

LAMAR COUNTY, MISSISSIPPI

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

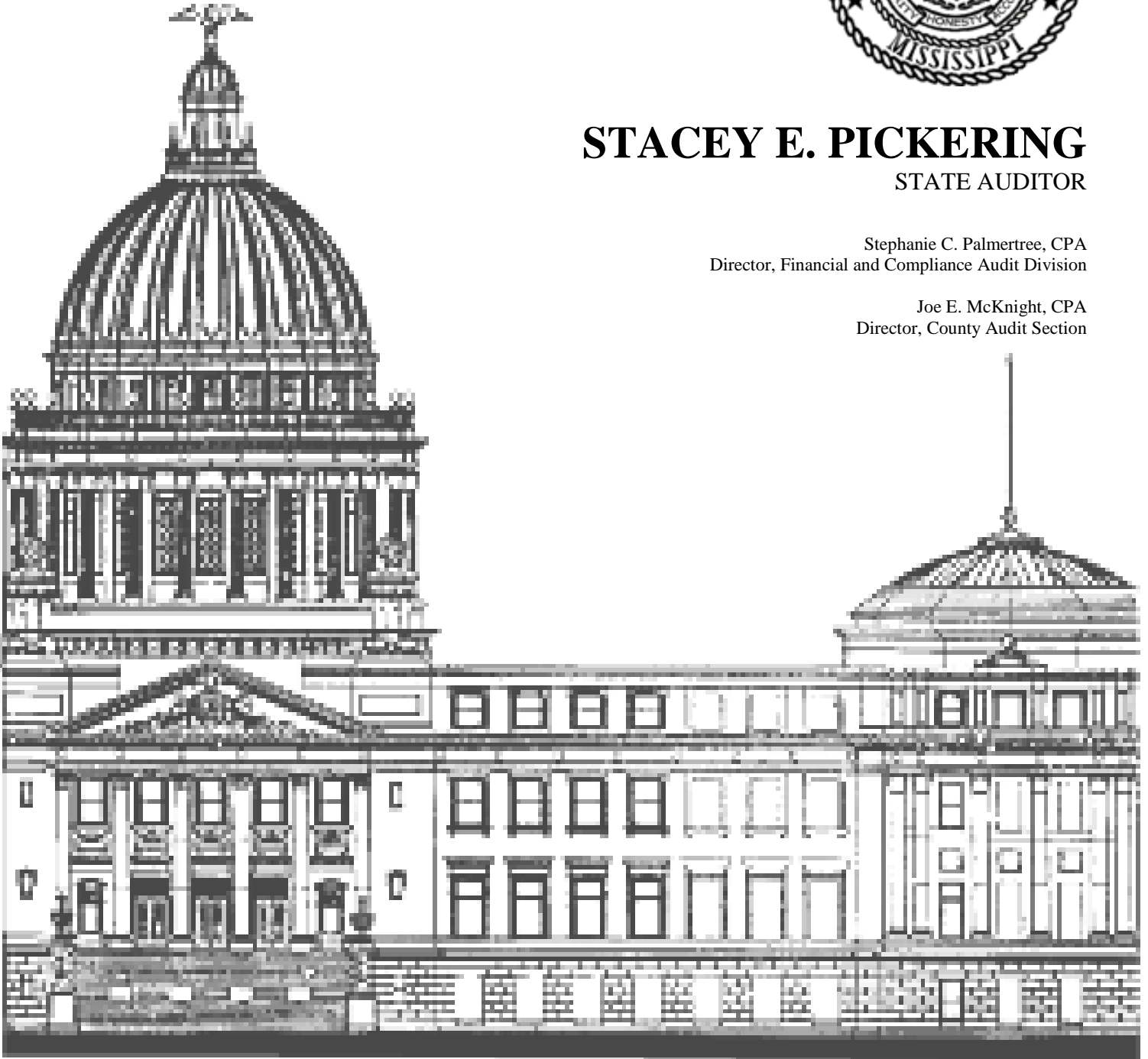


STACEY E. PICKERING

STATE AUDITOR

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

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



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

September 8, 2017

Members of the Board of Supervisors
Lamar County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2015 financial and compliance audit report for Lamar 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 Lamar County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Lamar 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", is written over a horizontal line.

Stacey E. Pickering
State Auditor

LAMAR COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS	7
Statement of Net Position	9
Statement of Activities.....	10
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Fiduciary Assets and Liabilities.....	15
Notes to Financial Statements.....	17
REQUIRED SUPPLEMENTARY INFORMATION	35
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund	37
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - Countywide Road Maintenance Fund.....	38
Schedule of County's Proportionate Share of the Net Pension Liability.....	39
Schedule of County's County Contributions.....	40
Schedule of County's Proportionate Share of the Net Pension Liability.....	39
Notes to the Required Supplementary Information	41
SUPPLEMENTARY INFORMATION	43
Schedule of Expenditures of Federal Awards.....	45
Reconciliation of Operating Costs of Solid Waste	47
OTHER INFORMATION	49
Schedule of Surety Bonds for County Officials.....	51
SPECIAL REPORTS.....	53
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 <i>Government Auditing Standards</i>	55
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	57
Independent Accountant’s Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	59
Limited Internal Control and Compliance Review Management Report.....	65
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	71

LAMAR COUNTY

FINANCIAL SECTION

LAMAR COUNTY

(This page left blank intentionally.)



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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Lamar County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lamar 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for these 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 assets, liabilities, net position, revenues and expenses 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 financial position of the aggregate discretely presented component units of Lamar County, Mississippi, as of September 30, 2015, or the changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on Governmental Activities

As discussed in Note 10 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Lamar County, Mississippi, as of September 30, 2015, and the change in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of Lamar County, Mississippi, as of September 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

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

Supplementary and Other Information

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

The accompanying Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste are the responsibility of management and were derived from and relate 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 and the Reconciliation of Operating Costs of Solid Waste are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2017 on our consideration of Lamar 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 Lamar County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

September 8, 2017

LAMAR COUNTY

(This page left blank intentionally.)

LAMAR COUNTY

FINANCIAL STATEMENTS

LAMAR COUNTY

(This page left blank intentionally.)

LAMAR COUNTY
Statement of Net Position
September 30, 2015

Exhibit 1

	Primary Government Governmental Activities
ASSETS	
Cash	\$ 17,050,238
Cash with fiscal agent	173,625
Property tax receivable	24,359,326
Fines receivable (net of allowance for uncollectibles of \$2,557,051)	451,243
Intergovernmental receivables	1,841,733
Other receivables	42,616
Capital assets:	
Land and construction in progress	8,363,899
Other capital assets, net	119,371,521
Total Assets	<u>171,654,201</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>5,093,352</u>
Total Deferred Outflows of Resources	<u>5,093,352</u>
LIABILITIES	
Claims payable	1,567,883
Retainage payable	69,481
Intergovernmental payables	914,768
Accrued interest payable	27,468
Other payables	186,756
Claims and judgments payable	378,038
Long-term liabilities	
Net pension liability	27,824,450
Due within one year:	
Capital debt	1,001,208
Due in more than one year:	
Capital debt	6,029,211
Non-capital debt	718,578
Total Liabilities	<u>38,717,841</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenues - property taxes	<u>24,359,326</u>
Total Deferred Inflows of Resources	<u>24,359,326</u>
NET POSITION	
Net investment in capital assets	120,705,001
Restricted for:	
Expendable:	
General government	462,656
Public safety	1,436,353
Public works	5,270,894
Health and welfare	152,571
Culture and recreation	251,620
Economic development and assistance	281,346
Debt service	216,102
Unrestricted	(15,106,157)
Total Net Position	<u>\$ 113,670,386</u>

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

LAMAR COUNTY
Statement of Activities
For the Year Ended September 30, 2015

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 8,777,799	1,815,398	638,857	21,560	(6,301,984)
Public safety	9,486,350	1,250,716	827,483	410,887	(6,997,264)
Public works	14,891,168		1,054,614	669,622	(13,166,932)
Health and welfare	658,580		12,314		(646,266)
Culture and recreation	1,744,228		19,546	301,913	(1,422,769)
Conservation of natural resources	119,103		454		(118,649)
Economic development and assistance	509,275				(509,275)
Interest on long-term debt	181,434				(181,434)
Pension expense	3,395,904				(3,395,904)
Total Governmental Activities	\$ 39,763,841	3,066,114	2,553,268	1,403,982	(32,740,477)
General revenues:					
Property taxes				\$	25,030,908
Road & bridge privilege taxes					705,946
Grants and contributions not restricted to specific programs					1,605,828
Unrestricted gifts and donations					85,269
Unrestricted interest income					85,124
Miscellaneous					628,465
Total General Revenues					28,141,540
Changes in Net Position					(4,598,937)
Net Position - Beginning, as previously reported					139,389,860
Prior period adjustments					(21,120,537)
Net Position - Beginning, as restated					118,269,323
Net Position - Ending				\$	113,670,386

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

LAMAR COUNTY
Balance Sheet - Governmental Funds
September 30, 2015

Exhibit 3

	Major Funds			
	General Fund	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 8,927,289	1,540,178	6,582,771	17,050,238
Cash with fiscal agent			173,625	173,625
Property tax receivable	14,354,000	5,162,000	4,843,326	24,359,326
Fines receivable (net of allowance for uncollectibles of \$2,557,051)	451,243			451,243
Intergovernmental receivables	721,369	1,031,435	88,929	1,841,733
Other receivables	42,616			42,616
Due from other funds	210,864	186,967	169,053	566,884
Advances to other funds	104,549		20,986	125,535
Total Assets	\$ 24,811,930	7,920,580	11,878,690	44,611,200
LIABILITIES				
Liabilities:				
Claims payable	\$ 819,368	237,264	511,251	1,567,883
Retainage payable	12,906		56,575	69,481
Intergovernmental payables	737,864	310,246	3,912	1,052,022
Due to other funds	235,414	101,226	92,990	429,630
Advances from other funds		95,535	30,000	125,535
Other payables	186,756			186,756
Claims and judgments payable	378,038			378,038
Total Liabilities	2,370,346	744,271	694,728	3,809,345
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	14,354,000	5,162,000	4,843,326	24,359,326
Unavailable revenue - intergovernmental revenues	14,143	1,031,435		1,045,578
Unavailable revenue - fines	451,243			451,243
Total deferred inflows of resources	14,819,386	6,193,435	4,843,326	25,856,147
Fund balances:				
Nonspendable:				
Advances	104,549			104,549
Restricted for:				
General government			462,656	462,656
Public safety			1,436,353	1,436,353
Public works		982,874	3,242,442	4,225,316
Health and welfare			152,571	152,571
Culture and recreation			251,620	251,620
Economic development and assistance			281,346	281,346
Debt service			243,570	243,570
Committed to:				
Culture and recreation			270,078	270,078
Unassigned	7,517,649			7,517,649
Total Fund Balances	7,622,198	982,874	6,340,636	14,945,708
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 24,811,930	7,920,580	11,878,690	44,611,200

LAMAR COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2015

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 14,945,708
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 \$79,549,568.	127,735,420
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	451,243
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,748,997)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(27,824,450)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(27,468)
Some accrued receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,045,578
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	<u>5,093,352</u>
Total Net Position - Governmental Activities	\$ <u><u>113,670,386</u></u>

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

LAMAR COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2015

	Major Funds			
	General Fund	County wide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 14,497,071	5,434,097	5,099,740	25,030,908
Road and bridge privilege taxes		705,946		705,946
Licenses, commissions and other revenue	1,070,108		20,643	1,090,751
Fines and forfeitures	630,023		630,015	1,260,038
Intergovernmental revenues	2,858,649	726,958	1,890,829	5,476,436
Charges for services	117,133		581,023	698,156
Interest income	58,870	10,272	15,982	85,124
Miscellaneous revenues	479,118	1,617	100,295	581,030
Total Revenues	19,710,972	6,878,890	8,338,527	34,928,389
EXPENDITURES				
Current:				
General government	8,268,920		746,806	9,015,726
Public safety	7,015,950		4,599,894	11,615,844
Public works		7,160,902	3,951,229	11,112,131
Health and welfare	872,142		100,647	972,789
Culture and recreation	1,560,079		755,803	2,315,882
Conservation of natural resources	125,420			125,420
Economic development and assistance	328,940		139,963	468,903
Debt service:				
Principal	330,000	114,934	670,250	1,115,184
Interest	84,726	5,251	103,954	193,931
Total Expenditures	18,586,177	7,281,087	11,068,546	36,935,810
Excess of Revenues over (under) Expenditures	1,124,795	(402,197)	(2,730,019)	(2,007,421)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			240,000	240,000
Proceeds from sale of capital assets	14,095		62,466	76,561
Transfers in	134,692	11,065	1,905,123	2,050,880
Transfers out	(1,786,010)		(264,870)	(2,050,880)
Total Other Financing Sources and Uses	(1,637,223)	11,065	1,942,719	316,561
Net Changes in Fund Balances	(512,428)	(391,132)	(787,300)	(1,690,860)
Fund Balances - Beginning, as previously reported	8,103,588	1,374,006	7,082,642	16,560,236
Prior period adjustments	31,038		45,294	76,332
Fund Balances - Beginning, as restated	8,134,626	1,374,006	7,127,936	16,636,568
Fund Balances - Ending	\$ 7,622,198	982,874	6,340,636	14,945,708

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

LAMAR COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2015

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,690,860)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$6,794,230 exceeded capital outlays of \$4,502,119 in the current period.	(2,292,111)
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 \$47,435 and the proceeds from the sale of \$76,561 in the current period.	(29,126)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	17,169
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$1,115,184 exceeded debt proceeds of \$240,000.	875,184
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 increase in compensated absences payable	(78,143)
The decrease in accrued interest payable	12,497
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(3,395,904)
Recording of contributions made during the year.	1,810,441
Under the modified accrual basis of accounting used in the Governmental Funds, only current financial resources are reported as revenues. However, in the Statement of Activities, which is presented on the accrual basis, revenues are reported when earned, regardless of when the revenues are available. Thus, the change in net position differs from the change in fund balances by the amount of revenues that were deferred in the Governmental Funds.	171,911
Due to Rounding	<u>5</u>
Change in Net Position of Governmental Activities	<u>\$ (4,598,937)</u>

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

LAMAR COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2015

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 279,973
Due from other funds	<u>18,936</u>
Total Assets	<u>\$ 298,909</u>
LIABILITIES	
Amounts held in custody for others	\$ 11,789
Other liabilities	104,250
Intergovernmental payables	26,680
Due to other funds	<u>156,190</u>
Total Liabilities	<u>\$ 298,909</u>

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

LAMAR COUNTY

(This page left blank intentionally.)

LAMAR COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lamar County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Lamar 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 the County's component units necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- Lamar County Economic Development District
- Lamar County Library Association
- Northeast Lamar Fire Protection District
- Pine Ridge Fire Protection District
- Central Lamar Fire Protection District
- Southwest Lamar Fire Protection District
- Oak Grove Fire Protection District
- Beaver Lake Fire Protection District
- Oloh Fire Protection District
- Southeast Lamar Fire Protection District
- Rock Hill Fire Protection District

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

LAMAR COUNTY

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

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

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental 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 and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

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

The County reports the following major Governmental Funds:

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

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

FIDUCIARY FUND TYPE

LAMAR COUNTY

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

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

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

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

LAMAR COUNTY

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

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

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

I. Deferred Outflows/Inflows of Resources:

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

Deferred outflows related to pensions – This amount represents the County’s proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 11 for additional details.

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

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.

Unavailable revenue – grants – 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.

J. Pensions.

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

LAMAR COUNTY

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

K. Long-term Liabilities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

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

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.

LAMAR 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 expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

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

M. Property Tax Revenues.

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

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

N. Intergovernmental Revenues in Governmental Funds.

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

O. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. 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.

LAMAR COUNTY

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

P. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into the financial statements and notes.

(2) Prior Period Adjustments.

A summary of the significant fund equity adjustments is as follows:

Exhibit 2 – Statement of Activities - Governmental Activities.

Explanation	Amount
Implementation of GASB 68 and 71:	\$
Net Pension Liability as of 9/30/14	(21,539,909)
Deferred outflows - contributions	394,269
To correct prior year errors in capital assets, net.	(51,229)
To correct prior year errors in charges for services.	(36,269)
To correct prior year errors in interest expense.	11,121
To correct prior year errors in operating grants and contributions.	101,480
Total prior period adjustments	\$ (21,120,537)

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

Explanation	Amount
To correct prior year errors in licenses, commissions and other revenues.	\$ (36,269)
To correct prior year errors in interfund payables.	(30,000)
To correct prior year errors in interest expense.	11,121
To correct prior year errors in interfund receivables.	30,000
To correct prior year errors in intergovernmental revenues.	101,480
Total prior period adjustments	\$ 76,332

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$17,330,211, and the bank balance was \$17,744,944. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

LAMAR COUNTY

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

(4) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Countywide Road Maintenance Fund	\$ 75,101
General Fund	Other Governmental Funds	65,990
General Fund	Agency Funds	69,773
Countywide Road Maintenance Fund	General Fund	143,564
Countywide Road Maintenance Fund	Agency Funds	43,403
Other Governmental Funds	General Fund	77,706
Other Governmental Funds	Countywide Road Maintenance Fund	21,333
Other Governmental Funds	Other Governmental Funds	27,000
Other Governmental Funds	Agency Funds	43,014
Agency Funds	General Fund	14,144
Agency Funds	Countywide Road Maintenance Fund	4,792
Total		<u>\$ 585,820</u>

A portion of the receivables represents errors in the posting of revenue, overpayments to the workers' compensation fund and temporary loans pending receipt of grant reimbursements. The remaining amount represents the tax revenue collected in September, 2015, but not settled until October, 2015. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Countywide Road Maintenance Fund	\$ 74,549
General Fund	Other Governmental Funds	30,000
Other Governmental Funds	Countywide Road Maintenance Fund	20,986
Total		<u>\$ 125,535</u>

The amount payable from the Countywide Road Maintenance Fund represents errors in posting revenue in prior years; the amount payable from Other Governmental Funds represents temporary loans made in prior years pending receipt of grant reimbursements. All balances are expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 134,692
Countywide Road Maintenance Fund	Other Governmental Funds	11,065
Other Governmental Funds	General Fund	1,786,010
Other Governmental Funds	Other Governmental Funds	119,113
Total		<u>\$ 2,050,880</u>

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

LAMAR COUNTY

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2015, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 417,121
Disaster grants - public assistance grant (presidentially declared disasters) - 2013 tornado damage	873,667
Disaster grants - public assistance grant (presidentially declared disasters) - dam repair	157,768
Highway planning and construction reimbursement	208,344
Department of Public Safety reimbursement	114,137
Reimbursement for housing prisoners	32,457
State Aid Road reimbursement	10,673
Other grant reimbursements	27,566
Total Governmental Activities	<u>\$ 1,841,733</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2015:

Governmental activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments*	Balance Sept. 30, 2015
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,228,662	31,060	100	(25,381)	1,234,241
Construction in progress	5,328,116	2,482,896		(681,354)	7,129,658
Total non-depreciable capital assets	<u>6,556,778</u>	<u>2,513,956</u>	<u>100</u>	<u>(706,735)</u>	<u>8,363,899</u>
<u>Depreciable capital assets:</u>					
Infrastructure	150,242,692			363,342	150,606,034
Buildings	26,765,464	150,000		318,008	27,233,472
Improvements other than buildings	237,169	163,634			400,803
Mobile equipment	16,546,617	1,139,912	290,246	(86,744)	17,309,539
Furniture and equipment	2,536,783	267,640		(178,824)	2,625,599
Leased property under capital leases	566,700	266,977		(88,035)	745,642
Total depreciable capital assets	<u>196,895,425</u>	<u>1,988,163</u>	<u>290,246</u>	<u>327,747</u>	<u>198,921,089</u>
<u>Less accumulated depreciated for:</u>					
Infrastructure	53,654,143	5,084,680			58,738,823
Buildings	4,690,282	543,148			5,233,430
Improvements other than buildings	138,338	16,024			154,362
Mobile equipment	12,576,117	917,812	261,220	(74,726)	13,157,983
Furniture and equipment	2,068,529	129,347		(173,802)	2,024,074
Leased property under capital leases	216,908	103,219		(79,231)	240,896
Total accumulated depreciation	<u>73,344,317</u>	<u>6,794,230</u>	<u>261,220</u>	<u>(327,759)</u>	<u>79,549,568</u>
Total depreciable capital assets, net	<u>123,551,108</u>	<u>(4,806,067)</u>	<u>29,026</u>	<u>655,506</u>	<u>119,371,521</u>
Governmental activities capital assets, net	<u>\$ 130,107,886</u>	<u>(2,292,111)</u>	<u>29,126</u>	<u>(51,229)</u>	<u>127,735,420</u>

*Adjustments are to correct errors in the capital asset records and to reflect certain routine reclassifications of paid off capital leases and completed construction in progress.

LAMAR COUNTY

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

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 489,533
Public safety	676,667
Public works	5,506,514
Health and welfare	12,314
Culture and recreation	42,084
Economic development and assistance	67,118
Total governmental activities depreciation expense	\$ 6,794,230

Commitments with respect to unfinished capital projects at September 30, 2015, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Simms Road Bridge	\$ 4,302	December, 2015
Emergency Management Building Addition	66,816	January, 2016
Purvis-Baxterville Road Rerouting	19,051	February, 2016
Optimist Park Pedestrian Trail	4,472	April, 2016

As of September 30, 2015, the County had the following commitments:

On October 16, 2001, the Lamar County Board of Supervisors entered into a tax pledge agreement with the City of Hattiesburg to finance the City's Tax Increment Limited Obligation Bonds. The bonds were issued for the development and construction of necessary infrastructure improvements located within the city and county in the amount of \$1,000,000. The County pledged to provide annual payments equal to the lesser of (a) \$40,000 per year or (b) one-half the debt service payments on the City's Tax Increment Limited Obligation Bonds. The amount paid was \$30,220 in the 2015 fiscal year. The County's payments are paid annually from the revenues generated by tax increment financing.

On June 24, 2004, the Lamar County Board of Supervisors entered into a tax pledge agreement with the City of Hattiesburg to finance the City's Tax Increment Limited Obligation Bonds in the amount of \$4,500,000. The bonds were issued for the construction of various infrastructure improvements in connection with the Turtle Creek Crossing Project located within the city and county. The County pledged to pay an amount sufficient to pay 25% of the principal and interest on the bonds. The amount paid was \$114,415 in the 2015 fiscal year. The County's payments are paid annually from the revenues generated by tax increment financing.

On July 7, 2014, the Lamar County Board of Supervisors entered into a tax pledge agreement with the City of Hattiesburg to finance the City's Tax Increment Limited Obligation Bonds in the amount of \$715,000. The bonds were issued for the construction of various infrastructure improvements in connection with the Turtle Creek Commons Project located within the city and county. The County pledged to pay an amount sufficient to pay one-third of the principal and interest on the bonds. The amount paid was \$31,281 in the 2015 fiscal year. The County's payments are paid annually from the revenues generated by tax increment financing.

(7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the

LAMAR COUNTY

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

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.

Claims and Judgments Payable.

On August 29, 2013, Lamar County, Mississippi was ordered to pay \$337,088 plus interest by court order of the Chancery Court of Forrest County, Mississippi as judgment in a lawsuit against the County. On September 13, 2013, Lamar County paid \$337,088 plus interest to date of \$40,949 to the plaintiff in accordance with the court order. However, on January 9, 2014, these checks were returned to the County by the plaintiff, and the plaintiff subsequently appealed the case to the Mississippi Supreme Court. The County voided these returned checks as cancelled warrants on January 31, 2014. The expenditure is deemed valid by the County in the September 30, 2013 fiscal year as the County in good faith followed the instructions provided by the order of the court. To account for the County's payments being subsequently returned, an entry was made to record the cash in the bank in the 2013 fiscal year, and report a claims and judgments payable for the \$378,037 owed. On March 23, 2015, the County issued checks for \$337,088 plus interest of \$40,949 to the plaintiff. Because the County's checks are not honored unless they are presented within ninety days of the date issued, the checks issued in March 2015 were voided by the County and replacement checks for the same amounts were issued on March 15, 2016, and were presented by the plaintiff for payment on March 21, 2016.

(8) Operating Leases.

As Lessor:

On September 3, 2002, Lamar County entered into a non-cancellable operating lease agreement with Parthenon Envelope, LLC for the lease of certain real property and all buildings and improvements located thereon, owned by the County for use as a manufacturing facility. The operating lease was amended on December 26, 2012. This amendment stipulated that the lessee would pay \$2,500 per month in lease payments commencing July 1, 2012, for a term of ten years. At the end of the lease term, Parthenon Envelope, LLC has the right to renew for an additional ten years. Total income from the lease was \$30,000 for the year ended September 30, 2015. The future minimum lease receivables for this lease is as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2016	\$ 30,000
2017	30,000
2018	30,000
2019	30,000
2020	30,000
2021 - 2025	<u>52,500</u>
Total Minimum Payments Required	\$ <u><u>202,500</u></u>

As Lessee:

On July 17, 2014, Lamar County, along with the City of Hattiesburg, entered into a non-cancellable operating lease agreement with Palm Property and Development, LLC for the lease of commercial property owned by Palm Property and Development, LLC for the sole purpose of operating a Mississippi driver's license renewal station. The operating lease stipulated that the lessee would pay \$2,200 per month in lease payments, commencing August 1, 2014, for a term of ten years, with the County obligated to pay one-half, or \$1,100 per month. At the end of the lease term, the County and City have the option to renew the lease for an additional five-year term, subject to approval by Palm Property and Development, LLC. The total cost to the County for this lease was \$14,300 for the year ended September 30, 2015.

LAMAR COUNTY

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

The future minimum lease payments for this lease are as follows:

<u>Year Ending September 30</u>		<u>Amount</u>
2016	\$	13,200
2017		13,200
2018		13,200
2019		13,200
2020		13,200
2021 - 2025		<u>50,600</u>
Total Minimum Payments Required	\$	<u>116,600</u>

(9) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

<u>Classes of Property</u>		<u>Governmental Activities</u>
Mobile equipment	\$	745,642
Less: Accumulated depreciation		<u>(240,896)</u>
Leased Property Under Capital Leases	\$	<u>504,746</u>

The following is a schedule by years of the total payments due as of September 30, 2015:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 147,687	11,502
2017	149,762	9,428
2018	32,337	6,669
2019	33,350	5,656
2020	34,398	4,609
2021 - 2025	<u>127,821</u>	<u>10,776</u>
Total	\$ <u>525,355</u>	<u>48,640</u>

(10) Other Postemployment Benefits.

Plan Description

The Lamar County 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 Lamar County Board of Supervisors. The County 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 postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the Plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

LAMAR COUNTY

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

(11) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Lamar 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.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 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 employer's rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2015, 2014 and 2013 were \$1,810,441, \$1,707,573 and \$1,564,756, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the County reported a liability of \$27,824,450 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the County's proportion was 0.18 percent, which was an increase of 0.002544 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$3,395,904. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LAMAR COUNTY

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

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 428,204
Net difference between projected and actual earnings on pension plan investments	1,628,028
Changes of assumptions	2,396,981
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	216,814
County contributions subsequent to the measurement date	423,325
Total	\$ 5,093,352

\$423,325 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:

2016	\$ 1,525,389
2017	1,525,389
2018	1,212,242
2019	407,007
Total	\$ 4,670,027

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

LAMAR COUNTY

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34.00 %	5.20 %
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
Total	<u>100.00 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1- percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
County's proportionate share of the net pension liability	\$ 36,675,175	27,824,450	20,480,004

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

LAMAR COUNTY

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

(12) Long-term Debt.

Debt outstanding as of September 30, 2015, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
2012 G.O. Bonds - Courthouse	\$ 2,220,000	2.00%	09/2022
Lamar County G.O. Refunding Bonds, Series 2010	2,205,000	3.95%	08/2021
Lamar County G.O. Refunding Bonds - Fire Trucks	<u>960,000</u>	2.05%	04/2022
Total General Obligation Bonds	<u>\$ 5,385,000</u>		
B. Capital Leases:			
2005 fire rescue truck	\$ 50,289	3.97%	01/2020
(2) International knuckle boom loader/D5K dozers	235,066	1.49%	06/2017
2015 International fire truck with tanker	<u>240,000</u>	2.76%	07/2025
Total Capital Leases	<u>\$ 525,355</u>		
C. Other Loans:			
Capital improvement loan (Central Lamar fire truck)	\$ 137,694	3.00%	10/2028
Southwest fire station	32,329	2.00%	12/2030
Hickory Grove pumper	84,116	2.00%	01/2023
Oloh fire station	91,200	2.00%	02/2031
Northeast fire station	111,882	2.00%	03/2031
Southwest CAP loan	39,748	2.00%	11/2030
Southwest fire station	53,985	2.00%	11/2030
Hickory Grove fire station	52,110	2.00%	11/2030
Pine Ridge fire station	42,316	2.00%	12/2030
Central Lamar CAP loan	94,975	2.00%	12/2031
Rockhill CAP loan	78,777	2.00%	05/2032
Beaver Lake fire truck	77,080	2.00%	06/2022
Northeast fire aerial unit	<u>223,852</u>	2.00%	06/2022
Total Other Loans	<u>\$ 1,120,064</u>		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2016	\$ 750,000	133,731	103,521	23,426
2017	775,000	116,554	105,725	21,223
2018	800,000	98,126	107,976	18,972
2019	820,000	77,639	110,276	16,671
2020	855,000	55,471	112,626	14,321
2021 - 2025	1,385,000	38,468	373,610	41,938
2026 - 2030	-	-	204,725	10,387
2031 - 2035	-	-	1,605	23
Total	<u>\$ 5,385,000</u>	<u>519,989</u>	<u>1,120,064</u>	<u>146,961</u>

LAMAR COUNTY

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

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 equal to 0.93% of the latest property assessments.

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

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 640,435	78,143		718,578	
General obligation bonds	6,110,000		725,000	5,385,000	750,000
Capital leases	422,304	240,000	136,949	525,355	147,687
Other loans	1,373,299		253,235	1,120,064	103,521
Total	\$ 8,546,038	318,143	1,115,184	7,748,997	1,001,208

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, the Countywide Road Maintenance Fund, the Bridge Maintenance Fund, Sanitation and Fire District Coordination Fund.

(13) 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.

(14) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Lamar County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. The County has appropriated \$222,409 for its support in fiscal year 2015.

LAMAR COUNTY

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

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Lamar County Board of Supervisors appoints one of the nine members of the board of directors. The County appropriated \$85,000 for its support in fiscal year 2015.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Lamar County Board of Supervisors appoints one of the 27 members of the board of directors. The County appropriated \$42,915 for support of the district in fiscal year 2015.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Lamar County Board of Supervisors appoints two of the 16 members of the college board of trustees. The County appropriated \$975,225 for maintenance and support of the college in the fiscal year 2015.

Pearl and Leaf River Rails-to-Trails Recreational District operates in a district composed of the Counties of Forrest, Jefferson Davis and Lamar, and the Cities of Bassfield, Hattiesburg, Prentiss and Sumrall. The Lamar County Board of Supervisors appoints one of the seven members of the board of directors. Each entity provides the amount of support designed by statute which is one-half mill for each participating entity. The County appropriated \$114,100 for support of the district in fiscal year 2015.

(15) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Lamar County evaluated the activity of the County through September 8, 2017, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

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

<u>Issue</u>	<u>Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of</u>	<u>Financing</u>	<u>Source of</u>	<u>Financing</u>
07/21/2016		1.88%	\$ 402,462	Capital lease		Ad valorem taxes	

LAMAR COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LAMAR COUNTY

(This page left blank intentionally.)

LAMAR 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)
REVENUES				
Property taxes	\$ 13,684,200	14,505,113	14,505,113	
Licenses, commissions and other revenue	946,025	1,090,891	1,090,891	
Fines and forfeitures	627,500	681,695	681,695	
Intergovernmental revenues	2,638,000	2,663,126	2,673,206	10,080
Charges for services	124,000	84,676	84,676	
Interest income	45,250	57,261	57,261	
Miscellaneous revenues	457,000	623,933	623,933	
Total Revenues	<u>18,521,975</u>	<u>19,706,695</u>	<u>19,716,775</u>	<u>10,080</u>
EXPENDITURES				
Current:				
General government	9,823,594	8,734,425	8,734,425	
Public safety	6,765,223	6,750,512	6,750,512	
Health and welfare	818,355	916,395	916,395	
Culture and recreation	2,404,682	1,395,404	1,395,404	
Conservation of natural resources	136,534	134,090	134,090	
Economic development and assistance	479,549	341,809	341,809	
Principal	505,916	505,916	505,916	
Interest	84,627	84,726	84,726	
Total Expenditures	<u>21,018,480</u>	<u>18,863,277</u>	<u>18,863,277</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(2,496,505)</u>	<u>843,418</u>	<u>853,498</u>	<u>10,080</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		14,885	14,885	
Transfers in	1,195,000	173,892	173,892	
Transfers out	(1,589,200)	(1,864,484)	(1,864,484)	
Total Other Financing Sources and Uses	<u>(394,200)</u>	<u>(1,675,707)</u>	<u>(1,675,707)</u>	<u>0</u>
Net Change in Fund Balance	(2,890,705)	(832,289)	(822,209)	10,080
Fund Balances - Beginning	<u>3,493,487</u>	<u>8,353,959</u>	<u>8,353,959</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 602,782</u>	<u>7,521,670</u>	<u>7,531,750</u>	<u>10,080</u>

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

LAMAR COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Countywide Road Maintenance Fund
For the Year Ended September 30, 2015
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,118,000	5,437,112	5,437,112	
Road and bridge privilege taxes	600,000	705,400	705,400	
Intergovernmental revenues	792,000	984,755	984,755	
Interest income	4,000	9,997	9,997	
Miscellaneous revenues	400	1,619	1,619	
Total Revenues	<u>6,514,400</u>	<u>7,138,883</u>	<u>7,138,883</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	7,446,483	7,183,035	7,183,035	
Debt service:				
Principal	114,934	114,934	114,934	
Interest	5,251	5,251	5,251	
Total Expenditures	<u>7,566,668</u>	<u>7,303,220</u>	<u>7,303,220</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,052,268)</u>	<u>(164,337)</u>	<u>(164,337)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	60,000	9,725	9,725	
Transfers in	400,000	26,074	26,074	
Total Other Financing Sources and Uses	<u>460,000</u>	<u>35,799</u>	<u>35,799</u>	<u>0</u>
Net Change in Fund Balance	(592,268)	(128,538)	(128,538)	0
Fund Balances - Beginning	<u>511,521</u>	<u>1,205,354</u>	<u>1,205,354</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (80,747)</u>	<u>1,076,816</u>	<u>1,076,816</u>	<u>0</u>

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

LAMAR COUNTY
Schedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2015
UNAUDITED

	<u>2015</u>
County's proportion of the net pension liability (asset)	0.18%
County's proportionate share of the net pension liability (asset)	\$ 27,824,450
County's covered-employee payroll	\$ 11,310,419
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	246.01%
Plan fiduciary net position as a percentage of the total pension liability	61.70%

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

LAMAR COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2015
UNAUDITED

	<u>2015</u>
Contractually required contribution	\$ 1,810,441
Contributions in relation to the contractually required contribution	<u>1,810,441</u>
Contribution deficiency (excess)	<u>\$ 0</u>
County's covered-employee payroll	\$ 11,494,865
Contributions as a percentage of covered-employee payroll	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

LAMAR COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2015

UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>
Budget (Cash Basis)	\$ (822,209)	(128,538)
Increase (Decrease)		
Net adjustments for revenue accruals	(45,793)	(284,727)
Net adjustments for expenditure accruals	<u>355,574</u>	<u>22,133</u>
GAAP Basis	<u>\$ (512,428)</u>	<u>(391,132)</u>

LAMAR COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2015

UNAUDITED

Pension Schedules

A. Changes of assumptions.

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

LAMAR COUNTY

SUPPLEMENTARY INFORMATION

LAMAR COUNTY

(This page left blank intentionally.)

LAMAR COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Grantor Pass-through Grantor Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice			
Office of Violence Against Women			
Passed through the Mississippi Department of Public Safety			
Division of Public Safety Planning			
Recovery Act - Violence Against Women Formula Grants	16.588	13SP1371	\$ 59,651
Recovery Act - Violence Against Women Formula Grants	16.588	14SP1371	23,246
Subtotal			<u>82,897</u>
Bureau of Justice Assistance			
Passed through the Mississippi Department of Public Safety			
Division of Public Safety Planning			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13LB1371	<u>12,610</u>
Criminal Division (Direct Award)			
Equitable Sharing Program	16.922	MS0370000	<u>12,978</u>
Total U.S. Department of Justice			<u>108,485</u>
U.S. Department of Transportation			
Federal Highway Administration			
Passed through the Mississippi Department of Transportation			
Highway Planning and Construction*	20.205	BR NBIS 081 B(37)	20,650
		STP-0037-00(025) LPA/	
Highway Planning and Construction*	20.205	106712-701000	297,341
Subtotal			<u>317,991</u>
National Highway Traffic Safety Administration			
Passed through the Mississippi Department of Public Safety			
Division of Public Safety Planning			
State and Community Highway Safety	20.600	15-OP-137-1	6,402
Alcohol Open Container Requirements	20.607	15-ST-137-1	52,491
Subtotal			<u>58,893</u>
Total U.S. Department of Transportation			<u>376,884</u>
Executive Office of the President			
Passed through the Mississippi Department of Public Safety			
Bureau of Narcotics			
High Intensity Drug Trafficking Areas Program	95.001	G13GC0003A	4,439
High Intensity Drug Trafficking Areas Program	95.001	G14GC0003A	8,900
High Intensity Drug Trafficking Areas Program	95.001	G15GC0003A	143
Total Executive Office of the President			<u>13,482</u>

Federal Grantor Pass-through Grantor Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
Passed through the Mississippi Emergency Management Agency			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4081-DR-MS, PW 640	135,230
Emergency Management Performance Grants	97.042	EMW-2015-EP-00031-S01	46,338
Emergency Management Performance Grants	97.042	N/A	1,550
Subtotal			<u>183,118</u>
Passed through the Mississippi Department of Public Safety			
Office of Homeland Security			
Homeland Security Grant Program*	97.067	11HS037	24,000
Homeland Security Grant Program*	97.067	13HS037T	39,800
Homeland Security Grant Program*	97.067	A13HS037T	968
Homeland Security Grant Program*	97.067	S13HS037T	5,876
Homeland Security Grant Program*	97.067	13LE037	29,973
Homeland Security Grant Program*	97.067	14HS037T	15,000
Subtotal			<u>115,617</u>
Passed through the Northeast Lamar Fire Department			
Staffing for Adequate Fire and Emergency Response	97.083	EMS-2013-FH-00274	<u>44,230</u>
Total U.S. Department of Homeland Security			<u>342,965</u>
Total Expenditures of Federal Awards			<u>\$ 841,816</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

* Denotes major federal award program

LAMAR COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2015

Operating Expenditures, Cash Basis:

Salaries	\$	734,538
Expendable Commodities:		
Gasoline and petroleum products		102,358
Repair parts		31,867
Tires		24,731
Maintenance		19,268
Solid waste disposal fees		476,629
Uniforms		12,977
Telephone and utilities		7,307
Supplies		<u>16,108</u>

Solid Waste Cash Basis Operating Expenditures		1,425,783
---	--	-----------

Full Cost Expenses:

Indirect administrative costs		9,804
Depreciation on equipment		142,481
Net effect of other accrued expenses		<u>3,926</u>

Solid Waste Full Cost Operating Expenses	\$	<u><u>1,581,994</u></u>
--	----	-------------------------

LAMAR COUNTY

(This page left blank intentionally)

LAMAR COUNTY

OTHER INFORMATION

LAMAR COUNTY

(This page left blank intentionally)

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

Name	Position	Company	Bond
Mike Backstrom	Supervisor District 1	Ohio Casualty Insurance Company	\$100,000
Warren Byrd	Supervisor District 2	Ohio Casualty Insurance Company	\$100,000
Joe Bounds	Supervisor District 3	Ohio Casualty Insurance Company	\$100,000
Phillip Carlisle	Supervisor District 4	Ohio Casualty Insurance Company	\$100,000
Dale Lucus	Supervisor District 5	Ohio Casualty Insurance Company	\$100,000
Chuck Bennett	County Administrator	Ohio Casualty Insurance Company	\$100,000
Wayne Smith	Chancery Clerk	Ohio Casualty Insurance Company	\$100,000
Jordan Chiasson	Purchase Clerk	Ohio Casualty Insurance Company	\$75,000
Loretta Sones	Assistant Purchase Clerk	Ohio Casualty Insurance Company	\$50,000
Chuck Bennett	Assistant Purchase Clerk	Ohio Casualty Insurance Company	\$50,000
Jacqueline Pierce	Receiving Clerk	Ohio Casualty Insurance Company	\$75,000
Jeffery Clinton	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Mary Ann Hollingsworth	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Sharon Herrin	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Judy Anderson	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Condra Morrow	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Tara Coggins	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Curtis Jefferson	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Delane Martin	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Dean Smith	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Stanley Ray born	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Jane Hemby	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Robin Duncan	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Terry Bass	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Debra Collins	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Karlee Clinton	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Regina Breazeale	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Ryan Pigott	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Heather Strange	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Tom Lewis	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
John Bounds	Assistant Receiving Clerk	Ohio Casualty Insurance Company	\$50,000
Robert Byrd	Inventory Control Clerk	Ohio Casualty Insurance Company	\$75,000
Tommy Jones	Road Manager	Ohio Casualty Insurance Company	\$50,000
Wayne Hale	Constable	Ohio Casualty Insurance Company	\$50,000
Leighton Chance Curry	Constable	Ohio Casualty Insurance Company	\$50,000
Danny Edwards	Constable	Ohio Casualty Insurance Company	\$50,000
Leslie Wilson	Circuit Clerk	Ohio Casualty Insurance Company	\$100,000
Mary Ann Hollingsworth	Deputy Circuit Clerk	Ohio Casualty Insurance Company	\$50,000
Condra Morrow	Deputy Circuit Clerk	Ohio Casualty Insurance Company	\$50,000
Danny Rigel	Sheriff	Ohio Casualty Insurance Company	\$100,000
William Anderson	Justice Court Judge	Ohio Casualty Insurance Company	\$50,000
Denton Plumlee	Justice Court Judge	Ohio Casualty Insurance Company	\$50,000
Charles Greer	Justice Court Judge	Ohio Casualty Insurance Company	\$50,000
Sandra Owen Barrett	Justice Court Clerk	Ohio Casualty Insurance Company	\$50,000

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

Name	Position	Company	Bond
Malissa Cameron	Deputy Justice Court Clerk	Ohio Casualty Insurance Company	\$50,000
Jane Hemby	Deputy Justice Court Clerk	Ohio Casualty Insurance Company	\$50,000
Sonya Broome	Deputy Justice Court Clerk	Ohio Casualty Insurance Company	\$50,000
James "Jim" Perry	Deputy Justice Court Clerk	Ohio Casualty Insurance Company	\$50,000
Jason Alexander	Deputy Justice Court Clerk	Ohio Casualty Insurance Company	\$50,000
Adam Kessler	Deputy Justice Court Clerk	Ohio Casualty Insurance Company	\$50,000
Matthew Spears	Deputy Justice Court Clerk	Ohio Casualty Insurance Company	\$50,000
James "Mike" Purvis	Deputy Justice Court Clerk	Ohio Casualty Insurance Company	\$50,000
Brad Weathers	Deputy Justice Court Clerk	Ohio Casualty Insurance Company	\$50,000
Jimmie Smith	Deputy Justice Court Clerk	Ohio Casualty Insurance Company	\$50,000
Jack Smith	Tax Assessor-Collector	Ohio Casualty Insurance Company	\$100,000
Neta Williamson	Deputy Tax Collector	Ohio Casualty Insurance Company	\$50,000
Joan Adams	Deputy Tax Collector	Ohio Casualty Insurance Company	\$50,000
Linda Nicole Gipson	Deputy Tax Collector	Ohio Casualty Insurance Company	\$50,000
Mindy Bennett	Deputy Tax Collector	Ohio Casualty Insurance Company	\$50,000
Vanessa Robinson	Deputy Tax Collector	Ohio Casualty Insurance Company	\$50,000
Mary Hession	Deputy Tax Collector	Ohio Casualty Insurance Company	\$50,000
Debbie Sistrunk	Deputy Tax Collector	Ohio Casualty Insurance Company	\$50,000
Malaina Boutwell	Deputy Tax Collector	Ohio Casualty Insurance Company	\$50,000
Joanna Bryant	Deputy Tax Collector	Ohio Casualty Insurance Company	\$50,000
Cheryl Renee Faggard	Deputy Tax Collector	Ohio Casualty Insurance Company	\$50,000

LAMAR COUNTY

SPECIAL REPORTS

LAMAR COUNTY

(This page left blank intentionally.)



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
Lamar 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 Lamar 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 September 8, 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 generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is also qualified on the governmental activities because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lamar 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 Lamar County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2015-001, 2015-002, 2015-003 and 2015-004 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lamar 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 Lamar County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated September 8, 2017, included within this document.

Lamar County's Responses to Findings

Lamar County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lamar 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

September 8, 2017



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

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

Members of the Board of Supervisors
Lamar County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Lamar County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lamar County, Mississippi's major federal programs for the year ended September 30, 2015. Lamar County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Lamar County, Mississippi's compliance.

Opinion on Each of the Major Federal Programs

In our opinion, Lamar County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of Lamar County, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lamar County, Mississippi'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 the 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. 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Joe E. Mcknight CPA". The signature is fluid and cursive, with the first name "Joe" being the most prominent.

JOE E. MCKNIGHT CPA
Director, County Audit Section

September 8, 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
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Lamar County, Mississippi

We have examined Lamar County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2015. The Board of Supervisors of Lamar 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 Lamar 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, Lamar 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 Lamar County, Mississippi's compliance with the aforementioned requirements, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is written in a cursive, flowing style with a large initial "J" and "M".

JOE E. MCKNIGHT, CPA
Director, County Audit Section

September 8, 2017

LAMAR COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder

For the Year Ended September 30, 2015

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
11/24/14	Culvert and catch basin	\$ 11,583.00	Southern Waterworks Supply, Inc.	\$ 9,875.00	Dial Inc. was unable to meet purchase request.

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

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
07/07/2015	Doors, lighting and gates	\$ 116,700	Prime Logic, Inc.	Doors would not open properly, which created a safety issue.

LAMAR COUNTY

Schedule 3

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

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

LAMAR COUNTY

(This page left blank intentionally)



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
Lamar County, Mississippi

In planning and performing our audit of the financial statements of Lamar County, Mississippi for the year ended September 30, 2015, we considered Lamar 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 Lamar 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 September 8, 2017, on the financial statements of Lamar 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. The County should settle additional taxes on motor vehicle rentals to the appropriate tax districts.

Finding

Section 27-65-231(1), Miss. Code Ann. (1972), states that in addition to the sales tax imposed in Section 27-65-23, a tax at the rate of six percent (6%) of the gross proceeds derived from the rental of motor vehicles is levied on every person engaging in the business of renting motor vehicles under rental agreements with a term of not more than thirty (30) continuous days each, except that motor vehicles with a gross vehicle weight exceeding ten thousand (10,000) pounds shall be excluded from the measure of this tax. Paragraph 3 of the aforementioned statute goes on to state that within seven (7) days after receipt of the tax proceeds, the county shall apportion and pay such tax as follows: The site of the rental transaction from which tax proceeds were derived shall first be determined, and then the tax proceeds collected at a site shall be distributed among the county, municipality and school district of the site, as appropriate, in the same proportion and in the same manner that motor vehicle ad valorem taxes would be distributed among such taxing districts (based on their respective millage rates) if collected at the same time as the receipt of such proceeds and paid by a motor vehicle owner located at the same address as the site of the rental transaction. The results of our audit procedures disclosed that the County settled all of the proceeds of the additional tax on motor vehicle rentals to the County's General Fund. None of the taxes were distributed to the appropriate taxing districts. Failure to distribute the additional sales tax proceeds to the appropriate taxing districts is a direct violation of state statute and could result in the misappropriation of public funds.

Recommendation

The Board of Supervisors should implement controls to ensure the additional privilege taxes are settled to the appropriate taxing districts in accordance with state statute.

Board of Supervisors' Response

The Board of Supervisors will implement necessary controls to ensure taxes on motor vehicle rentals are settled to the appropriate tax districts.

2. The County should use a cafeteria plan provider approved by the Office of the State Auditor.

Finding

Section 25-17-9, Miss. Code Ann. (1972), specifies only cafeteria plan providers who appear on the most recent list compiled by the Office of the State Auditor shall provide administrative services related to cafeteria plans of local entities. The County contracted with an insurance company not on the list for fiscal year 2015. Failure to use approved cafeteria plan providers could result in the misuse of County funds.

Recommendation

The Board of Supervisors should consult the most recent list of cafeteria plan providers compiled by the Office of the State Auditor and select an approved plan provider to administer the County's cafeteria plan.

Board of Supervisors' Response

The Board of Supervisors has selected an approved plan provider to administer the cafeteria plan as of June 2016.

3. Lamar County should establish and test a disaster recovery process.

Finding

As reported in the prior two years' audit reports, during our review of the information systems controls of Lamar County ("the County"), we noted that the County has not established a disaster recovery process. As a result, Lamar 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.

Lamar County is currently using an automated system to perform daily back-ups of the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that 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 Lamar County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. We further recommend that Lamar 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

The IT Department is currently working on a written disaster recovery plan. In addition, the County has recently spent considerable expenses for restoration purposes in the event of a disaster including the purchase of 2 identical AS400 computers. The computers will be stored in a bank vault and used for disaster recovery. The plan will be to setup a regular quarterly disaster routine whereby all data is recovered on the 2 identical AS400 computers. In addition, the County is implementing cloud based storage for data.

4. Lamar County should perform a network security assessment.

Finding

Factors noted during the Information Technology General Control (ITGC) assessment at Lamar County indicate a network assessment is warranted.

Best business practices as well as standards for information technology provide various guidelines for frequency and criteria for performing network reviews. The Mississippi Enterprise Security Policy requires network reviews be performed, at minimum, every three years or more frequently whenever business situations change that might raise the level of risk for unauthorized access to an entity's data assets. Examples of such change criteria would be:

- A major change in the network topology
- Implementation of new financial applications
- Length of time since the last network review
- Recent network penetration or malware infection (and possible data loss) due to the activity of unauthorized parties
- Changes in support levels for hardware and software
- Lack of security event monitoring
- Insufficient anti-virus

Network reviews should include vulnerability scans as well as penetration tests. A vulnerability scan or assessment looks for known vulnerabilities in your systems and reports potential exposures, many times in the form of a risk assessment. A penetration test is designed to actually exploit weaknesses in the architecture of systems.

Hacks into networks, especially internet facing networks, are a common occurrence in today's information technology environment. Data breaches can cost breached entities fines, regulatory oversight, bad public relations, customer distrust and personnel time to correct issues caused by unauthorized access. Consequences can be both short-term (e.g., notification of breached parties) and long-term (e.g., lawsuits).

Recommendation

It is recommended that the County perform a network security assessment as soon as possible. All factors that might increase the risk of unauthorized access to an entity's data assets should be considered when determining the exact scope of the network review to be performed. This review should consist of risk assessments, vulnerability scans and penetration tests. These type tests should be conducted by qualified personnel that specialize in such assessments.

Board of Supervisors' Response

The County has implemented a Kaspersky Security Center. This program runs on a secure server within the County network. The function of this server is to update every computer with anti-virus software, as well as give real time updates of a computer's vulnerability. In addition, the County maintains a secure public facing network using the Cisco Firewall ASA.

The IT Department is in the process of closing all device vulnerabilities including wired and wireless. Once all these systems are in place, the County will have a network security assessment conducted from an authorized vendor. Target date: Q4, 2017.

5. Lamar County should expire all individual passwords on a periodic basis.

Finding

As reported in the prior two years' audit reports, a review of Lamar 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 a policy to be determined by the County using best business practices guidelines.

Recommendation

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

The IT Department will continue to improve the password expiration rate by creating a written policy whereby all passwords will expire on a regular basis.

As noted above, the IT Department is working on written policies to document and review this routine.

6. Lamar County should strengthen passwords.

Finding

As reported in the prior two years' audit reports, we noted that Lamar County is using some parameters associated with password strength that meet industry standard best practices. However, the County has some password parameters that do not meet these standards, thereby creating unnecessary risk for Lamar County Information Assets.

Recommendation

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

Board of Supervisors' Response

As noted above, the County is now maintaining strong passwords.

Moving forward, the IT Department plans to strengthen these password requirements where necessary. This will include using a minimum of 8 digits (combinations of numbers, letters and special characters).

7. The County should create a rotation of backups offsite.

Finding

Lamar County is currently using an automated system to perform daily back-ups of the AS400. Upon clarification of the backup processes, it was determined that the tapes should be taken offsite, as no other copy of the County's data was being stored at an off-site location. Without proper off-site storage of back-up files and applications, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that Lamar County implement a plan to ensure that all back-up files are taken offsite on a regular basis and stored in a safe and secure location. This process should be documented in the County's Disaster Recovery Plan. With close proximity of a bank it would be convenient and safe to place the backup tapes in the night deposit drop and then place them in a safe deposit box the next day. It is further recommended that tapes be kept at the bank for several days (e.g. two weeks), in case of a disaster situation that required recovery and problems in reading recovery tapes were experienced.

Board of Supervisors' Response

The County is currently taking AS400 daily back-up tapes offsite. The AS400 is located in the data center on the 2nd floor Chancery Courthouse. It is a daily routine for one of the IT Department members to rotate (or change) the backup tape. That tape is stored in a bank vault that is located in a separate building from the Chancery Courthouse data center.

In addition, the IT Department creates a quarterly "full system save" tape. Those tapes are also stored in a bank vault that is located in a separate building from the Chancery Courthouse.

The Tax AS400 daily back-up tapes are also rotated and stored in a bank vault.

8. The County should implement a formal Information Security Policy.

Finding

Although Lamar County has adopted a formal information security policy, it should be reviewed and updated to meet current standards. The lack of an updated 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 the County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that the 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 the County's Board of 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

As stated, the County does maintain an "Acceptable Use" policy. This policy has been signed by every current employee. The Human Resources Department maintains a copy of the policy and makes sure that all new employees read and sign the document.

Moving forward, the IT Department will continue to modify the document adding critical information such as backup/recovery, security, and disaster recovery procedures.

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

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

A handwritten signature in black ink, appearing to read "Joe E. Mcknight". The signature is fluid and cursive, with the first name "Joe" being the most prominent.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

September 8, 2017

LAMAR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAMAR COUNTY

(This page left blank intentionally)

LAMAR COUNTY

Schedule of Findings and Questioned Costs
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	Qualified
Aggregate discretely presented component units	Adverse
General Fund	Unmodified
Countywide Road Maintenance Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:

a. Material weaknesses identified?	Yes
b. Significant deficiency identified?	None Reported
3. Noncompliance material to the financial statements noted? No

Federal Awards:

4. Internal control over major federal programs:

a. Material weaknesses identified?	No
b. Significant deficiency identified?	None Reported
5. Type of auditor's report issued on compliance for major federal programs: Unmodified
6. Any audit finding(s) disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133? No
7. Identification of major federal programs:

a. CFDA #20.205, Highway Planning and Construction
b. CFDA #97.067, Homeland Security Grant Program
8. Dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee? No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2015-001. Financial data for component units should be included in the financial statements.

Finding

Generally accepted accounting principles require the financial data for the County's component units be reported with the financial data of the County's primary government unless the County also issued financial statements for the reporting entity that includes the financial data for its component units. As reported in the prior seven years' audit reports, the financial statements do not include the financial data for the County's

LAMAR COUNTY

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

legally separate component units. The failure to follow generally accepted accounting principles resulted in an adverse opinion on the aggregate discretely presented component units' opinion unit.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for inclusion in the County's financial statements.

Board of Supervisors' Response

The Board of Supervisors does not feel that the cost associated with providing financial data for its separate component units outweighs the effects of accepting an adverse opinion.

Material Weakness

2015-002. Liability for postemployment benefits not recorded and note disclosures for postemployment benefits not reported.

Finding

Lamar County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage to active employees and retirees through the County's health insurance 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 postemployment healthcare benefit reportable under GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as a single-employer defined benefit health care plan. GASB Statement No. 45 requires the County to report on an accrual basis the liability associated with other postemployment benefits. The County does not issue a publicly available financial report for its health insurance plan. Also, as reported in the prior six years' audit reports, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The failure to follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities.

Recommendation

The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosure can be made in accordance with accounting principles generally accepted in the United States of America.

Board of Supervisors' Response

The Board of Supervisors does not feel that the cost associated with providing financial data associated with its retirement benefits outweighs the effects of accepting a qualified opinion.

Material Weakness

2015-003. The County should establish controls to ensure the Schedule of Expenditures of Federal Awards is accurately prepared.

Finding

An effective system of internal control over federal award programs should include adequate subsidiary records documenting all revenues, expenditures, and identifying information for each federal award received. As a result of the audit procedures performed, the following deficiencies were noted in the Schedule of Expenditures of Federal Awards (the Schedule):

LAMAR COUNTY

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

- a. The CFDA number, program title and/or pass-through entity were reported incorrectly for eight programs on the Schedule.
- b. Three programs with total federal expenditures of \$109,357 were omitted from the Schedule.
- c. Of the programs included on the Schedule, five awards with total expenditures of \$32,394 were omitted.
- d. Of the programs and award included on the Schedule, expenditures were misstated by a total of \$53,857.

These errors were the result of the County's lack of subsidiary records documenting the details and transactions relative to federal awards, compounded by a lack of communication between the various County departments receiving and administering federal awards and the County's management. The failure to maintain adequate records increases the likelihood of (1) reporting incorrect amounts for federal expenditures; (2) reporting incorrect grantors, pass-through entities, and award identifying information; and (3) improperly including or excluding a federal program on the Schedule of Expenditures of Federal Awards.

Recommendation

The County should maintain adequate subsidiary records documenting all revenues, expenditures, and other relative details of each federal award received, whether directly or indirectly through another entity. The County should also develop a process through which appropriate members of the County's management are made aware of the federal awards received by the County's departments.

Board of Supervisors' Response

The Board of Supervisors will implement necessary controls to ensure the SEFA schedule is accurately prepared.

Material Weakness.

- 2015-004. The County should separately account for the incremental ad valorem taxes on property included in tax-increment financing plans.

Finding

Lamar County is party to several interlocal agreements with the City of Hattiesburg, in which the County has pledged, subject to certain limitations, the incremental increase in ad valorem taxes generated by the projects as additional security for debt service on bonds issued by the City for purposes of financing infrastructure improvements. The County has not separately accounted for the incremental ad valorem tax revenue generated by the projects financed. Therefore, it was not possible to determine whether the incremental increases in ad valorem taxes were sufficient to pay the required debt service payments.

Recommendation

The County should establish a system to account for the incremental ad valorem tax revenue generated by the financed projects to ensure that the incremental increases in ad valorem taxes are sufficient to pay the required debt service payments.

Board of Supervisors' Response

We will comply.