

LAUDERDALE COUNTY, MISSISSIPPI

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

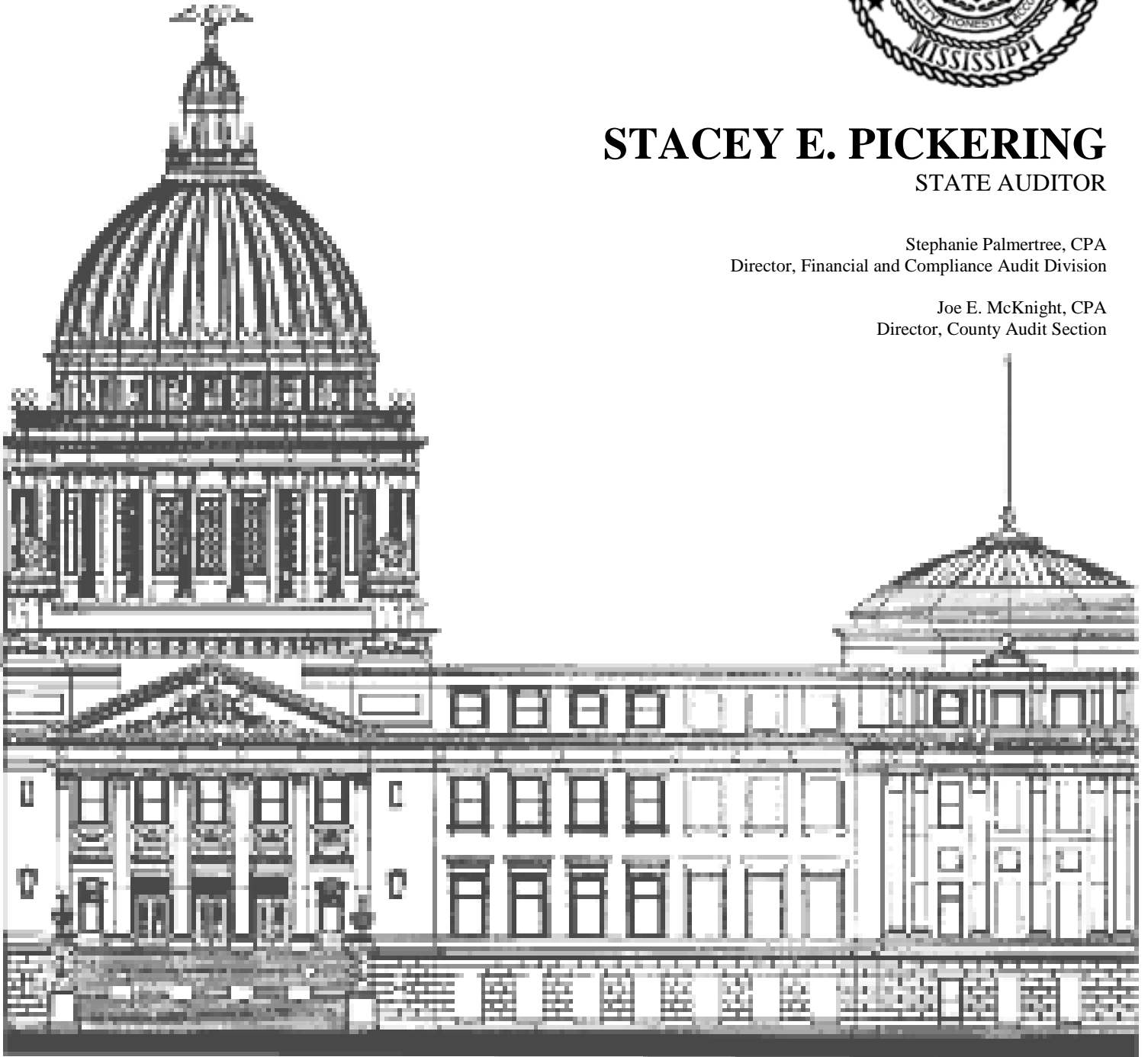


STACEY E. PICKERING

STATE AUDITOR

Stephanie Palmertree, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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

May 12, 2017

Members of the Board of Supervisors
Lauderdale County, Mississippi

Dear Board Members:

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", written in a cursive style.

Stacey E. Pickering
State Auditor

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

FINANCIAL SECTION

LAUDERDALE COUNTY

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Lauderdale County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lauderdale County, Mississippi, (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lauderdale County, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes, 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2017 on our consideration of Lauderdale County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lauderdale County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 12, 2017

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

FINANCIAL STATEMENTS

LAUDERDALE COUNTY

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LAUDERDALE COUNTY
Statement of Net Position
September 30, 2015

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	County Tourism Commission	Meridian Lauderdale County Public Library
ASSETS					
Cash	\$ 21,814,892	563,858	22,378,750	745,501	3,868,787
Investments					5,841
Property tax receivable	25,991,070		25,991,070		
Accounts receivable (net of allowance for uncollectibles of \$ 847,254)	317,656	793,571	1,111,227	136,129	
Fines receivable (net of allowance for uncollectibles of \$ 6,914,929)	279,242		279,242		
Intergovernmental receivables	692,365		692,365		
Other receivables	5,232		5,232		90
Internal balances	(390)	390			
Inventories and prepaid items		229,333	229,333		8,007
Capital assets:					
Land and construction in progress	17,517,102		17,517,102		
Other capital assets, net	88,962,986	976,107	89,939,093	12,129	344,526
Total Assets	155,580,155	2,563,259	158,143,414	893,759	4,227,251
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	4,880,476	586,189	5,466,665		198,620
Deferred amount on refunding	2,229,170		2,229,170		
Total Deferred Outflows of Resources	7,109,646	586,189	7,695,835	0	198,620
LIABILITIES					
Claims payable	1,570,710		1,570,710	51,299	1,895
Intergovernmental payables	845,604		845,604		
Accrued expenses					22,428
Accrued interest payable	85,111		85,111		
Unearned revenue		67,124	67,124		
Amounts held in custody for others	475,457		475,457		
Other payables	38,670	164,368	203,038		
Long-term liabilities					
Net pension liability	27,268,734	6,183,211	33,451,945		1,150,850
Due within one year:					
Capital debt	3,604,303		3,604,303		
Non-capital debt	460,681		460,681		
Due in more than one year:					
Capital debt	30,743,257		30,743,257		
Non-capital debt	2,182,113	145,455	2,327,568	13,317	
Total Liabilities	67,274,640	6,560,158	73,834,798	64,616	1,175,173
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions		132,857	132,857		48,926
Deferred revenues - property taxes	25,991,070		25,991,070		
Total deferred inflows of resources	25,991,070	132,857	26,123,927	0	48,926

LAUDERDALE COUNTY
Statement of Net Position
September 30, 2015

Exhibit 1 - Cont'd

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	County Tourism Commission	Meridian Lauderdale County Public Library
NET POSITION					
Net investment in capital assets	74,317,005	976,107	75,293,112	12,129	344,526
Restricted for:					
Expendable:					
General government	1,037,329		1,037,329		
Public safety	697,308		697,308		
Public works	8,123,401		8,123,401		
Culture and recreation	93,713		93,713		
Economic development and assistance	939,845		939,845		
Unemployment compensation			0		10,050
Debt service	1,835,576		1,835,576		
Other purposes			0		381,364
Unrestricted	(17,620,087)	(4,519,674)	(22,139,761)	817,014	2,465,832
Total Net Position	\$ 69,424,090	(3,543,567)	65,880,523	829,143	3,201,772

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

LAUDERDALE 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			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			County Tourism Commission	Meridian-Lauderdale County Public Library
					Governmental Activities	Business-type Activities	Total		
Primary government:									
Governmental activities:									
General government	\$ 8,369,796	1,889,989	294,891		(6,184,916)		(6,184,916)		
Public safety	10,148,168	1,762,231	812,672	97,900	(7,475,365)		(7,475,365)		
Public works	10,531,755	1,340,239	995,325	372,405	(7,823,786)		(7,823,786)		
Health and welfare	951,091		186,632		(764,459)		(764,459)		
Culture and recreation	801,738		100,000		(701,738)		(701,738)		
Conservation of natural resources	99,652				(99,652)		(99,652)		
Economic development and assistance	869,699			795,674	(74,025)		(74,025)		
Interest on long-term debt	1,247,079				(1,247,079)		(1,247,079)		
Fiscal agents' fees	28,060				(28,060)		(28,060)		
Pension expense	3,283,973				(3,283,973)		(3,283,973)		
Total Governmental Activities	<u>36,331,011</u>	<u>4,992,459</u>	<u>2,389,520</u>	<u>1,265,979</u>	<u>(27,683,053)</u>		<u>(27,683,053)</u>		
Business-type activities:									
Metro Ambulance	<u>7,659,847</u>	<u>7,469,037</u>				(190,810)	(190,810)		
Total Business-type Activities	<u>7,659,847</u>	<u>7,469,037</u>	<u>0</u>	<u>0</u>		<u>(190,810)</u>	<u>(190,810)</u>		
Total Primary Government	<u>\$ 43,990,858</u>	<u>12,461,496</u>	<u>2,389,520</u>	<u>1,265,979</u>	<u>(27,683,053)</u>	<u>(190,810)</u>	<u>(27,873,863)</u>		
Component units:									
County Tourism Commission	\$ 634,113	783,208						149,095	
Meridian-Lauderdale County Public Library	<u>1,065,303</u>	<u>38,146</u>	<u>194,610</u>	<u>1,351</u>					(831,196)
Total Component Units	<u>\$ 1,699,416</u>	<u>821,354</u>	<u>194,610</u>	<u>1,351</u>				<u>149,095</u>	<u>(831,196)</u>

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

Exhibit 2 - Cont'd

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			County Tourism Commission	Meridian-Lauderdale County Public Library
					Governmental Activities	Business-type Activities	Total		
General revenues:									
Property taxes					\$ 26,134,182	33,499	26,167,681		
Road & bridge privilege taxes					832,159		832,159		
Grants and contributions not restricted to specific programs					1,714,120		1,714,120		965,628
Unrestricted interest income					55,081	479	55,560		13,275
Miscellaneous					1,128,090	280,025	1,408,115		10,156
Transfers								(100,000)	
Total General Revenues, Contributions, Special Item, Extraordinary Item and Transfers					29,863,632	314,003	30,177,635	(100,000)	989,059
Changes in Net Position					2,180,579	123,193	2,303,772	49,095	157,863
Net Position - Beginning, as previously reported					88,401,250	1,744,190	90,145,440	780,048	3,823,396
Prior period adjustment(s)					(21,157,739)	(5,410,950)	(26,568,689)		(779,487)
Net Position - Beginning, as restated					67,243,511	(3,666,760)	63,576,751	780,048	3,043,909
Net Position - Ending					\$ 69,424,090	(3,543,567)	65,880,523	829,143	3,201,772

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

LAUDERDALE COUNTY
Balance Sheet - Governmental Funds
September 30, 2015

Exhibit 3

	Major Funds			Other	Total
	General	County Road	Combined	Governmental	Governmental
	Fund	Maintenance	GO Debt	Funds	Funds
		Fund	Fund		
ASSETS					
Cash	\$ 8,388,379	2,782,067	1,613,919	9,030,527	21,814,892
Property tax receivable	13,541,295	1,798,000	5,047,400	5,604,375	25,991,070
Accounts receivable (net of allowance for uncollectibles of \$ 847,254)				317,656	317,656
Fines receivable (net of allowance for uncollectibles of \$ 6,914,929)	279,242				279,242
Intergovernmental receivables	559,799			132,566	692,365
Other receivables	5,232				5,232
Due from other funds	15,250	88,293	59,368	103,179	266,090
Advances to other funds	141,000				141,000
Total Assets	\$ 22,930,197	4,668,360	6,720,687	15,188,303	49,507,547
LIABILITIES					
Liabilities:					
Claims payable	\$ 674,244	223,565		672,901	1,570,710
Intergovernmental payables	806,299			13,525	819,824
Due to other funds	277,010			15,250	292,260
Advances from other funds				141,000	141,000
Amounts held in custody for others	475,457				475,457
Other payables	38,670				38,670
Total Liabilities	\$ 2,271,680	223,565	0	842,676	3,337,921
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	13,541,295	1,798,000	5,047,400	5,604,375	25,991,070
Unavailable revenue - accounts receivable				317,656	317,656
Unavailable revenue - fines	279,242				279,242
Total deferred inflows of resources	\$ 13,820,537	1,798,000	5,047,400	5,922,031	26,587,968
Fund balances:					
Nonspendable:					
Advances	141,000				141,000
Restricted for:					
General government				1,037,329	1,037,329
Public safety				697,308	697,308
Public works		2,646,795		5,158,950	7,805,745
Culture and recreation				93,713	93,713
Economic development and assistance				939,845	939,845
Debt service			1,673,287	247,400	1,920,687
Committed to:					
Public safety				239,918	239,918
Assigned to:					
Public safety				12,924	12,924
Unassigned	6,696,980			(3,791)	6,693,189
Total Fund Balances	\$ 6,837,980	2,646,795	1,673,287	8,423,596	19,581,658
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 22,930,197	4,668,360	6,720,687	15,188,303	49,507,547

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

LAUDERDALE 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	\$ 19,581,658
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 \$88,620,412.	106,480,088
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	596,897
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(36,990,354)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(27,268,734)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(85,111)
Deferred amount on refunding	2,229,170
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>4,880,476</u>
Total Net Position - Governmental Activities	\$ <u><u>69,424,090</u></u>

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

LAUDERDALE COUNTY

Exhibit 4

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

	Major Funds			Other	Total
	General	County Road	Combined	Governmental	Governmental
	Fund	Maintenance	GO Debt	Funds	Funds
	Fund	Fund	Fund	Funds	Funds
REVENUES					
Property taxes	\$ 13,577,975	1,773,050	5,090,803	5,692,354	26,134,182
Road and bridge privilege taxes		832,159			832,159
Licenses, commissions and other revenue	1,006,533	414	854	84,681	1,092,482
Fines and forfeitures	964,113				964,113
Intergovernmental revenues	1,829,195	1,341,271	82,431	2,116,722	5,369,619
Charges for services	489,903			2,464,281	2,954,184
Interest income	50,604			4,477	55,081
Miscellaneous revenues	482,468	7,800		637,822	1,128,090
Total Revenues	18,400,791	3,954,694	5,174,088	11,000,337	38,529,910
EXPENDITURES					
Current:					
General government	7,284,032			1,308,110	8,592,142
Public safety	8,337,562			2,490,895	10,828,457
Public works		3,665,151		5,522,077	9,187,228
Health and welfare	937,078			4,433	941,511
Culture and recreation				880,250	880,250
Conservation of natural resources	104,142				104,142
Economic development and assistance	204,080			1,441,587	1,645,667
Debt service:					
Principal	389,917	366,599		4,004,528	4,761,044
Interest	41,443	19,249		1,007,140	1,067,832
Bond issue costs	2,350			25,710	28,060
Total Expenditures	17,300,604	4,050,999	0	16,684,730	38,036,333
Excess of Revenues over (under) Expenditures	1,100,187	(96,305)	5,174,088	(5,684,393)	493,577
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	166,364			62,588	228,952
Proceeds from sale of capital assets	1,425	1,330			2,755
Transfers in	255,000	3,800		5,186,650	5,445,450
Transfers out	(801,287)		(4,596,891)	(47,272)	(5,445,450)
Total Other Financing Sources and Uses	(378,498)	5,130	(4,596,891)	5,201,966	231,707
Net Changes in Fund Balances	721,689	(91,175)	577,197	(482,427)	725,284
Fund Balances - Beginning	6,116,291	2,737,970	1,096,090	8,906,023	18,856,374
Fund Balances - Ending	\$ 6,837,980	2,646,795	1,673,287	8,423,596	19,581,658

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

LAUDERDALE COUNTY

Exhibit 4-1

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 725,284
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 \$3,296,991 exceeded capital outlays of \$2,388,800 in the current period.	(908,191)
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 loss of \$428,988 and the proceeds from the sale of \$2,755 in the current period.	(431,743)
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.	(44,934)
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	26,614
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$4,761,044 exceeded debt proceeds of \$228,952.	4,532,092
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences liability.	(12,109)
The amount of decrease in accrued interest payable.	16,866
The amortization of general obligation bond premium.	13,114
The amortization of refunding bond premium.	23,693
The amortization of deferred refunding charges.	(232,920)
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	(3,283,973)
Recording of pension contributions made during the fiscal year	1,756,787
Rounding	<u>(1)</u>
Change in Net Position of Governmental Activities	\$ <u><u>2,180,579</u></u>

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

LAUDERDALE COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2015

Exhibit 5

	Business-type Activities - Enterprise Fund	Metro Ambulance
ASSETS		
Current assets:		
Cash	\$	563,858
Accounts receivable		793,571
Due from other funds		390
Inventories and prepaid items		229,333
Total Current Assets		<u>1,587,152</u>
Noncurrent assets:		
Capital assets:		
Other capital assets, net		976,107
Total Noncurrent Assets		<u>976,107</u>
Total Assets		<u>2,563,259</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		586,189
Total Deferred Outflows of Resources		<u>586,189</u>
LIABILITIES		
Current liabilities:		
Unearned revenue		67,124
Other payables		309,823
Total Current Liabilities		<u>376,947</u>
Noncurrent liabilities:		
Net Pension Liability		6,183,211
Total Noncurrent Liabilities		<u>6,183,211</u>
Total Liabilities		<u>6,560,158</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		132,857
Total Deferred Inflows of Resources		<u>132,857</u>
NET POSITION		
Net investment in capital assets		976,107
Unrestricted		(4,519,674)
Total Net Position	\$	<u><u>(3,543,567)</u></u>

LAUDERDALE COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2015

	Business-Type Activities - Enterprise Fund
	Metro Ambulance
Operating Revenues	
Charges for services	\$ 7,469,037
Total Operating Revenues	<u>7,469,037</u>
Operating Expenses	
Cost of sales	
Personal services	3,682,870
Pension expense	733,930
Materials and supplies	2,308,826
Depreciation expense	277,347
Repairs	250,903
Administrative	342,234
Miscellaneous	61,977
Total Operating Expenses	<u>7,658,087</u>
Operating Income (Loss)	<u>(189,050)</u>
Nonoperating Revenues (Expenses)	
Property tax	33,499
Interest income	479
Interest expense	(1,760)
Other income (expenses)	280,025
Net Nonoperating Revenue (Expenses)	<u>312,243</u>
Changes in Net Position	<u>123,193</u>
Net Position - Beginning, as previously reported	1,744,190
Prior period adjustment	(5,410,950)
Net Position - Beginning, as restated	<u>(3,666,760)</u>
Net Position - Ending	<u><u>\$ (3,543,567)</u></u>

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

LAUDERDALE COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2015

Exhibit 7

	Business-type Activities - Enterprise Funds
	Metro Ambulance
Cash Flows From Operating Activities	
Receipts from customers	\$ 5,209,391
Payments to suppliers	(1,974,800)
Payments to employees	(3,185,988)
Net Cash Provided (Used) by Operating Activities	48,603
Cash Flows From Noncapital Financing Activities	
Membership revenue received	1,167
Operating grants received	224,376
Other grants received	46,524
Cash received from property taxes	33,499
Cash received from other funds:	
Loans from other funds	(390)
Cash paid to other funds:	
Interfund loan repayments	382
Licences, commissions, and other	5
Net proceeds from insurance contract payable	30,506
Other non-capital financing income	7,952
Net Cash Provided (Used) by Noncapital Financing Activities	344,021
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(454,143)
Net Cash Provided (Used) by Capital and Related Financing Activities	(454,143)
Cash Flows From Investing Activities	
Interest and dividends on investments	479
Net Cash Provided (Used) by Investing Activities	479
Net Increase (Decrease) in Cash and Cash Equivalents	(61,040)
Cash and Cash Equivalents at Beginning of Year	624,898
Cash and Cash Equivalents at End of Year	\$ 563,858
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (189,050)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	277,347
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(145,797)
(Increase) decrease in prepaid expenses	(60,291)
(Increase) decrease in inventory	(4,439)
Increase (decrease) in deferred outflows - pension	317,169
Increase (decrease) in accrued liabilities	(5,595)
Increase (decrease) in pension liability	(140,741)
Total Adjustments	237,653
Net Cash Provided (Used) by Operating Activities	\$ 48,603

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

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

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 675,557
Due from other funds	<u>25,780</u>
Total Assets	<u>\$ 701,337</u>
LIABILITIES	
Amounts held in custody for others	\$ 675,557
Intergovernmental payables	<u>25,780</u>
Total Liabilities	<u>\$ 701,337</u>

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

LAUDERDALE COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lauderdale 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 Lauderdale County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

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

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

B. Individual Component Unit Disclosures

Blended Component Units

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

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

Discretely Presented Component Units

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

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

LAUDERDALE COUNTY

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

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

C. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

LAUDERDALE COUNTY

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

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

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

The County reports the following major Governmental Funds:

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

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

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

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

LAUDERDALE COUNTY

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

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

F. Deposits and Investments.

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

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

G. Receivables.

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

H. Interfund Transactions and Balances.

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

I. Inventories and Prepaid Items.

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

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

LAUDERDALE COUNTY

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

J. Restricted Assets.

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

K. Capital Assets.

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

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

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

	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.

L. Deferred Outflows/Inflows of Resources:

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

LAUDERDALE COUNTY

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

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

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 10 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 – accounts receivable – 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.

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 10 for additional details.

M. 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.

N. Long-term Liabilities.

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

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

LAUDERDALE COUNTY

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

O. 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.

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

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

LAUDERDALE COUNTY

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

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.

P. 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.

Q. 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.

R. Compensated Absences.

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

S. 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*; GASB Statement No. 69, *Government Combinations and Disposal of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

LAUDERDALE COUNTY

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

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.

<u>Explanation</u>	<u>Amount</u>
<u>Governmental Activities:</u>	
To record adjustments to capital assets	\$ (296,667)
Implementation of GASB 68 and 71:	
Net Pension Liability as of 9/30/14	(21,261,945)
Deferred outflows - contributions made during fiscal year 2014	<u>400,873</u>
Total governmental activities prior period adjustments	<u>\$ (21,157,739)</u>
<u>Business-Type Activities:</u>	
Implementation of GASB 68 and 71:	
Net Pension Liability as of 9/30/14	\$ (5,918,073)
Deferred outflows - contributions made during fiscal year 2014	<u>507,123</u>
Total business-type activities prior period adjustments	<u>\$ (5,410,950)</u>

Exhibit 6 – Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund.

<u>Explanation</u>	<u>Amount</u>
Implementation of GASB 68 and 71:	
Net Pension Liability as of 9/30/14	\$ (5,918,073)
Deferred outflows - contributions made during fiscal year 2014	<u>507,123</u>
Total prior period adjustment	<u>\$ (5,410,950)</u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$23,054,307, and the bank balance was \$24,179,692. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

LAUDERDALE 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	Other Governmental Funds	\$ 15,250
County Road Maintenance Fund	General Fund	88,293
Combined GO Debt Fund	General Fund	59,368
Other Governmental Funds	General Fund	103,179
Metro Ambulance Fund	General Fund	390
Agency Funds	General Fund	25,780
Total		<u>\$ 292,260</u>

The receivables represent operating loans and 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	Other Governmental Funds	\$ <u>141,000</u>

The purpose of the advances was to provide operating loans for cash flow. Some advances 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	Combined GO Debt Fund	\$ 255,000
County Road Maintenance Fund	General Fund	3,800
Other Governmental Funds	General Fund	797,487
Other Governmental Funds	Combined GO Debt Fund	4,341,891
Other Governmental Funds	Other Governmental Funds	47,272
Total		<u>\$ 5,445,450</u>

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

LAUDERDALE 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	\$ 392,161
Reimbursement for housing prisoners	122,819
Various reimbursement grants	177,385
Total Governmental Activities	\$ 692,365

(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	\$ 14,950,484	-	-	(50,430)	14,900,054
Construction in progress	3,872,554	1,598,167		(2,853,673)	2,617,048
Total non-depreciable capital assets	18,823,038	1,598,167	-	(2,904,103)	17,517,102
<u>Depreciable capital assets:</u>					
Infrastructure	114,533,382			529,681	115,063,063
Buildings	34,584,078	478,449	557,493	561,696	35,066,730
Improvements other than buildings	6,162,102			1,514,869	7,676,971
Mobile equipment	13,991,291	213,560	26,000	11,899	14,190,750
Furniture and equipment	3,072,496	98,624	34,781		3,136,339
Leased property under capital leases	2,449,545				2,449,545
Total depreciable capital assets	174,792,894	790,633	618,274	2,618,145	177,583,398
<u>Less accumulated depreciated for:</u>					
Infrastructure	61,493,482	1,306,094			62,799,576
Buildings	9,199,522	690,449	133,812		9,756,159
Improvements other than buildings	1,445,667	298,015			1,743,682
Mobile equipment	10,142,308	597,027	23,400	10,709	10,726,644
Furniture and equipment	2,636,656	114,817	29,319		2,722,154
Leased property under capital leases	581,608	290,589			872,197
Total accumulated depreciation	85,499,243	3,296,991	186,531	10,709	88,620,412
Total depreciable capital assets, net	89,293,651	(2,506,358)	431,743	2,607,436	88,962,986
Governmental activities capital assets, net	\$ 108,116,689	(908,191)	431,743	(296,667)	106,480,088

*Adjustments were made to record reading materials not on the books on the previous years and correctly state the related accumulated depreciation for these items.

LAUDERDALE COUNTY

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

Business-type activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments*	Balance Sept. 30, 2015
<u>Depreciable capital assets:</u>					
Leasehold improvements	\$ 385,421				385,421
Mobile equipment - Ambulances	1,549,375	430,470			1,979,845
Furniture, fixtures and equipment	1,859,451	23,673			1,883,124
Total depreciable capital assets	3,794,247	454,143	-	-	4,248,390
<u>Less accumulated depreciated for:</u>					
Leasehold improvements	172,192	20,870			193,062
Mobile equipment - Ambulances	1,287,744	122,193			1,409,937
Furniture, fixtures and equipment	1,535,000	134,284			1,669,284
Total accumulated depreciation	2,994,936	277,347	-	-	3,272,283
Total depreciable capital assets, net	799,311	176,796	-	-	976,107
Business-type activities capital assets, net	\$ 799,311	176,796	-	-	976,107

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

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 535,825
Public safety	443,772
Public works	1,764,513
Health and welfare	21,756
Culture and recreation	50,827
Conservation of natural resources	2,479
Economic development and assistance	477,819
Total governmental activities depreciation expense	\$ 3,296,991
Business-type activities:	
Metro Ambulance	\$ 277,347

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
Fisher Road, Mosley Lake Road	\$ 3,567	06/30/2016
West Lauderdale Baseball	33,207	07/31/2016
Tower Automotive	264,802	07/31/2016
District 5 Fire Station	6,518	11/30/2015
Juvenile Detention Center	8,161	11/30/2015

Component Units:

LAUDERDALE COUNTY

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

The Meridian-Lauderdale Public Library capital asset balances at September 30, 2015, are as follows:

	Balance Oct. 1, 2014	Additions	Adjustments *	Balance Sept. 30, 2015
<u>Depreciable capital assets:</u>				
Reading material		74,906	262,159	337,065
Furniture and Equipment	458,032	16,758		474,790
Vehicles	17,121			17,121
Total depreciable capital assets	475,153	91,664	262,159	828,976
<u>Less accumulated depreciated for:</u>				
Reading material		67,413	121,259	188,672
Furniture and Equipment	212,544	42,139	23,974	278,657
Vehicles	16,264	857		17,121
Total accumulated depreciation	228,808	110,409	145,233	484,450
Total depreciable capital assets, net	246,345	(18,745)	116,926	344,526
Component unit capital assets, net	\$ 246,345	(18,745)	116,926	344,526

*Adjustments were made to record reading materials not on the books on the previous years and correctly state the related accumulated depreciation for these items.

The Lauderdale County Tourism Commission capital asset balances at September 30, 2015, are as follows:

	Balance Oct. 1, 2014	Additions	Deletions	Balance Sept. 30, 2015
<u>Depreciable capital assets:</u>				
Computer equipment	\$ 22,114	2,177	4,572	19,719
Furniture and other equipment	24,359	752	1,253	23,858
Vehicles	30,735			30,735
Total depreciable capital assets	77,208	2,929	5,825	74,312
<u>Less accumulated depreciated for:</u>				
Computer equipment	16,928	2,701	4,526	15,103
Furniture and other equipment	19,683	864	1,128	19,419
Vehicles	27,661			27,661
Total accumulated depreciation	64,272	3,565	5,654	62,183
Total depreciable capital assets, net	12,936	(636)	171	12,129
Component unit capital assets, net	\$ 12,936	(636)	171	12,129

LAUDERDALE COUNTY

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

(7) Claims and Judgments.

Risk Financing.

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

(8) Operating Leases.

As Lessor:

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

The County receives income from property it leases under noncancellable operating leases. Total income from such leases was \$385,534 for the year ended September 30, 2015. The future minimum lease receivables for these leases are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2016	\$ 375,000
2017	375,000
2018	375,000
2019	375,000
2020	375,000
2021 - 2025	500,000
Total Minimum Payments Required	<u>\$ 2,375,000</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</u>
Mobile equipment	\$ 2,064,011
Furniture and equipment	385,534
Total	2,449,545
Less: Accumulated depreciation	(872,197)
Leased Property Under Capital Leases	<u>\$ 1,577,348</u>

LAUDERDALE COUNTY

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

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2016	\$ 569,907	26,191
2017	823,157	14,751
2018	133,146	2,575
2019	34,225	1,358
2020	32,703	677
Total	\$ 1,593,138	45,552

Defined Benefit Pension Plan.

General Information about the Pension Plan

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

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 \$1,758,593, \$1,667,476 and \$1,548,801, respectively, equal to the required contributions for each year. Metro Ambulance's contributions to PERS for the years ending September 30, 2015, 2014, and 2013 was \$408,442, 432,784, and 389,780, respectively, which equaled the required contribution for each year. The Library's employer contributions to PERS for the fiscal years ending September 30, 2015, 2014 and 2013 were \$67,420, \$71,904, and \$73,526, respectively. The contributions for each year met the required contributions.

LAUDERDALE COUNTY

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

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 \$27,268,734 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 0.176405 percent, which was an increase of 0.001239 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$3,283,973. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 419,651	-
Net difference between projected and actual earnings on pension plan investments	1,595,513	-
Changes of assumptions	2,349,108	-
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	92,508	-
County contributions subsequent to the measurement date	423,696	-
Total	\$ 4,880,476	-

\$423,696 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	1,451,301
2017	1,451,301
2018	1,155,299
2019	398,879
Total	\$ 4,456,780

Business Type Activities – Metro Ambulance

At September 30, 2015, Metro Ambulance reported a liability of \$6,183,211 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. Metro Ambulance's proportion of the net pension liability was based on a projection of Metro Ambulance's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, Metro Ambulance's proportion was .04%.

LAUDERDALE COUNTY

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

For the year ended September 30, 2015, Metro Ambulance recognized pension expense of \$733,930. At September 30, 2015, Metro Ambulance reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 105,649	\$
Change of assumptions	391,746	
Net difference between projected and actual earnings on investments		132,857
District contributions subsequent to the measurement date	88,794	
Total	\$ 586,189	\$ 132,857

\$88,794 reported as deferred outflows of resources related to pensions resulting from 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 ended September 30:

2016	\$ 145,705
2017	145,705
2018	106,342
2019	(33,241)
Total	\$ 364,538

Component Unit – Meridian Lauderdale County Public Library

At September 30, 2015, the Library reported a liability of \$1,150,850 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 Library's proportion of the net pension liability was based on the Library's employer contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2015, the Library's proportion was 0.007445 percent, which was a decrease from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the Library recognized pension expense of \$119,173. At September 30, 2015, the Library reported deferred outflows of resources and deferred inflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 17,711	\$
Net difference between projected and actual earnings on pension plan investments	67,337	
Change of assumptions	99,142	
Changes in proportion and differences between Library contributions and proportionate share of contributions		48,926
Library contributions subsequent to the measurement date	14,430	
Total	\$ 198,620	\$ 48,926

\$14,430 reported as deferred outflows of resources related to pensions resulting from Library 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 ended September 30:

2016	\$ 41,807
2017	41,807
2018	34,816
2019	16,834
Total	\$ 135,264

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.

LAUDERDALE 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:

Asset Class	Target	Long-Term Expected
U.S. Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	0.25%
Real Assets	10%	4.00%
Private Equity	8%	6.15%
Cash	1%	-(0.50)%
Total	100%	

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 Metro Ambulance, and Meridian Lauderdale County Public Library 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:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 35,942,689	27,268,734	20,070,973
Metro Ambulance's proportionate share of the net pension liability	8,150,039	6,183,211	4,551,112
Library's proportionate share of the net pension liability	1,516,926	1,150,850	847,076

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

LAUDERDALE COUNTY

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

(10) 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:			
Road and Bridge - Series 2004	\$ 380,000	2.75/3.50%	04/2016
Industrial Development - Series 2006	455,000	5.20/5.75%	02/2016
Industrial Development - Series 2006	450,000	6.00/7.25%	07/2016
Road and Bridge - Series 2009	450,000	3.00%	02/2019
Series 2011 - General Obligation Refunding	1,345,000	2.00/3.00%	07/2019
Series 2012 - Road, Bridge, Equipment & Rec	9,400,000	2.00/3.50%	03/2027
Series 2013A - General Obligation Refunding	5,915,000	1.00/2.25%	04/2023
Series 2013B - GO Refunding Taxable	<u>15,150,000</u>	0.47/3.31%	02/2026
Total General Obligation Bonds	\$ <u>33,545,000</u>		
B. Capital Leases:			
IBM Computers & Software	\$ 42,012	2.24%	03/2017
Two-way Radio Equipment	132,280	1.96%	06/2017
AS400 Hardware/Software	48,126	2.00%	09/2017
(8) Kubota Tractors & (8) Bushhogs	182,405	1.87%	10/2017
Kyocera/Copystar Digital Copier	3,098	2.51%	04/2016
Telephone System	58,274	2.25%	05/2018
(9) 2013 International Dump Trucks	359,855	1.74%	02/2018
Durapatcher	25,128	1.85%	12/2017
(11) Vehicles	30,582	1.43%	02/2016
2014 International Model 4300 Knuckleboom	63,811	1.59%	06/2018
Copier - Circuit Court	11,732	2.22%	05/2019
Caterpillar 12M2 Motor Grader - Road	205,311	2.04%	07/2017
E-911 Vesta Pallas Hardware System	47,035	1.87%	09/2017
2014 Ford F350 Pickup	13,852	1.83%	03/2017
Caterpillar 12M2 Motor Grader - Bridge	205,311	2.04%	07/2017
Liberty Digital Recorders	7,330	1.84%	01/2018
Dell Computers	<u>156,996</u>	2.07%	04/2020
Total Capital Leases	\$ <u>1,593,138</u>		
C. Other Loans:			
MDA CAP Loan - S. Industrial Park Drainage	\$ 41,105	3.00%	04/2016
MDA CAP Loan - Agricultural Center	344,975	2.00%	04/2024
MDA CAP Loan - CertianTeed Plant Upgrades	<u>673,775</u>	N/A	N/A
Total Other Loans	\$ <u>1,059,855</u>		

LAUDERDALE COUNTY

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

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2016	\$ 3,355,000	816,210
2017	3,080,000	778,609
2018	3,160,000	711,187
2019	3,265,000	637,130
2020	2,880,000	557,799
2021 - 2025	14,200,000	1,636,344
2026 - 2030	3,605,000	94,690
Total	\$ 33,545,000	5,231,969

Year Ending September 30	Other Loans	
	Principal	Interest
2016	\$ 140,078	26,645
2017	101,779	23,499
2018	104,681	20,596
2019	107,464	17,813
2020	110,325	14,952
2021 - 2025	495,528	30,152
Total	\$ 1,059,855	133,657

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 5.41% 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	\$ 475,269	12,109	-	487,378	-
General obligation bonds	37,585,000		4,040,000	33,545,000	3,355,000
Add:					
Premiums	341,790		36,807	304,983	
Capital leases	2,004,402	166,364	577,628	1,593,138	569,907
Other loans	1,140,683	62,588	143,416	1,059,855	140,078
Total	\$ 41,547,144	241,061	4,797,851	36,990,354	4,064,985

LAUDERDALE COUNTY

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

	Balance Oct. 1, 2014	Additions	Reductions	Adjustments	Balance Sept. 30, 2015	Amount due within one year
Business-type Activities:						
Compensated absences	\$ 154,632	-	9,177	-	145,455	-
Total	\$ 154,632	-	9,177	-	145,455	-

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

Commitments – On December 2009, Lauderdale County entered into an agreement with the City of Meridian to provide additional security and payments of 35% of the total debt of the Crossroads construction project. The debt will be serviced by revenues generated by the tax increment payment of \$66,500 was paid for the year ended September 30, 2015.

On March 2010, Lauderdale County entered into an agreement with the City of Meridian to provide additional security and payments of 35% of the total debt of the Highway 19 North Hill Project construction project. The debt will be serviced by revenues generated by the tax increment payment of \$8,750 was paid for the year ended September 30, 2015.

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2015:

Fund	Deficit Amount
10th Judicial District Drug Court	\$ (3,791)

(12) Contingencies.

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

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

(13) Joint Ventures.

The County participates in the following joint ventures:

Lauderdale County is participant with the City of Meridian in a joint venture authorized by Section 57-37-1, Miss. Code Ann. (1972), to operate the East Mississippi Business Development Corporation. The joint venture was created to encourage, foster and facilitate economic development in the County. The board is made up of citizens and corporate members, who are not appointed by the County or the City. The County's appropriation to the joint venture was \$282,600 in fiscal year 2015. Complete financial statements for the East Mississippi Business Development Corporation can be obtained from P. O. Box 790; Meridian, MS 39302.

(14) Jointly Governed Organizations.

LAUDERDALE COUNTY

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

The County participates in the following jointly governed organizations.

Central Mississippi Emergency Medical Services District operates in a district composed of the Counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Lauderdale County Board of Supervisors appoints two of the 26 members of the board. The County provided no financial support in fiscal year 2015.

East Central Mississippi Planning and Development District operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Lauderdale County Board of Supervisors appoints one of the 15 members of the board of directors. The County appropriated \$48,000 for financial support in fiscal year 2015.

East Mississippi Community College operates in a district composed of the counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee and Oktibbeha. The Lauderdale County Board of Supervisors appoints two of the 12 members of the board of directors. The County contributed \$219,127 for financial support in fiscal year 2015.

The Multi-County Community Service Agency operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The agency was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Lauderdale County Board of Supervisors appoints three of the 24 members of the board of directors. Most of the funding is derived from federal funds. The County contributed \$50,000 for financial support in fiscal year 2015.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Lauderdale County Board of Supervisors appoints one of the nine members of the board of directors. The County contributed \$139,354 for financial support in fiscal year 2015.

Mid-Mississippi Development District operates in a district composed of the counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was created to encourage, foster, and facilitate economic development in member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The County contributed the minimal financial support in fiscal year 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 Lauderdale County evaluated the activity of the County through May 12, 2017, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

LAUDERDALE COUNTY

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

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

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/18/2015	3.00/4.00%	\$	3,200,000	General obligation bonds	Ad valorem taxes
11/18/2015	2.50/3.50%		10,800,000	General obligation bonds	Ad valorem taxes
01/15/2016	1.89%		11,900	Capital lease	Ad valorem taxes
02/25/2016	1.67%		285,497	Capital lease	Ad valorem taxes
05/18/2016	1.73%		77,186	Capital lease	Ad valorem taxes
10/17/2016	1.49%		200,689	Capital lease	Ad valorem taxes
01/03/2017	2.09%		1,165,415	Capital lease	Ad valorem taxes

LAUDERDALE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LAUDERDALE COUNTY

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LAUDERDALE 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	\$ 13,052,768	13,574,833	13,574,833	
Licenses, commissions and other revenue	593,000	589,801	589,801	
Fines and forfeitures	1,024,500	919,475	919,475	
Intergovernmental revenues	1,756,580	1,788,397	1,788,397	
Charges for services	765,000	504,355	504,355	
Interest income	50,400	51,130	51,130	
Miscellaneous revenues	717,400	985,274	985,274	
Total Revenues	<u>17,959,648</u>	<u>18,413,265</u>	<u>18,413,265</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	7,463,815	7,220,484	7,220,484	
Public safety	8,719,746	8,459,695	8,459,695	
Health and welfare	963,536	942,898	942,898	
Conservation of natural resources	127,725	106,194	106,194	
Economic development and assistance	192,900	204,080	204,080	
Debt service:				
Principal	376,485	335,967	335,967	
Interest		38,267	38,267	
Bond issue costs		2,350	2,350	
Total Expenditures	<u>17,844,207</u>	<u>17,309,935</u>	<u>17,309,935</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>115,441</u>	<u>1,103,330</u>	<u>1,103,330</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	855,628	3,087	3,087	
Compensation for loss of capital assets		43,375	43,375	
Transfers in		836,851	836,851	
Transfers out	(979,069)	(1,370,412)	(1,370,412)	
Total Other Financing Sources and Uses	<u>(123,441)</u>	<u>(487,099)</u>	<u>(487,099)</u>	<u>0</u>
Net Change in Fund Balance	(8,000)	616,231	616,231	0
Fund Balances - Beginning	<u>2,409,550</u>	<u>6,073,100</u>	<u>6,552,781</u>	<u>479,681</u>
Fund Balances - Ending	<u>\$ 2,401,550</u>	<u>6,689,331</u>	<u>7,169,012</u>	<u>479,681</u>

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

LAUDERDALE COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
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	\$ 1,686,700	1,772,443	1,772,443	
Road and bridge privilege taxes	920,300	832,401	832,401	
Licenses, commissions and other revenue	400	414	414	
Intergovernmental revenues	823,900	1,073,361	1,073,361	
Total Revenues	<u>3,431,300</u>	<u>3,678,619</u>	<u>3,678,619</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	3,206,331	3,480,243	3,480,243	
Debt service:				
Principal	366,599	366,599	366,599	
Interest	19,249	19,249	19,249	
Total Expenditures	<u>3,592,179</u>	<u>3,866,091</u>	<u>3,866,091</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(160,879)</u>	<u>(187,472)</u>	<u>(187,472)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		1,330	1,330	
Compensation for loss of capital assets		7,800	7,800	
Transfers in	149,219	3,800	3,800	
Total Other Financing Sources and Uses	<u>149,219</u>	<u>12,930</u>	<u>12,930</u>	<u>0</u>
Net Change in Fund Balance	(11,660)	(174,542)	(174,542)	0
Fund Balances - Beginning	<u>537,241</u>	<u>3,017,327</u>	<u>2,956,611</u>	<u>(60,716)</u>
Fund Balances - Ending	<u>\$ 525,581</u>	<u>2,842,785</u>	<u>2,782,069</u>	<u>(60,716)</u>

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

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

	<u>2015</u>
County's proportion of the net pension liability (asset)	0.176405%
County's proportionate share of the net pension liability (asset)	\$ 27,268,734
County's covered-employee payroll	\$ 11,168,313
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	244.16%
Plan fiduciary net position as a percentage of the total pension liability	61.07%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 prior to 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 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.

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

	<u>2015</u>
Contractually required contribution	\$ 1,758,593
Contributions in relation to the contractually required contribution	<u>1,758,593</u>
Contribution deficiency (excess)	\$ <u>-</u>
County's covered-employee payroll	\$ 11,165,670
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.

LAUDERDALE COUNTY

Schedule of Metro Ambulance's Share of Net Pension Liability

For the Year Ended September 30, 2015

Metro Ambulance's proportion of the net pension liability	0.04%
Metro Ambulance's proportion of the total net pension liability	\$ 16,145,834
Metro Ambulance's proportion of the plan net position	9,962,623
Metro Ambulance's proportionate share of the net pension liability	<u>6,183,211</u>

Metro Ambulance's covered-employee payroll	<u>\$ 1,746,965</u>
--	---------------------

Metro Ambulance's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	353.94%
--	---------

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 measurement date of June 30 of the year prior to fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year end September 30, 2015, and, until a full 10-year trend is compiled, Metro Ambulance has only presented information for the years in which information is available.

LAUDERDALE COUNTY
Schedule of Metro Ambulance's Contributions
For the Year Ended September 30, 2015

Contractually required contribution	\$ 275,147
Contributions in relation to the contractually required contribution	<u>275,147</u>
Contributions deficiency (excess)	\$ <u><u> </u></u>
Metro Ambulance's covered-employee payroll	\$ <u>1,746,965</u>
Contributions as a percentage of covered-employee payroll	15.75%
Proportionate share percentage	0.04%

The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the

LAUDERDALE COUNTY

Schedule of Library's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	<u>2,015</u>	<u>2014</u>
Library's proportion of the net pension liability (asset)	\$ 1,150,850	916,675
Library's proportionate share of the net position liability (asset)	0.0074450%	0.0075520%
Library's covered - employees payroll	428,063	456,533
Library's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	268.85%	200.79%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

The notes to the required supplementary information are an integral part of this schedule.

*The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to fiscal year presented.

This schedule of presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

LAUDERDALE COUNTY
Schedule of Library's Contributions
PERS
Last 10 Fiscal Years*

	<u>2,015</u>	<u>2014</u>
Contractually required contribution	\$ 14,430	20,262
Contributions in relation to the contractually required contribution	<u>14,430</u>	<u>20,262</u>
Contribution deficiency (excess)	\$ <u> </u>	<u> </u>
Library's covered - employee payroll	<u>91,619</u>	<u>128,648</u>
Contributions as a percentage of covered - employee payroll	15.75%	15.75%

The notes to the required supplementary information are an integral part of this schedule.

This schedule of presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

LAUDERDALE 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 and Tax Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	County Road Maintenance Fund
Budget (Cash Basis)	\$ 616,231	(174,542)
Increase (Decrease)		
Net adjustments for revenue accruals	96,124	268,275
Net adjustments for expenditure accruals	9,334	(184,908)
GAAP Basis	\$ <u>721,689</u>	<u>(91,175)</u>

LAUDERDALE 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.

LAUDERDALE COUNTY

SUPPLEMENTARY INFORMATION

LAUDERDALE COUNTY

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LAUDERDALE 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 Housing and Urban Development Passed through the Mississippi Development Authority Community development block grant/state's program and non-entitlement grants in Hawaii*	14.228	1130-13-038-ED-01	\$ <u>615,542</u>
U.S. Department of Justice Passed through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	13NM 1381	<u>16,915</u>
U.S. Department of Transportation Passed through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NB15 081 B(38)	<u>66,410</u>
Passed through the Mississippi Department of Public Safety State and community highway safety	20.600	15-OP-138-1	36,923
Alcohol open container requirements	20.607	15-ST-138-1	81,474
National priority safety programs	20.616	15-MD-138-1	<u>19,911</u>
Subtotal			<u>138,308</u>
Total U.S. Department of Transportation			<u>204,718</u>
U.S. Department of Health and Human Services Passed through the Mississippi Department of Mental Health Substance abuse and mental health services	93.243	6800-MH4R-LCSO	<u>52,073</u>
U.S. Department of Homeland Security Passed through the Mississippi Emergency Management Agency Emergency management performance grants	97.042	13EMP	1,492
Emergency management performance grants	97.042	14EMP	512
Emergency management performance grants	97.042	EMW-2015-EP-00031-S01	<u>60,854</u>
Subtotal			<u>62,858</u>
Total U.S. Department of Homeland Security			<u>62,858</u>
Total Expenditures of Federal Awards			\$ <u><u>952,106</u></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.

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

OTHER INFORMATION

LAUDERDALE COUNTY

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

Name	Position	Company	Bond
Hank Florey	Supervisor District 1	Travelers	\$100,000
Wayman Newell	Supervisor District 2	State Farm	\$100,000
Josh Todd	Supervisor District 3	Western Surety	\$100,000
Joe Norwood	Supervisor District 4	Travelers	\$100,000
Kyle Rutledge	Supervisor District 5	Liberty Mutual	\$100,000
Joe McCraney	County Administrator	Western Surety	\$100,000
David Engel	County Administrator	Liberty Mutual	\$100,000
Carolyn Mooney	Chancery Clerk	EMC Insurance	\$100,000
Tracey Rue	Purchase Clerk	Western Surety	\$75,000
Christy Jackson	Assistant Purchase Clerk	Travelers	\$50,000
Evelyn Cole	Receiving Clerk	EMC Insurance	\$75,000
Blanket Bond (12 employees)	Assistant Receiving Clerk	Travelers	\$50,000
Kim Poe	Inventory Control Clerk	EMC Insurance	\$75,000
Harris Wilder	Road Manager	EMC Insurance	\$50,000
Allen Greer Goldman	Road Manager	Liberty Mutual	\$50,000
Ondey Harris	Constable	EMC Insurance	\$50,000
Mike Myers	Constable	EMC Insurance	\$50,000
Tommie Coker	Constable	Liberty Mutual	\$50,000
Lee Roberts	Constable	Liberty Mutual	\$50,000
Donna Jill Johnson	Circuit Clerk	EMC Insurance	\$100,000
Deborah Massey	Deputy Circuit Clerk	EMC Insurance	\$50,000
Blanket Bond (5 employees)	Deputy Circuit Clerk	EMC Insurance	\$50,000
William Sollie	Sheriff	EMC Insurance	\$100,000
Blanket Bond (8 deputies)	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	EMC Insurance	\$50,000
Melvin Robinson	Justice Court Judge	EMC Insurance	\$50,000
Gerald Thompson	Justice Court Judge	EMC Insurance	\$50,000
Darrell Theall	Justice Court Judge	EMC Insurance	\$50,000
Richard Roberts	Justice Court Judge	Western Surety	\$50,000
Darlene Mayo	Justice Court Clerk	Western Surety	\$50,000
Nikita McFarland	Deputy Justice Court Clerk	Western Surety	\$50,000
Blanket Bond (8 employees)	Deputy Justice Court Clerk	Travelers	\$50,000
Stanley Shannon	Tax Collector	EMC Insurance	\$100,000
Blanket Bond (10 employees)	Deputy Tax Collector	EMC Insurance	\$100,000
James Rainey	Tax Assessor	RLI	\$100,000
Blanket Bond (10 employees)	Deputy Tax Assessor	EMC Insurance	\$10,000

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

SPECIAL REPORTS

LAUDERDALE COUNTY

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

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

Members of the Board of Supervisors
Lauderdale County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lauderdale County, Mississippi (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 May 12, 2017. Our report includes a reference to other auditors. Other auditors audited the financial of Metro Ambulance Enterprise Fund, the Lauderdale County Tourism Commission, and the Meridian-Lauderdale County Public Library, as described in our report on Lauderdale County, Mississippi's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by each auditor. The financial statements of Lauderdale County Tourism Commission which were audited by other auditors upon whose report we are relying were audited in accordance with auditing standards generally accepted in the United States of America but not in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Lauderdale County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated May 12, 2017, included within this document.

Purpose of this Report

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

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 12, 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
Lauderdale County, Mississippi

Report on Compliance for the Major Federal Program

We have audited Lauderdale 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 Lauderdale County, Mississippi's major federal program for the year ended September 30, 2015. Lauderdale County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Lauderdale County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lauderdale County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

Management of Lauderdale County, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lauderdale County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.



JOE E. MCKNIGHT CPA
Director, County Audit Section

May 12, 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
Lauderdale County, Mississippi

We have examined Lauderdale County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2015. The Board of Supervisors of Lauderdale County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing 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 Lauderdale County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

Inventory Control Clerk.

1. The County should maintain adequate capital asset depreciation records.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal controls should include adequate subsidiary records documenting the existence completeness and valuation of governmental activities' capital assets as well as depreciation of these assets. It was noted during the test of depreciation that several assets depreciation records were incorrect. The failure to maintain a proper inventory control system with correct depreciated values of assets could result in the reporting of inaccurate amounts and increases the possibility of either an overstatement or understatement of assets to the County's financial statements.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to ensure accurate calculation of depreciation on capital assets is maintained.

Inventory Control Clerk's Response

The Internal Auditor will review all asset types in the subsidiary records for appropriate useful lives, so assets purchased in subsequent year will be depreciated correctly.

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

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

This report is intended for use in evaluating Lauderdale 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 12, 2017

LAUDERDALE COUNTY

Schedule of Purchases From Other Than the Lowest Bidder

For the Year Ended September 30, 2015

Schedule 1

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

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

Schedule 2

Our tests did not identify any emergency purchases.

LAUDERDALE COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2015

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
11/3/2014	First Vu HD Professional Hight Definition Wearable Video System Complete Kit	\$	25,640	Digital Ally

LAUDERDALE COUNTY

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

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lauderdale County, Mississippi

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

In addition, for areas not considered material to Lauderdale County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated May 12, 2017, on the financial statements of Lauderdale County, Mississippi.

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

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

Board of Supervisors.

1. Interest income was not properly allocated among funds.

Finding

Section 19-9-29(c), Miss. Code Ann. (1972), states that any interest derived from special purpose funds which are outside the function of general count government shall be paid into that special purpose fund. The county only recorded interest earned from the county's combined checking account in the General Fund instead of all funds from which the investment was made. Failure to prorate interest earned among funds included in the combined checking account could result in the funds being spent for the wrong purpose.

Recommendation

The Board of Supervisors should prorate the interest earned on the combined checking account among all funds that have cash in the checking accounts, as required by law.

Board of Supervisors' Response

We will comply.

Board of Supervisors and Assistant Receiving Clerks.

2. Assistant receiving clerk should be bonded individually.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires each Assistant Receiving Clerk to execute a bond for \$50,000 to be payable. As reported in the prior year's audit report, the Assistant Receiving Clerks were issued under a blanket bond rather than individual bonds. Failure to issue individual bonds for each Assistant Receiving Clerk could result in the loss or misappropriation of public funds.

Recommendation

The Assistant Receiving Clerks' blanket bond should be cancelled, and a new bond should be issued for each clerk.

Board of Supervisors' and Assistant Receiving Clerks' Response

The new County Administrator, Chris Lafferty, will consider this recommendation for FY17.

Board of Supervisors and Inventory Control Clerk.

3. Inventory Control Clerk should be bonded as required by state statute.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires each Inventory Control Clerk to execute a bond for \$75,000 to be payable. The Inventory Control Clerk was not adequately bonded during fiscal year 2015. Failure to comply with statutes would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The County should implement procedures to ensure the Inventory Control Clerk is bonded as required by state statute.

Board of Supervisors' and Inventory Control Clerk's Response

The County Administrator will review bonds to ensure the Inventory Control Clerk bond is renewed each year.

Board of Supervisors and Road Manager.

4. Road Manager should be bonded as required by state statute.

Finding

Section 65-17-1(3), Miss. Code Ann. (1972), requires the Road Manager to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. The Road Manager has a bond that was written as "indefinite" and is not adequately bonded for the fiscal year 2015. Failure to comply with statutes would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The County should implement procedures to ensure the Road Manager is bonded as required by state statute.

Board of Supervisors' and Road Manager's Response

The "indefinite" will be correct for FY17. The County Administrator will review the bond before forwarding to Chancery Clerk/Clerk of the Board.

Board of Supervisors and Circuit Clerk.

5. Deputy Circuit Clerks should be bonded individually.

Finding

Section 9-7-123(2), Miss. Code Ann. (1972), requires each deputy clerk of the Circuit Court to execute a bond for not less than \$50,000 nor more than \$100,000 to be payable. As reported in the prior year's audit report, the Deputy Circuit Clerks were issued under a blanket bond rather than individual bonds. Failure to issue individual bonds for each Deputy Circuit Clerk could result in the loss or misappropriation of public funds.

Recommendation

The Deputy Circuit Clerks' blanket bond should be cancelled, and a new bond should be issued for each clerk.

Board of Supervisors' and Circuit Clerk's Response

The new County Administrator, Chris Lafferty, will consider this recommendation for FY17.

Circuit Clerk.

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

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets and revenue. As reported in the prior two years' audit reports, during our audit procedures we noted the following weaknesses:

- a. Civil and criminal receipts were not being deposited and settled timely.
- b. The cash journal for the garnishment account was not being adequately maintained and reconciled monthly.

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

Recommendation

The Circuit Clerk should implement internal controls to ensure that daily deposits are being made and the cash journals are adequately maintained and reconciled.

Circuit Clerk's Response

Will try to deposit more often yet criminal deposit in county court are few and far between. Will look into another bookkeeping system to better show reconciled, yet current system does balance.

7. Multiple weaknesses were noted in the internal control structure in the Circuit Clerk's fee accounting.

Finding

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

- a. The Clerk was not depositing payroll checks from the County into the fee account.
- b. Deposits were not being made timely.

Lack of effective internal controls in the account of the Circuit Clerk's fee journal could result in the loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should implement internal controls to ensure that payroll checks issued by the County should be deposited into the fee account, and that daily deposits are being made.

Circuit Clerk's Response

Retired in middle of year and CPA firm unaware of how payroll checks were not to be deposited. Has been corrected.

Board of Supervisors and Justice Court Clerk.

8. Deputy Justice Court Clerks should be bonded individually.

Finding

Section 9-11-29(2), Miss. Code Ann. (1972), requires every person appointed as clerk and deputy clerk of the Justice Court to execute a bond for \$50,000 to be payable. As reported in the prior year's audit report, the Deputy Justice Court Clerks were issued under a blanket bond rather than individual bonds. Failure to issue individual bond for each Deputy Justice Court Clerk could result in the loss or misappropriation of public funds.

Recommendation

The Deputy Justice Court Clerks' blanket bond should be cancelled, and a new bond should be issued for each clerk.

Board of Supervisors' and Justice Court Clerk's Response

The new County Administrator, Chris Lafferty, will consider this recommendation for FY17.

Justice Court Clerk.

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

Finding

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

Recommendation

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

Justice Court Clerk's Response

There is not enough petty cash on hand; we will try with each deputy clerk having a small amount to start each day.

Board of Supervisors and Tax Collector.

10. Deputy Tax Collectors should be bonded individually.

Finding

Section 27-1-9(a), Miss. Code Ann. (1972), requires each Deputy Tax Collector to execute a bond for \$50,000 to be payable. As reported the prior year's audit report, the Deputy Tax Collectors were issued under a blanket bond rather than individual bonds. Failure to issue individual bonds for each Deputy Tax Collector could result in the loss of misappropriation of public funds.

Recommendation

The Deputy Tax Collectors' blanket bond should be cancelled and a new bond should be issued for each clerk.

Board of Supervisors' and Tax Collector's Response

The new County Administrator, Chris Lafferty, will consider this recommendation for FY17.

Tax Collector.

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

Finding

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

Recommendation

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

Tax Collector's Response

I respect and appreciate the auditor's recommendation. However due to the time and cost of trying to separate the garbage fund from the Collector's office, I feel it is not economically feasible to do so at this time.

Board of Supervisors and Tax Assessor.

12. Deputy Tax Assessors should be bonded individually.

Finding

Section 27-1-3, Miss. Code Ann. (1972), requires each Deputy Tax Assessor to execute a bond for \$10,000 to be payable. As reported the prior year's audit report, the Deputy Tax Assessors were issued under a blanket bond rather than individual bonds. Failure to issue individual bonds for each Deputy Tax Assessor could result in the loss of misappropriation of public funds.

Recommendation

The Deputy Tax Assessors' blanket bond should be cancelled, and a new bond should be issued for each clerk.

Board of Supervisors' and Tax Assessor's Response

The new County Administrator, Chris Lafferty, will consider this recommendation for FY17.

Sheriff.

13. Sheriff's Office should make timely deposits.

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets and revenue. As reported in the prior two years' audit reports, we noted process receipts were not deposited timely. This weakness is due to inadequate internal controls surrounding the collection, depositing, and recording of revenue collected in the Sheriff's Office. The failure to develop adequate internal controls in the Sheriff's Office regarding the collection, disbursing, and recording of funds could result in the misappropriation of public funds.

Recommendation

The Sheriff should implement internal controls to ensure that timely deposits are being made.

Sheriff's Response

New procedures were implemented in September 2015 in order for deposits to be made weekly per audit findings in 2015.

Board of Supervisors and Information Technology Department.

14. The County should perform a network security assessment.

Finding

Factors noted during the Information Technology General Control (ITGC) assessment at the 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' and Information Technology Director's Response

We will get in contact with a third party to perform a security audit for our network.

15. The County should strengthen passwords.

Finding

We noted during our review that the County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for the County's information assets.

Gaining access to data assets can often open doors to highly confidential information such as Personally Identifiable Information (PII), confidential governmental reports, and security information related to governmental entities. Through this type of unauthorized access situations such as data breaches and denial of service attacks can be initiated.

Attack methods can be slowed down significantly or even defeated through the use of strong passwords. Therefore, whenever possible, computer users should use strong passwords for all of their computer accounts.

Recommendation

We recommend that the County improve its password strength by changing password parameters to comply with password management best practices and industry standards. Characteristics of strong passwords include requirements for sufficient length, complexity (combinations of numbers, letters and special characters), and periodic change of passwords.

Board of Supervisors' and Information Technology Director's Response

We have users changing their password every 90 days and it must be 8 characters long. We will start making users use a stronger password with letters and numbers.

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

Finding

The 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 the County implement a plan to insure 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' and Information Technology Director's Response

We don't do off site because we keep the tapes in a fire proof safe. We are creating a storage server that will backup data and replicate to another off-site place.

17. The County Should Establish and Test a Disaster Recovery Process.

Finding

During our review of the information systems controls of the County, we noted that the County has not established a disaster recovery process. As a result, the County cannot fully ensure that the 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 re-create.

The County is currently creating back-up files, 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.

Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of disaster scenario, 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 the County develop, implement, and test a plan to insure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including county personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

We also recommend that the 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' and Information Technology Director's Response

We are working on a disaster recovery plan now. We are working with a vendor to ensure that the data can be uploaded to the servers in a timely manner.

18. The County should improve its server room environment management.

Finding

The County's computer room is not a dedicated room with limited, controlled access and proper environmental equipment for electronic equipment. The room is secure in that there are people working during business hours in and around the computer. However, the computer is in the open and has the potential to be accessed by unauthorized personnel. Although the room does have air conditioning it does not have monitoring equipment for other conditions that can have an adverse effect on electronic equipment.

Recommendation

We recommend that the County develop, implement, and test a plan to insure that critical data and applications are We recommend that the County establish an area specifically for computerized equipment that can be locked and provisioned with environmental control and monitoring equipment in relation to heat, humidity, and other conditions that might affect computerized equipment. This equipment should also have the capability to notify the proper personnel when these conditions vary outside of preset ranges. A log should also be maintained of visitors entering and exiting the computer room. In addition, access reviews should be completed on a periodic basis to determine that only authorized personnel have access to the computer room. Documentation of visitors to the computer room as well as periodic access reviews should be maintained for review by audit personnel.

Board of Supervisors' and Information Technology Director's Response

Both network rooms have locks on them. The 2nd floor one has a badge reader which keeps a log of who enters the room. Only 3 people have access to that one. The 11th floor one is locked by a key and only 3 people have access to that one also.

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

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

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 12, 2017

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|---|---------------|
| 1. Type of auditor's report issued on the financial statements: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiency(ies) identified? | None Reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | |
|--|---------------|
| 4. Internal control over major federal programs: | |
| a. Material weakness 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 14.228, Community development block grant/state's 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

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

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

LAUDERDALE COUNTY

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BOARD OF SUPERVISORS

JONATHAN WELLS, DISTRICT 1
WAYMAN NEWELL, DISTRICT 2
JOSH TODD, DISTRICT 3
JOE NORWOOD, DISTRICT 4
KYLE RUTLEDGE, DISTRICT 5

MERIDIAN

Lauderdale County
Board of Supervisors

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

CAROLYN MOONEY
Chancery Clerk

CHRIS LAFFERTY
County Administrator

J. RICHARD "RICK" BARRY
Board Attorney

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2015

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

Gentlemen:

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

14-6 The County should establish controls to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement.

Finding

Program: Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii, CFDA #14.228, 1130-13-038-ED-01; U.S. Department of Housing and Urban Development, Passed through Mississippi Development Authority

Questioned Costs: \$21,643

Material Weakness
Material Noncompliance

Compliance Requirement: Matching, Level of Effort, Earmarking

The terms of the award contract specify that CDBG funds must be drawn down in proportion with matching funds for each activity as applicable. The award budget requires the County to provide matching contributions of 2.31% of building improvement expenditures. During the fiscal year, the County incurred building improvement expenditures in the amount of \$936,944, 100% of which were reimbursed with federal CDBG funds. Failure to provide the required matching contribution resulted in the reporting of questioned costs in the amount of \$21,643. As a result, the County could be required to repay the amount in question and the County's ability to obtain future federal awards could be adversely affected.

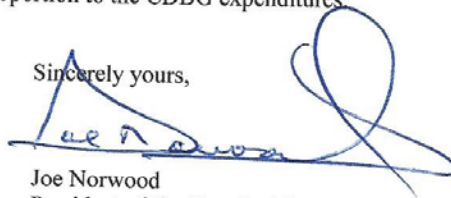
Recommendation

Management should establish controls to ensure the County provides the matching contributions required by federal award agreements.

Current Status

The County provided the match in proportion to the CDBG expenditures.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Joe Norwood", with a large, stylized loop at the end.

Joe Norwood
President of the Board of Supervisors