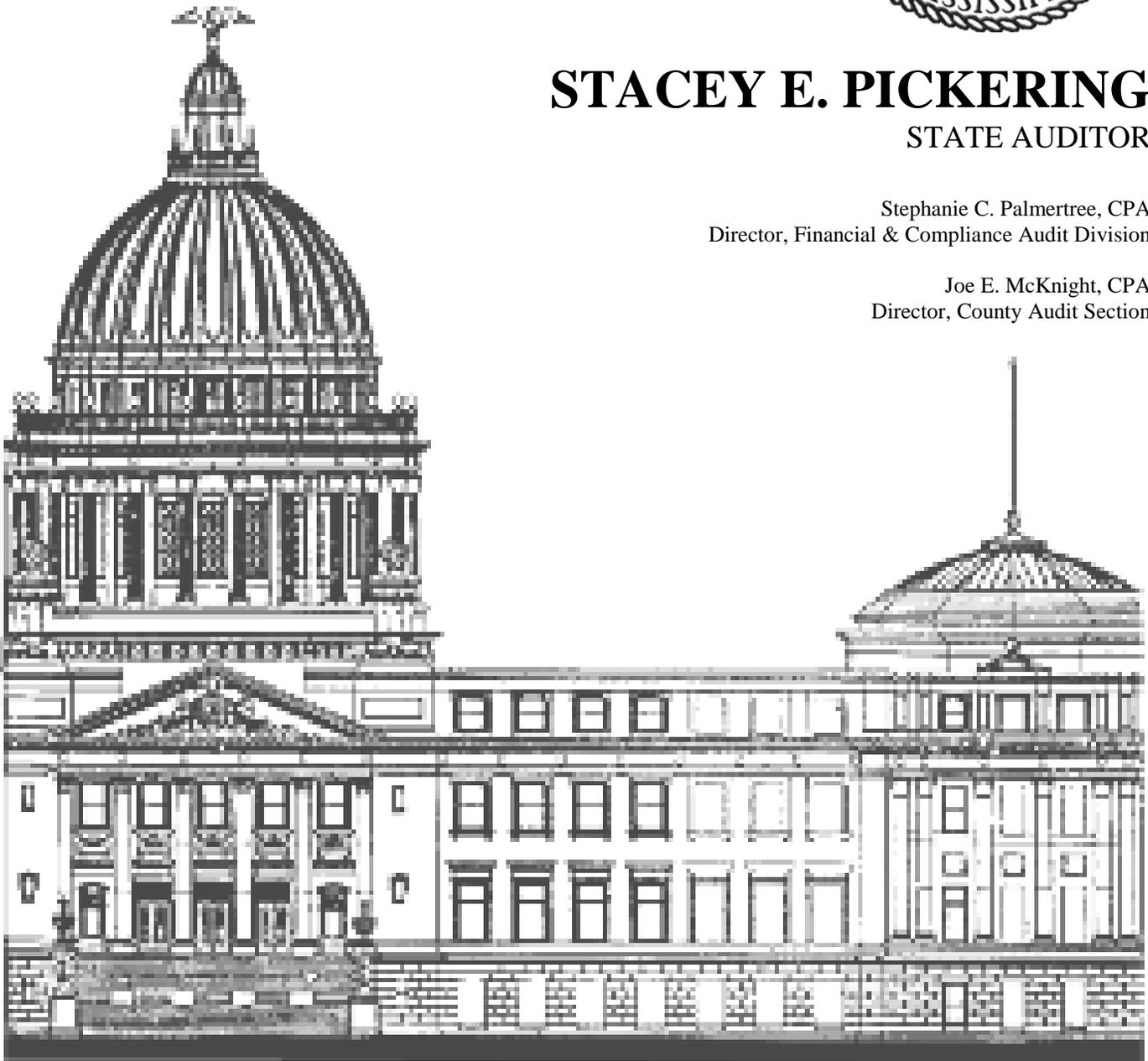
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2015



STACEY E. PICKERING STATE AUDITOR

Stephanie C. Palmertree, CPA
Director, Financial & Compliance Audit Division

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Director, County Audit Section



A Report from the County Audit Section

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

April 25, 2017

Members of the Board of Supervisors
Lawrence County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2015 financial and compliance audit report for Lawrence County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive, with a large initial "S" and "P".

Stacey E. Pickering
State Auditor

LAWRENCE COUNTY

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LAWRENCE COUNTY

FINANCIAL SECTION

LAWRENCE COUNTY

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Lawrence County, Mississippi

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Lawrence County, Mississippi, (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles applicable to the County's cash basis of accounting require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the cash basis assets, net position, receipts, and disbursements of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the cash basis financial position of the aggregate discretely presented component units of Lawrence County, Mississippi, as of September 30, 2015, or the changes in cash basis financial position thereof for the year then ended in accordance with accounting principles applicable to the County's cash basis of accounting.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the major fund and the aggregate remaining fund information of Lawrence County, Mississippi, as of September 30, 2015, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that Lawrence County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lawrence County, Mississippi's basic financial statements. The accompanying Schedule of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Operating Costs of Solid Waste is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Budgetary Comparison Schedule, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2017 on our consideration of Lawrence County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lawrence County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 25, 2017

LAWRENCE COUNTY

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LAWRENCE COUNTY

FINANCIAL STATEMENTS

LAWRENCE COUNTY

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LAWRENCE COUNTY
Statement of Net Position - Cash Basis
September 30, 2015

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 6,433,761
Total Assets	<u>6,433,761</u>
NET POSITION	
Restricted:	
Expendable:	
General government	245,060
Public safety	754,263
Public works	1,805,924
Health and welfare	80,101
Culture and recreation	5,045
Economic development and assistance	25,107
Debt service	445,333
Unemployment compensation	12,231
Unrestricted	<u>3,060,697</u>
Total Net Position	<u>\$ 6,433,761</u>

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

LAWRENCE COUNTY
Statement of Activities - Cash Basis
For the Year Ended September 30, 2015

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,515,123	174,533	28,644	70,000	(2,241,946)
Public safety	2,306,636	201,220	99,987	12,422	(1,993,007)
Public works	2,794,361	16,647	594,934	49,574	(2,133,206)
Health and welfare	421,073		18,839		(402,234)
Culture and recreation	9,721				(9,721)
Education	199,236				(199,236)
Conservation of natural resources	47,340				(47,340)
Economic development and assistance	154,720				(154,720)
Debt service:					
Principal	386,185				(386,185)
Interest	54,638				(54,638)
Total Governmental Activities	\$ 8,889,033	392,400	742,404	131,996	(7,622,233)
General receipts:					
Property taxes				\$ 5,924,854	
Road & bridge privilege taxes				188,633	
Grants and contributions not restricted to specific programs				564,815	
Unrestricted interest income				7,927	
Miscellaneous				461,725	
Proceeds from debt issuance				421,295	
Sale of county property				21,267	
Total General Receipts and Other Cash Sources				7,590,516	
Changes in Net Position					(31,717)
Net Position - Beginning					6,465,478
Net Position - Ending				\$	6,433,761

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

LAWRENCE COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2015

Exhibit 3

	<u>Major Fund</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
ASSETS			
Cash	\$ 3,060,697	3,373,064	6,433,761
Total Assets	<u>\$ 3,060,697</u>	<u>3,373,064</u>	<u>6,433,761</u>
FUND BALANCES			
Restricted for:			
General government	\$	245,060	245,060
Public safety		754,263	754,263
Public works		1,805,924	1,805,924
Health and welfare		80,101	80,101
Culture and recreation		5,045	5,045
Economic development and assistance		25,107	25,107
Debt service		445,333	445,333
Unemployment compensation		12,231	12,231
Assigned to:			
Health and welfare	177,262		177,262
Economic development and assistance	1,255		1,255
Unassigned	2,882,180		2,882,180
Total Fund Balances	<u>\$ 3,060,697</u>	<u>3,373,064</u>	<u>6,433,761</u>

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

LAWRENCE COUNTY

Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
Governmental Funds
For the Year Ended September 30, 2015

	Major Fund		Total Governmental Funds
	General Fund	Other Governmental Funds	
RECEIPTS			
Property taxes	\$ 3,912,888	2,011,966	5,924,854
Road and bridge privilege taxes		188,633	188,633
Licenses, commissions and other receipts	90,590	3,451	94,041
Fines and forfeitures	96,097	2,864	98,961
Intergovernmental receipts	668,585	770,630	1,439,215
Charges for services	40,465	158,933	199,398
Interest income	7,848	79	7,927
Miscellaneous receipts	191,846	269,879	461,725
Total Receipts	<u>5,008,319</u>	<u>3,406,435</u>	<u>8,414,754</u>
DISBURSEMENTS			
General government	2,488,491	26,632	2,515,123
Public safety	1,873,255	433,381	2,306,636
Public works		2,794,361	2,794,361
Health and welfare	279,653	141,420	421,073
Culture and recreation		9,721	9,721
Education	199,236		199,236
Conservation of natural resources	47,340		47,340
Economic development and assistance	154,720		154,720
Debt service:			
Principal	28,218	357,967	386,185
Interest	1,379	53,259	54,638
Total Disbursements	<u>5,072,292</u>	<u>3,816,741</u>	<u>8,889,033</u>
Excess (Deficiency) of Receipts over Disbursements	<u>(63,973)</u>	<u>(410,306)</u>	<u>(474,279)</u>
OTHER CASH SOURCES (USES)			
Proceeds from long-term debt issuance	307,086	114,209	421,295
Sale of county property	465	20,802	21,267
Transfers in	75,000	100,798	175,798
Transfers out	(65,000)	(110,798)	(175,798)
Total Other Cash Sources and Uses	<u>317,551</u>	<u>125,011</u>	<u>442,562</u>
Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and other Cash Uses	253,578	(285,295)	(31,717)
Cash Basis Fund Balances - Beginning	<u>2,807,119</u>	<u>3,658,359</u>	<u>6,465,478</u>
Cash Basis Fund Balances - Ending	<u>\$ 3,060,697</u>	<u>3,373,064</u>	<u>6,433,761</u>

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

LAWRENCE COUNTY
Statement of Fiduciary Assets and Liabilities - Cash Basis
September 30, 2015

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 432,874
Total Assets	\$ <u>432,874</u>
LIABILITIES	
Amounts held in custody for others	\$ 432,874
Total Liabilities	\$ <u>432,874</u>

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

LAWRENCE COUNTY

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LAWRENCE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lawrence County, Mississippi (the County), is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Lawrence County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

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

- Lawrence County Economic Development District
- Lawrence County Human Resource Agency

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

The Statement of Net Position – Cash Basis presents the financial condition of the governmental activities-of the County at year-end. The Government-wide Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the County's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Taxes and other receipts not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, fund equity, receipts and disbursements. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The County reports the following major Governmental Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

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.

LAWRENCE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

D. Account Classifications.

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

E. Deposits.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

F. Equity Classifications.

Government-wide Financial Statements:

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

Assigned fund balance includes amounts that are constrained by the County's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Supervisors pursuant to authorization established by Section 19-3-59, Miss. Code Ann. (1972).

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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

Fund Balance Flow Assumption:

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

G. Property Tax Receipts.

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

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

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$6,866,635, and the bank balance was \$6,963,434. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

LAWRENCE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

(3) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2015:

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 75,000
Other Governmental Funds	General Fund	65,000
Other Governmental Funds	Other Governmental Funds	<u>35,798</u>
Total		<u>\$ 175,798</u>

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

(4) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2015, to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(5) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

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

(6) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Lawrence County Board of Supervisors appoints two of the 27 members of the college board of trustees. The County contributed \$438,301 for maintenance and support of the college in fiscal year 2015.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lawrence County Board of Supervisors appoints four of the 40 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County contributed \$34,200 for support of the district in fiscal year 2015.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lawrence County Board of Supervisors appoints one of the ten members of the board of commissioners. The County contributed \$22,500 for support in fiscal year 2015.

Southwest Mississippi Partnership operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the County's Board of Supervisors. The members provide only modest financial support to the entity.

(7) Defined Benefit Pension Plan.

Plan Description. Lawrence County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2015, 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, 2015 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, 2015, 2014 and 2013 were \$426,223, \$410,943 and \$379,206, respectively, equal to the required contributions for each year.

LAWRENCE COUNTY

SUPPLEMENTAL INFORMATION

LAWRENCE COUNTY

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LAWRENCE COUNTY
Schedule of Operating Costs of Solid Waste
For the Year Ended September 30, 2015

Operating Disbursements, Cash Basis:

Salaries	\$	284,142
Expendable Commodities:		
Gasoline and petroleum products		3,493
Repair parts		18,249
Maintenance		3,740
Contractual services		115,960
Supplies		57
Equipment		<u>72,450</u>
Solid Waste Operating Costs Disbursements	\$	<u><u>498,091</u></u>

LAWRENCE COUNTY

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LAWRENCE COUNTY

OTHER INFORMATION

LAWRENCE COUNTY

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LAWRENCE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2015
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 3,792,440	3,912,888	3,912,888	
Licenses, commissions and other receipts	60,000	90,590	90,590	
Fines and forfeitures	115,000	96,097	96,097	
Intergovernmental receipts	529,000	668,585	668,585	
Charges for services	15,000	40,465	40,465	
Interest income	5,350	7,848	7,848	
Miscellaneous receipts	40,000	191,846	191,846	
Total Receipts	<u>4,556,790</u>	<u>5,008,319</u>	<u>5,008,319</u>	<u>0</u>
DISBURSEMENTS				
Current:				
General government	2,479,347	2,488,491	2,488,491	
Public safety	1,473,000	1,873,255	1,873,255	
Health and welfare	273,997	279,653	279,653	
Education	270,000	199,236	199,236	
Conservation of natural resources	61,078	47,340	47,340	
Economic development and assistance	143,360	154,720	154,720	
Debt service:				
Principal	46,000	28,218	28,218	
Interest		1,379	1,379	
Total Disbursements	<u>4,746,782</u>	<u>5,072,292</u>	<u>5,072,292</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(189,992)</u>	<u>(63,973)</u>	<u>(63,973)</u>	
OTHER CASH SOURCES (USES)				
Proceeds from debt		307,086	307,086	
Sale of county property		465	465	
Other financing sources	75,000	75,000	75,000	
Other financing uses	(85,000)	(65,000)	(65,000)	
Total Other Cash Sources and Uses	<u>(10,000)</u>	<u>317,551</u>	<u>317,551</u>	<u>0</u>
Net Change in Fund Balance	(199,992)	253,578	253,578	0
Fund Balances - Beginning	<u>2,626,393</u>	<u>2,807,119</u>	<u>2,807,119</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,426,401</u>	<u>3,060,697</u>	<u>3,060,697</u>	<u>0</u>

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

LAWRENCE COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2015
UNAUDITED

Governmental activities:

	Balance				Balance
	Oct. 1, 2014	Additions	Deletions	Adjustments*	Sept. 30, 2015
Land	\$ 569,166	2,500		11,300	582,966
Infrastructure	100,081,062				100,081,062
Buildings	7,940,626		238,700	(11,300)	7,690,626
Improvements other than buildings	754,408				754,408
Mobile equipment	7,109,954	286,949	77,665	236,963	7,556,201
Furniture and equipment	1,030,758	63,180	7,778		1,086,160
Leased property under capital leases	814,632	121,452		(236,963)	699,121
Total capital assets	<u>\$ 118,300,606</u>	<u>474,081</u>	<u>324,143</u>	<u>0</u>	<u>118,450,544</u>

* Adjustments are the reclassification of paid-off capital leases from leased property under capital leases to mobile equipment, and to correct prior year errors in capital assets.

LAWRENCE COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2015
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2014	Issued	Principal Payments	Balance Sept. 30, 2015
Governmental Activities:							
A. General Obligation Bonds:							
Series 2010 hospital sprinkler system bonds	09/2010	09/2025	3.25/4.50%	\$ 710,000		50,000	660,000
B. Capital Leases:							
John Deere 120D excavator	12/2009	12/2014	3.38%	5,681		5,681	-
Superior sweeper	05/2010	01/2015	3.13%	958		958	-
Zanetis Road Hog	06/2010	06/2015	3.23%	11,696		11,696	-
Computer software and hardware	12/2010	12/2015	3.21%	23,417		18,658	4,759
Diamond sideboom mower	03/2012	03/2015	2.39%	4,133		4,133	-
(2) 4300 dump trucks with dump bodies	11/2012	11/2017	1.81%	97,263		30,115	67,148
Alamo mower	08/2013	08/2017	1.99%	30,823		10,367	20,456
Dump truck	10/2013	10/2018	2.11%	54,408		12,066	42,342
2013 Dodge Ram 1500	11/2013	11/2018	2.19%	22,578		5,233	17,345
District 2 - 2013 Ford F150	02/2014	02/2017	1.99%	21,876		8,925	12,951
District 4 - 2013 Ford F150	02/2014	02/2017	1.99%	19,688		8,032	11,656
District 5 - John Deere tractor	09/2014	09/2018	1.97%	46,080		11,182	34,898
District 3 - (2) John Deere tractors	09/2014	09/2019	2.05%	104,935		20,136	84,799
2014 Dodge Ram 1500	12/2014	12/2019	2.16%		30,216	4,327	25,889
2015 Freightliner	12/2014	12/2019	2.29%		91,236	13,029	78,207
C. Other Loans:							
CAP loan	05/2002	11/2017	2.00%	74,463		22,049	52,414
District 2 fire truck loans	01/2005	02/2015	3.00%	2,316		2,316	-
District 2 fire truck loan	12/2005	12/2015	2.00%	5,713		3,747	1,966
District 2 fire truck loans	02/2010	02/2020	3.00%	60,383		10,562	49,821
District 3 fire truck loans	03/2010	03/2020	3.00%	84,795		14,973	69,822
Road and bridge construction loan	10/2010	10/2015	3.50%	93,135		-	93,135
Fire hydrant improvement loan	01/2013	01/2018	2.95%	40,000		10,000	30,000
Fire hydrant improvement loan	08/2013	08/2018	3.50%	32,000		8,000	24,000
Road and bridge construction loan	08/2013	08/2018	2.12%	400,000		100,000	300,000
CAP loan - fire truck	03/2015	04/2021	2.00%		299,843		299,843
Total				\$ 1,946,341	421,295	386,185	1,981,451

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

LAWRENCE COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2015
UNAUDITED

Name	Position	Company	Bond
Steve Garrett	Supervisor District 1	Western Surety Company	\$ 100,000
Billy Joe Boutwell	Supervisor District 2	Western Surety Company	100,000
Jerry Wayne Smithie	Supervisor District 3	Western Surety Company	100,000
Glenn Grubbs	Supervisor District 4	Western Surety Company	100,000
Archie C. Ross	Supervisor District 5	Western Surety Company	100,000
Kevin Rayborn	Chancery Clerk	Western Surety Company	100,000
Heather Malone	Purchase Clerk	Western Surety Company	75,000
Kevin Rayborn	Assistant Purchase Clerk	Western Surety Company	50,000
Jennifer D. Fields	Receiving Clerk	Western Surety Company	75,000
Brian Sutton	Receiving Clerk	Western Surety Company	75,000
Mike Catt	Receiving Clerk	Western Surety Company	75,000
George Roberts	Receiving Clerk	Western Surety Company	75,000
Kenny Ray Magee	Assistant Receiving Clerk	Western Surety Company	50,000
Jason Lea	Assistant Receiving Clerk	Western Surety Company	50,000
Alton Letchworth	Assistant Receiving Clerk	Western Surety Company	50,000
Mike Fuller	Assistant Receiving Clerk	Western Surety Company	50,000
Kevin Rayborn	Inventory Control Clerk	Western Surety Company	75,000
Lessie Butler	Constable	RLI Surety	50,000
Royce Renfroe	Constable	Western Surety Company	50,000
James S. Brister	Circuit Clerk	Western Surety Company	100,000
Joel Thames	Sheriff	Western Surety Company	100,000
Albert H. Turnage	Justice Court Judge	RLI Surety	50,000
Donald G. Mullins	Justice Court Judge	Western Surety Company	50,000
Elizabeth J. Smith	Justice Court Clerk	Western Surety Company	50,000
Angela Jordan	Deputy Justice Court Clerk	Western Surety Company	50,000
Paula Reid	Deputy Justice Court Clerk	Western Surety Company	50,000
Sherry Hyde Thames	Tax Assessor-Collector	Western Surety Company	100,000
Susan J. Smith	Deputy Tax Collector	Western Surety Company	50,000
Carol Labeth Stamps	Deputy Tax Collector	Western Surety Company	50,000
Christine Sumrall	Deputy Tax Collector	Western Surety Company	50,000
Angel Powell	Deputy Tax Collector	Western Surety Company	50,000
April Brown	Deputy Tax Collector	Western Surety Company	50,000
Rachel Goleman	Deputy Tax Collector	Western Surety Company	50,000

LAWRENCE COUNTY

Notes to the Other Information
For the Year Ended September 30, 2015
UNAUDITED

(1) Budgetary Comparison Information.

A. Budgetary Information.

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

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund.

(2) Long-term Debt Information:

A. Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2015, the amount of outstanding debt was less than one percent of the latest property assessments.

B. Subsequent Events.

Subsequent to September 30, 2015, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/06/2015	2.27%	\$ 149,860	Capital lease	Ad valorem taxes
11/16/2015	2.16%	124,998	Capital lease	Ad valorem taxes
11/30/2015	1.93%	78,231	Capital lease	Ad valorem taxes
06/22/2016	1.89%	61,159	Capital lease	Ad valorem taxes
09/13/2016	1.85%	115,212	Capital lease	Ad valorem taxes
10/03/2016	2.07%	54,961	Capital lease	Ad valorem taxes
04/03/2017	1.60%	127,446	Capital lease	Ad valorem taxes

LAWRENCE COUNTY

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LAWRENCE COUNTY

SPECIAL REPORTS

LAWRENCE COUNTY

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

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

Members of the Board of Supervisors
Lawrence County, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Lawrence County, Mississippi (the County), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 25, 2017. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles applicable to the County's cash basis of accounting to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2015-001 and 2015-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Lawrence County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated April 25, 2017, included within this document.

Lawrence County's Responses to Findings

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

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 25, 2017



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

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

Members of the Board of Supervisors
Lawrence County, Mississippi

We have examined Lawrence 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, 2015. The Board of Supervisors of Lawrence County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

In our opinion, Lawrence County, Mississippi complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

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

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

A handwritten signature in black ink, appearing to read "Joe E. Mcknight". The signature is written in a cursive style with a large initial "J" and "M".

JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 25, 2017

LAWRENCE COUNTY

Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2015

Schedule 1

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

LAWRENCE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2015

Schedule 2

Our tests did not identify any emergency purchases.

LAWRENCE COUNTY

Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2015

Schedule 3

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

LAWRENCE COUNTY

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

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lawrence County, Mississippi

In planning and performing our audit of the financial statements of Lawrence County, Mississippi (the County) for the year ended September 30, 2015, we considered Lawrence County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lawrence 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 April 25, 2017, on the financial statements of Lawrence County, Mississippi.

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

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

Board of Supervisors.

1. Lawrence County should establish and test a disaster recovery process.

Finding

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

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to recreate.

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

Recommendation

We recommend that Lawrence County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including Lawrence County personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

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

Board of Supervisors' Response

A recovery plan is currently being developed by new IT vendor iTech Systems Group.

2. Lawrence County should implement a formal Information Security Policy.

Finding

As reported in the prior year's audit report, Lawrence County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and Internet protocol.

Recommendation

A robust set of Information Technology policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity/Disaster Recovery

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

Board of Supervisors' Response

We are working with our new IT provider iTech Systems Group to develop and adopt a policy.

3. Lawrence County needs to replace obsolete computer hardware and software.

Finding

As reported in the prior year's audit report, Lawrence County is running operating systems, as well as applications, on some of its personal computers (PCs) that might not be supported by vendors. Due to the lack of such support, these systems could become vulnerable to hackers and malware such as viruses.

Recommendation

We recommend that Lawrence County develop a plan to replace the operating systems, applications, and hardware where necessary that is no longer supported by vendors as soon as possible. Computers that originally included operating systems or applications that are no longer supported by vendors will have hardware that most likely cannot run the newest operating systems or applications, thereby requiring replacement of hardware, operating systems and applications in many cases.

Board of Supervisors' Response

Several XP PC Computers are being replaced as budget allows.

4. Lawrence County should expire all individual's passwords on a periodic basis.

Finding

As reported in the prior year's audit report, a review of Lawrence County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by Lawrence County.

Recommendation

We recommend that a policy be implemented to ensure that passwords are expired on a regular basis. In addition, the County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response

We agree to implement a more frequent expiration of passwords as allowed by each individual software vendor. We will also implement a policy to conduct access reviews for information assets.

5. Lawrence County should strengthen passwords.

Finding

As reported in the prior year's audit report, during our review, we noted that Lawrence County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for Lawrence County's Information Assets.

Recommendation

We recommend that Lawrence County improve its password strength by changing password parameters to comply with password management best practices and industry standards.

Board of Supervisors' Response

We agree to implement password parameters to meet industry standards as allowed by each software vendor.

6. Lawrence County should improve its server room environment management.

Finding

As reported in the prior year's audit report, Lawrence County's computer room is located in an open office in the Lawrence County courthouse in the corner of the room. The room is secure in that there are people working during business hours in and around the computer. However, the computer is in the open and has the potential of being accessed by unauthorized personnel. The room does have air conditioning, but it does not have monitoring equipment for fire, heat and other conditions that can have an adverse effect on electronic equipment.

Recommendation

We recommend that Lawrence County establish an area specifically for computerized equipment that can be locked and provisioned with environmental control and monitoring equipment for heat, humidity and other conditions that might affect computerized equipment. This equipment should also have the capability to notify the proper personnel when these conditions vary outside of preset ranges.

Board of Supervisors' Response

We plan to move the server to a proper room that is locked and has environmental controls. The timing of this project will be accomplished as funds become available.

7. Lawrence County should perform periodic access reviews.

Finding

As reported in the prior year's audit report, best business practices call for performing access reviews at least once per year and whenever there are significant changes in the related business environment. Lawrence County currently does not perform periodic access reviews. The failure to perform such reviews can result in inappropriate access and possible loss of data.

Recommendation

We recommend that Lawrence County implement a periodic review of logical access for all individual users.

Board of Supervisors' Response

We will work with our new IT vendor iTech Systems Group to implement a periodic review of logical access for all individual users.

8. Controls over collateralization of public funds should be strengthened.

Finding

Section 27-105-5(6)(b), Miss. Code Ann. (1972), requires that not later than thirty (30) days following its fiscal year end, a public depositor shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end. During the testing of collateralization of public funds, it was noted that Lawrence County did not submit the public depositor's annual report to the State Treasurer's Office within 30 days of fiscal year end. Failure to submit the public depositor's annual report in a timely manner could result in the State Treasurer's Office having inaccurate records and increase the risk that the County's total deposits may not be properly collateralized.

Recommendation

We recommend that Lawrence County develop control procedures to ensure that the public depositor's annual report is submitted to the State Treasurer's Office within 30 days of fiscal year end, as require by law.

Board of Supervisors' Response

We have corrected the problem. Was simply an oversight due to illness of comptroller. We will comply.

Chancery Clerk.

9. All bond certificates for County officials and employees should be filed and recorded in the Chancery Clerk's office.

Finding

Section 25-1-19, Miss. Code Ann. (1972), requires all bonds to be filed and recorded in the Chancery Clerk's office. As reported in the prior four years' audit reports, the Chancery Clerk's bond records do not include bond certificates for all the county officials and employees. Failure to file a copy of the bond documentation with the Chancery Clerk's office could result in the officials not being properly bonded.

Recommendation

The Chancery Clerk should make sure that all officials' and employees' bonds are filed and recorded in the office of the Chancery Clerk.

Chancery Clerk's Response

I will comply; we are working with bonding company to correct.

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

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 25, 2017

LAWRENCE COUNTY

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LAWRENCE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

LAWRENCE COUNTY

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LAWRENCE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2015

Section 1: Summary of Auditor’s Results

Financial Statements:

1.	Type of auditor’s report issued on the financial statements:	
	Governmental activities	Unmodified
	Aggregate discretely presented component unit	Adverse
	General Fund	Unmodified
	Aggregate remaining fund information	Unmodified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies identified?	Yes
3.	Noncompliance material to financial statements noted?	No

Section 2: Financial Statement Findings

Circuit Clerk.

Significant Deficiency

2015-001. The Circuit Clerk should reconcile bank statements monthly to cash journals.

Finding

An effective system of internal control should include maintaining cash journals and reconciling the bank statements to the cash journals. As reported in the prior year’s audit report, the Circuit Clerk’s bank statements were not reconciled to the cash journals. Failure to reconcile the bank statements to the cash journals could result in the loss of public funds.

Recommendation

The Circuit Clerk should ensure that the bank statements are reconciled to the cash journals.

Circuit Clerk’s Response

Will work on finding and get in compliance.

LAWRENCE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2015

Sheriff.

Significant Deficiency

2015-002. Controls over cash should be strengthened in the Sheriff's office.

Finding

An effective system of internal control for collecting, recording and disbursing cash in the Sheriff's office should include maintaining cash journals, supporting documentation and adequate segregation of duties. Controls over cash are inadequate. During the audit of the Sheriff's office, the following deficiencies were noted:

- a. As reported in the prior year's audit report, the Sheriff failed to make deposits on a daily basis during the fiscal year.
- b. An overage of \$25 was noted after performing a cash count. The office personnel claimed it to be their personal "pool of money" that they were accumulating to purchase personal items.
- c. The bank statements were not reconciled to the cash journals.
- d. Upon examination of the commissary account, a large buildup of unidentified cash was noted in the bank at June 30, 2016. Further examination revealed that invoices for inmate purchases were owed to the commissary supply company for the months of December 2015, March 2016, April 2016 and June 2016. The commissary supply company's invoices are received by the Sheriff's office but paid by the Board of Supervisors. The Sheriff's office failed to submit the invoiced amount to the Board of Supervisors on a monthly basis.
- e. When the commissary bank account reconciliation was compared to a list of inmate account balances, \$321.50 in unidentified funds was noted in the commissary bank account at June 30, 2016.
- f. During receipt testing, the office personnel were unable to locate deposit slips, bank statements and receipt books for the audited time period.

Failure to implement controls over the collecting, recording and disbursing of cash in the Sheriff's office could result in the loss or misappropriation of public funds.

Recommendation

The Sheriff should make daily deposits, keep cash receipts separate from personal cash, reconcile bank statements to the cash journals each month, settle commissary invoices on a monthly basis, reconcile commissary bank accounts and keep records so they can be made available for future audits.

Sheriff's Response

We will make deposits weekly or sooner if necessary. We have a place for all cash to be separated. Bank accounts will be reconciled and the Sheriff will initial. I will have Keefe Commissary mail and invoice to me monthly. Two years of records will be kept in the file room and other years will be in the storage trailer.