

LAMAR COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2016

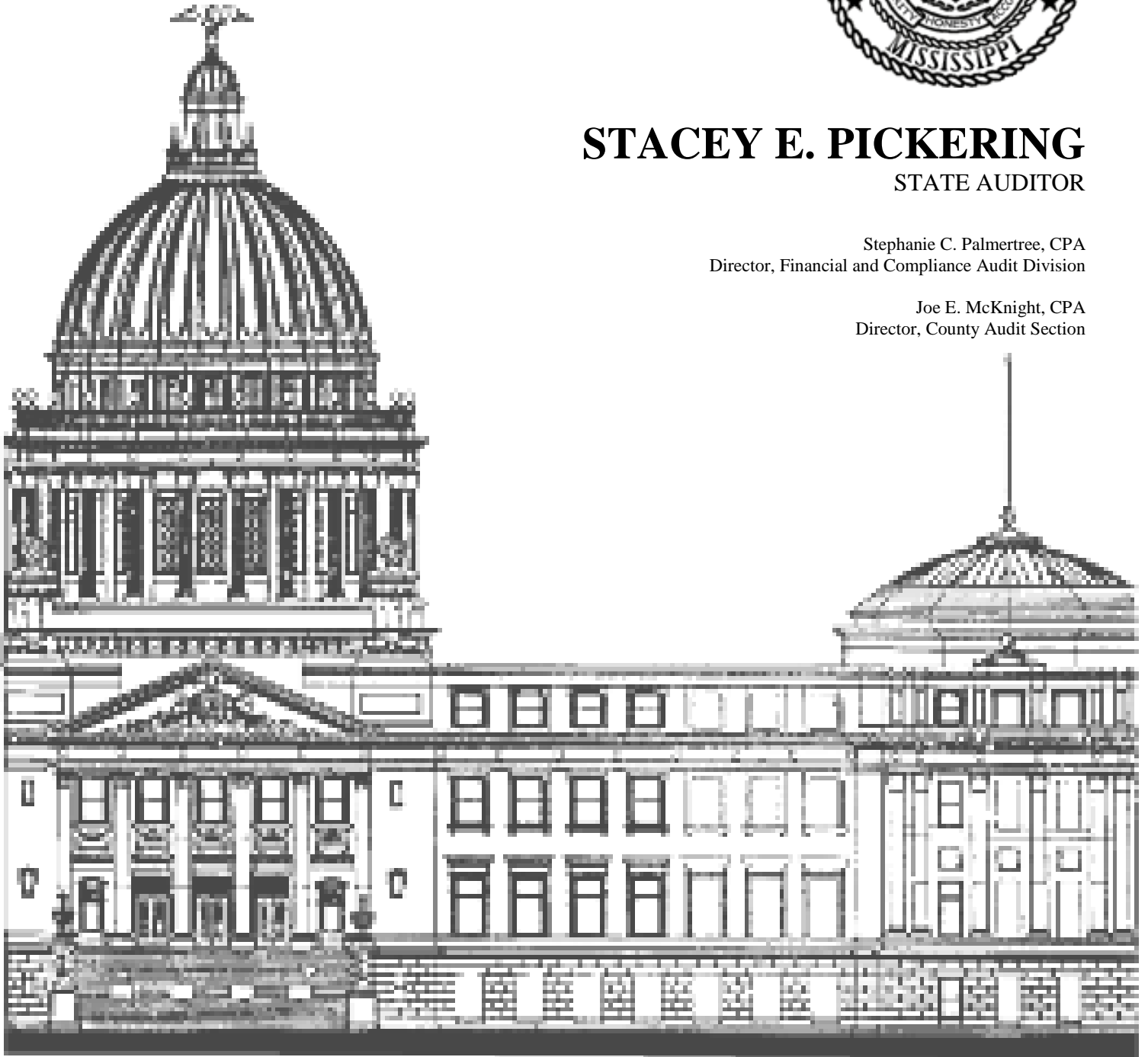


STACEY E. PICKERING

STATE AUDITOR

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

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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

March 23, 2018

Members of the Board of Supervisors
Lamar County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2016 financial and compliance audit report for Lamar County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

LAMAR COUNTY

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LAMAR COUNTY

FINANCIAL SECTION

LAMAR 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
Lamar County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lamar County, Mississippi, (the County) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Lamar County, Mississippi, as of September 30, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on Governmental Activities

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

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Lamar County, Mississippi, as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Lamar County, Mississippi, as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lamar County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The 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 March 23, 2018 on our consideration of Lamar County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lamar County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 23, 2018

LAMAR COUNTY

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LAMAR COUNTY

FINANCIAL STATEMENTS

LAMAR COUNTY

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LAMAR COUNTY
Statement of Net Position
September 30, 2016

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 16,783,585
Cash with fiscal agent	154,190
Property tax receivable	25,423,873
Fines receivable (net of allowance for uncollectibles of \$2,589,846)	457,032
Intergovernmental receivables	957,115
Other receivables	115,938
Capital assets:	
Land and construction in progress	6,071,866
Other capital assets, net	116,570,430
Total Assets	<u>166,534,029</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	7,988,543
Total Deferred Outflows of Resources	<u>7,988,543</u>
LIABILITIES	
Claims payable	1,465,265
Intergovernmental payables	664,900
Accrued interest payable	23,911
Amounts held in custody for others	193,840
Other payables	6,523
Long-term liabilities	
Net pension liability	33,938,744
Due within one year:	
Capital debt	1,000,534
Due in more than one year:	
Capital debt	5,347,163
Non-capital debt	784,686
Total Liabilities	<u>43,425,566</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	90,186
Deferred revenues - property taxes	25,423,873
Total Deferred Inflows of Resources	<u>25,514,059</u>
NET POSITION	
Net investment in capital assets	116,294,599
Restricted for:	
Expendable:	
General government	414,423
Public safety	1,796,795
Public works	5,600,517
Health and welfare	135,239
Culture and recreation	260,233
Economic development and assistance	264,346
Debt service	198,000
Unrestricted	(19,381,205)
Total Net Position	<u>\$ 105,582,947</u>

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

LAMAR COUNTY
Statement of Activities
For the Year Ended September 30, 2016

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 8,968,324	1,792,076	525,018		(6,651,230)
Public safety	10,214,106	1,730,855	701,449	359,957	(7,421,845)
Public works	15,552,579	294,137	881,466	49,375	(14,327,601)
Health and welfare	742,614		16,278		(726,336)
Culture and recreation	1,789,453			332	(1,789,121)
Conservation of natural resources	149,260		478		(148,782)
Economic development and assistance	653,408				(653,408)
Interest on long-term debt	169,572				(169,572)
Pension expense	5,317,174				(5,317,174)
Total Governmental Activities	\$ 43,556,490	3,817,068	2,124,689	409,664	(37,205,069)
General revenues:					
Property taxes					\$ 25,771,830
Road & bridge privilege taxes					723,990
Grants and contributions not restricted to specific programs					1,490,796
Unrestricted interest income					85,436
Miscellaneous					820,848
Total General Revenues					28,892,900
Change in Net Position					(8,312,169)
Net Position - Beginning, as previously reported					113,670,386
Prior period adjustments					224,730
Net Position - Beginning, as restated					113,895,116
Net Position - Ending					\$ 105,582,947

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

LAMAR COUNTY
Balance Sheet - Governmental Funds
September 30, 2016

Exhibit 3

	Major Funds			
	General Fund	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 8,029,743	1,295,959	7,457,883	16,783,585
Cash with fiscal agent			154,190	154,190
Property tax receivable	14,974,265	5,371,502	5,078,106	25,423,873
Fines receivable (net of allowance for uncollectibles of \$2,589,846)	457,032			457,032
Intergovernmental receivables	581,784	325,121	50,210	957,115
Other receivables	115,938			115,938
Due from other funds	108	156,445	85,392	241,945
Advances to other funds	69,705	43,403	43,014	156,122
Total Assets	\$ 24,228,575	7,192,430	12,868,795	44,289,800
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Claims payable	\$ 866,628	221,105	377,532	1,465,265
Intergovernmental payables	805,560			805,560
Due to other funds	257,407			257,407
Amounts held in custody for others	193,840			193,840
Other payables	6,523			6,523
Total Liabilities	2,129,958	221,105	377,532	2,728,595
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	14,974,265	5,371,502	5,078,106	25,423,873
Unavailable revenue - fines	457,032			457,032
Unavailable revenue - intergovernmental revenues	9,823	325,121		334,944
Total Deferred Inflows of Resources	15,441,120	5,696,623	5,078,106	26,215,849
FUND BALANCES:				
Nonspendable:				
Advances	69,705			69,705
Restricted for:				
General government			414,423	414,423
Public safety			1,796,795	1,796,795
Public works		1,274,702	4,000,694	5,275,396
Health and welfare			135,239	135,239
Culture and recreation			260,233	260,233
Economic development and assistance			264,346	264,346
Debt service			221,911	221,911
Committed to:				
Culture and recreation			319,516	319,516
Unassigned	6,587,792			6,587,792
Total Fund Balances	\$ 6,657,497	1,274,702	7,413,157	15,345,356
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 24,228,575	7,192,430	12,868,795	44,289,800

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

LAMAR COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2016

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 15,345,356
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 \$85,741,283.	122,642,296
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	457,032
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,132,383)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(33,938,744)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(23,911)
Some accrued receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	334,944
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	7,988,543
Deferred inflows of resources related to pensions	<u>(90,186)</u>
Total Net Position - Governmental Activities	\$ <u><u>105,582,947</u></u>

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

LAMAR COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2016

	Major Funds			
	General	Countywide Road	Other	Total
	Fund	Maintenance	Governmental	Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 14,957,577	5,575,283	5,238,970	25,771,830
Road and bridge privilege taxes		723,990		723,990
Licenses, commissions and other revenue	1,078,953		17,791	1,096,744
Fines and forfeitures	572,252		880,327	1,452,579
Intergovernmental revenues	1,767,719	1,416,899	1,551,165	4,735,783
Charges for services	220,395	294,137	747,424	1,261,956
Interest income	55,247	11,289	18,900	85,436
Miscellaneous revenues	553,847	16,578	102,098	672,523
Total Revenues	19,205,990	8,038,176	8,556,675	35,800,841
EXPENDITURES				
Current:				
General government	8,524,237		755,877	9,280,114
Public safety	7,605,136		3,285,696	10,890,832
Public works		7,974,714	3,642,223	11,616,937
Health and welfare	684,738		124,994	809,732
Culture and recreation	1,336,182		441,758	1,777,940
Conservation of natural resources	154,024			154,024
Economic development and assistance	396,635		217,000	613,635
Debt service:				
Principal	340,000	122,479	622,705	1,085,184
Interest	76,626	4,783	91,720	173,129
Total Expenditures	19,117,578	8,101,976	9,181,973	36,401,527
Excess of Revenues over (under) Expenditures	88,412	(63,800)	(625,298)	(600,686)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		402,462		402,462
Proceeds from sale of capital assets	7,362	147,287	58,530	213,179
Compensation for loss of capital assets			65,743	65,743
Transfers in	28,245	5,186	1,976,959	2,010,390
Transfers out	(833,000)	(706,314)	(471,076)	(2,010,390)
Total Other Financing Sources and Uses	(797,393)	(151,379)	1,630,156	681,384
Net Changes in Fund Balances	(708,981)	(215,179)	1,004,858	80,698
Fund Balances - Beginning, as previously reported	7,622,198	982,874	6,340,636	14,945,708
Prior period adjustments	(255,720)	507,007	67,663	318,950
Fund Balances - Beginning, as restated	7,366,478	1,489,881	6,408,299	15,264,658
Fund Balances - Ending	\$ 6,657,497	1,274,702	7,413,157	15,345,356

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

LAMAR COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2016

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 80,698
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 \$7,018,125 exceeded capital outlays of \$2,149,818 in the current period.	(4,868,307)
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 that the proceeds from the sales of \$213,179 and the compensation for loss of \$65,743 exceeded the net gain of \$148,325 in the current period.	(130,597)
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.	5,789
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$1,085,184 exceeded debt proceeds of \$402,462.	682,722
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 the increase in compensated absences payable	(66,108)
The amount of the decrease in accrued interest payable	3,557
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	(5,317,174)
Recording of contributions made during the year	2,007,885
Under the modified accrual basis of accounting used in the Governmental Funds, current financial resources are reported as revenues. However, in the Statement of Activities, which is presented on the accrual basis, revenues are reported when earned, regardless of when the revenues are available. Thus, the change in net position differs from the change in fund balances by the amount of previously deferred revenues that were recognized in the current year in the Governmental Funds.	(710,634)
Change in Net Position of Governmental Activities	\$ <u>(8,312,169)</u>

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

LAMAR COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2016

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 426,090
Due from other funds	15,570
Total Assets	\$ <u>441,660</u>
LIABILITIES	
Amounts held in custody for others	\$ 11,789
Other liabilities	235,123
Intergovernmental payables	38,518
Due to other funds	108
Advances from other funds	156,122
Total Liabilities	\$ <u>441,660</u>

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

LAMAR COUNTY

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LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

The Statement of Net Position presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities. Direct expenses

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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

C. Measurement Focus and Basis of Accounting.

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

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

The County reports the following major Governmental Funds:

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

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

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

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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

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

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

I. Deferred Outflows/Inflows of Resources:

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

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

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

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

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

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

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 11 for additional details.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

J. Pensions.

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

K. Long-term Liabilities.

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

Governmental 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

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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.

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

Fund Balance Flow Assumption:

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

M. Property Tax Revenues.

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

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

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

N. Intergovernmental Revenues in Governmental Funds.

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

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

O. Compensated Absences.

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

(2) Prior Period Adjustments.

A summary of the significant net position/fund balance adjustments is as follows:

Exhibit 2 – Statement of Activities – Governmental Activities.

Explanation	Amount
To correct prior year errors in capital assets, net.	\$ 94,220
To reverse prior year intergovernmental receivables.	314,959
To reverse prior year intergovernmental payables.	<u>(633,909)</u>
Total prior period adjustments	\$ <u><u>(224,730)</u></u>

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

Explanation	Amount
To reverse prior year intergovernmental payables.	\$ 314,959
To reverse prior year intergovernmental payables.	<u>(633,909)</u>
Total prior period adjustments	\$ <u><u>(318,950)</u></u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2016, was \$17,209,675, and the bank balance was \$18,371,336. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2016:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Funds	\$ 108
Countywide Road Maintenance Fund	General Fund	156,445
Other Governmental Funds	General Fund	85,392
Agency Funds	General Fund	<u>15,570</u>
Total		\$ <u>257,515</u>

The receivables represent the tax revenue and interest income collected in September, 2016, but not settled until October, 2016. 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	Agency Funds	\$ 69,705
Countywide Road Maintenance Fund	Agency Funds	43,403
Other Governmental Funds	Agency Funds	<u>43,014</u>
Total		\$ <u>156,122</u>

The receivables represent a refund of workers compensation premiums due to the contributing governmental fund. All balances are expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 28,245
Countywide Road Maintenance Fund	Other Governmental Funds	5,186
Other Governmental Funds	General Fund	833,000
Other Governmental Funds	Countywide Road Maintenance Fund	706,314
Other Governmental Funds	Other Governmental Funds	<u>437,645</u>
Total		\$ <u>2,010,390</u>

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

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2016, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 445,184
Disaster grants - public assistance grant (presidentially declared disasters) - 2013 tornado damage	167,353
Disaster grants - public assistance grant (presidentially declared disasters) - dam repair	157,768
Emergency management performance grants	46,338
State Aid Road reimbursement	32,225
Other grant reimbursements	108,247
Total Governmental Activities	<u>\$ 957,115</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2016:

Governmental activities:

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments *	Balance Sept. 30, 2016
Non-depreciable capital assets:					
Land	\$ 1,234,241	29,820			1,264,061
Construction in progress	7,129,658	55,825		(2,377,678)	4,807,805
Total non-depreciable capital assets	<u>8,363,899</u>	<u>85,645</u>	<u>0</u>	<u>(2,377,678)</u>	<u>6,071,866</u>
Depreciable capital assets:					
Infrastructure	150,606,034			658,552	151,264,586
Buildings	27,233,472	127,778		1,222,425	28,583,675
Improvements other than buildings	400,803			402,391	803,194
Mobile equipment	17,309,539	1,345,850	900,038		17,755,351
Furniture and equipment	2,625,599	188,083	56,879		2,756,803
Leased property under capital leases	745,642	402,462			1,148,104
Total depreciable capital assets	<u>198,921,089</u>	<u>2,064,173</u>	<u>956,917</u>	<u>2,283,368</u>	<u>202,311,713</u>
Less accumulated depreciated for:					
Infrastructure	58,738,823	5,103,876			63,842,699
Buildings	5,233,430	570,157		(90)	5,803,497
Improvements other than buildings	154,362	30,420			184,782
Mobile equipment	13,157,983	1,017,878	774,668		13,401,193
Furniture and equipment	2,024,074	156,351	51,652		2,128,773
Leased property under capital leases	240,896	139,443			380,339
Total accumulated depreciation	<u>79,549,568</u>	<u>7,018,125</u>	<u>826,320</u>	<u>(90)</u>	<u>85,741,283</u>
Total depreciable capital assets, net	<u>119,371,521</u>	<u>(4,953,952)</u>	<u>130,597</u>	<u>2,283,458</u>	<u>116,570,430</u>
Governmental activities capital assets, net	<u>\$ 127,735,420</u>	<u>(4,868,307)</u>	<u>130,597</u>	<u>(94,220)</u>	<u>122,642,296</u>

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

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 510,334
Public safety	798,685
Public works	5,565,086
Health and welfare	16,231
Culture and recreation	60,671
Economic development and assistance	67,118
	<hr/>
Total governmental activities depreciation expense	\$ 7,018,125

Commitments with respect to unfinished capital projects at September 30, 2016, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Bridge replacement over Gulley Creek	\$ 1,117,979	May, 2018
4th Street/Jackson Road project	165,994	February, 2017

As of September 30, 2016, the County had the following commitments:

On June 24, 2004, the Lamar County Board of Supervisors entered into a tax pledge agreement with the City of Hattiesburg to finance the City's Tax Increment Limited Obligation Bonds in the amount of \$4,500,000. The bonds were issued for the construction of various infrastructure improvements in connection with the Turtle Creek Crossing Project located within the city and county. The County pledged an amount sufficient to pay 25% of the principal and interest on the bonds. The amount paid was \$113,172 in the 2016 fiscal year. The County's payments are paid annually from the revenues generated by tax increment financing.

On July 7, 2014, the Lamar County Board of Supervisors entered into a tax pledge agreement with the City of Hattiesburg to finance the City's Tax Increment Limited Obligation Bonds in the amount of \$715,000. The bonds were issued for the construction of various infrastructure improvements in connection with the Turtle Creek Commons project located within the city and county. The County pledged an amount sufficient to pay one-third of the principal and interest on the bonds. The amount paid was \$30,144 in the 2016 fiscal year. The County's payments are paid annually from the revenue generated by tax increment financing.

On January 20, 2011, the Lamar County Board of Supervisors entered into a tax pledge agreement with the City of Hattiesburg to finance the City's Tax Increment Limited Obligation Bonds in the amount of \$1,225,000. The bonds were issued for the construction of various infrastructure improvements in connection with the Ridge at Turtle Creek project located within the city and county. The County pledged to pay an amount sufficient to pay 25% of any installment due on the first one million dollars (\$1,000,000) of the bonds. The amount paid was \$7,065 in the 2016 fiscal year. The County's payments are paid annually from the revenues generated by tax increment financing.

(7) Claims and Judgments.

Risk Financing.

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

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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, 2016, to January 1, 2017. 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 September 3, 2002, Lamar County entered into a non-cancellable operating lease agreement with Parthenon Envelope, LLC for the lease of certain real property and all buildings and improvements located thereon, owned by the County for use as a manufacturing facility. The operating lease was amended on December 26, 2012. This amendment stipulated that the lessee would pay \$2,500 per month in lease payments commencing July 1, 2012, for a term of ten years. At the end of the lease term, Parthenon Envelope, LLC has the right to renew for an additional ten years. Total income from the lease was \$30,000 for the year ended September 30, 2016. The future minimum lease receivables for this lease is as follows:

<u>Year Ending September 30</u>		<u>Amount</u>
2017	\$	30,000
2018		30,000
2019		30,000
2020		30,000
2021		30,000
2022 - 2026		<u>22,500</u>
Total Minimum Payments Required	\$	<u><u>172,500</u></u>

As Lessee:

On July 17, 2014, Lamar County, along with the City of Hattiesburg, entered into a non-cancellable operating lease agreement with Palm Property and Development, LLC for the lease of commercial property owned by Palm Property and Development, LLC for the sole purpose of operating a Mississippi driver's license renewal station. The operating lease stipulated that the lessee would pay \$2,200 per month in lease payments, commencing August 1, 2014, for a term of ten years with the County obligated to pay one-half, or \$1,100 per month. At the end of the lease term, the County and City have the option to renew the lease for an additional five-year term, subject to approval by Palm Property and Development, LLC. The total cost to the County for this lease was \$13,200 for the year ended September 30, 2016.

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

<u>Year Ending September 30</u>		<u>Amount</u>
2017	\$	13,200
2018		13,200
2019		13,200
2020		13,200
2021		13,200
2022 - 2026		<u>38,500</u>
Total Minimum Payments Required	\$	<u><u>104,500</u></u>

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

(9) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2016:

Classes of Property	Governmental Activities
Mobile equipment	\$ 1,148,104
Less: Accumulated depreciation	(380,339)
Leased Property Under Capital Leases	<u>\$ 767,765</u>

The following is a schedule by years of the total payments due as of September 30, 2016:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2017	\$ 163,378	10,558
2018	62,294	12,601
2019	70,013	11,458
2020	71,756	9,715
2021	275,520	7,587
2022 - 2026	<u>103,628</u>	<u>7,248</u>
Total	<u>\$ 746,589</u>	<u>59,167</u>

(10) Other Postemployment Benefits.

Plan Description

The Lamar County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Lamar County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

(11) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Lamar County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) 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.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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, 2016, 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, 2016 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, 2016, 2015 and 2014 were \$2,007,885, \$1,810,441 and \$1,707,573, respectively, equal to the required contributions for each year.

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

At September 30, 2016, the County reported a liability of \$33,938,744 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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. The County's proportionate share used to calculate the September 30, 2016 net pension liability was 0.19 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.01 percent from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended September 30, 2016, the County recognized pension expense of \$5,317,174. At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 830,657	
Net difference between projected and actual earnings on pension plan investments	3,902,891	
Changes of assumptions	1,515,738	90,186
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	1,214,569	
County contributions subsequent to the measurement date	524,688	
Total	\$ 7,988,543	90,186

\$524,688 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, 2017. 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:

2017	\$ 2,819,711
2018	2,506,565
2019	1,376,924
2020	670,469
Total	\$ 7,373,669

Actuarial Assumptions. The total pension liability in the June 30, 2016 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

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

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

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 43,517,079	33,938,744	25,991,831

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

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

(12) Long-term Debt.

Debt outstanding as of September 30, 2016, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
2012 G.O. Bonds - Courthouse	\$ 1,940,000	1.50-2.00%	02/2022
Lamar County G.O. Refunding Bonds, Series 2010	1,865,000	3.00-3.88%	08/2021
Lamar County G.O. Refunding Bonds - Fire Trucks	<u>830,000</u>	2.05%	04/2022
Total General Obligation Bonds	\$ <u><u>4,635,000</u></u>		
B. Capital Leases:			
2005 fire rescue truck	\$ 40,999	3.97%	01/2020
(2) International knuckle boom loaders/D5K dozers	118,408	1.49%	06/2017
2015 International fire truck with tanker	190,541	2.76%	07/2025
(4) Caterpillar 420F2 backhoes	<u>396,641</u>	1.88%	08/2021
Total Capital Leases	\$ <u><u>746,589</u></u>		
C. Other Loans:			
Capital improvement loan (Central Lamar fire truck)	\$ 126,044	3.00%	10/2028
Southwest fire station	30,256	2.00%	12/2030
Hickory Grove pumper	70,934	2.00%	01/2023
Oloh fire station	85,370	2.00%	02/2031
Northeast fire station	104,738	2.00%	03/2031
Southwest CAP loan	37,154	2.00%	11/2030
Southwest fire station	50,464	2.00%	11/2030
Hickory Grove fire station	48,711	2.00%	11/2030
Pine Ridge fire station	39,577	2.00%	12/2030
Central Lamar CAP loan	89,279	2.00%	12/2031
Rockhill CAP loan	74,184	2.00%	05/2032
Beaver Lake fire truck	53,674	2.00%	06/2022
Northeast fire aerial unit	<u>155,723</u>	2.00%	06/2022
Total Other Loans	\$ <u><u>966,108</u></u>		

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

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2017	\$ 775,000	116,554	62,156	16,445
2018	800,000	98,126	107,976	18,972
2019	820,000	77,639	110,276	16,671
2020	855,000	55,471	112,626	14,321
2021	885,000	31,945	115,028	11,919
2022 - 2026	500,000	6,523	307,289	34,218
2027 - 2031	-	-	149,152	6,188
2032 - 2036	-	-	1,605	23
Total	\$ 4,635,000	386,258	966,108	118,757

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, 2016, the amount of outstanding debt was equal to 0.82% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

	Balance			Balance	Amount due within one year
	Oct. 1, 2015	Additions	Reductions	Sept. 30, 2016	
Governmental Activities:					
Compensated absences	\$ 718,578	66,108		784,686	
General obligation bonds	5,385,000		750,000	4,635,000	775,000
Capital leases	525,355	402,462	181,228	746,589	163,378
Other loans	1,120,064		153,956	966,108	62,156
Total	\$ 7,748,997	468,570	1,085,184	7,132,383	1,000,534

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

(13) Contingencies.

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

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

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

(14) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of (\$19,381,205) includes the effect of deferred inflows of resources and deferred outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$524,688 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$7,463,855 balance of the deferred outflows of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next four years. The \$90,186 balance of the deferred inflows of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next three years.

(15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations.

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

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Lamar County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. The County appropriated \$232,240 for its support in fiscal year 2016.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Lamar County Board of Supervisors appoints one of the nine members of the board of directors. The County appropriated \$85,000 for its support in fiscal year 2016.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Lamar County Board of Supervisors appoints one of the 27 members of the board of directors. The County appropriated \$42,915 for support of the district in fiscal year 2016.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Lamar County Board of Supervisors appoints two of the 16 members of the college board of trustees. The County appropriated \$998,685 for maintenance and support of the college in the fiscal year 2016.

Pearl and Leaf River Rails-to-Trails Recreational District operates in a district composed of the Counties of Forrest, Jefferson Davis and Lamar, and the Cities of Bassfield, Hattiesburg, Prentiss and Sumrall. The Lamar County Board of Supervisors appoints one of the seven members of the board of directors. Each entity provides the amount of support designed by statute which is one-half mill for each participating entity. The County appropriated \$115,983 for support of the district in fiscal year 2016.

LAMAR COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2016

(16) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Lamar County evaluated the activity of the County through March 23, 2018, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2016, the County issued the following debt obligation:

<u>Issue</u>	<u>Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/28/2017		3.23%	\$ 150,000	Promissory note	Ad valorem taxes

LAMAR COUNTY

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LAMAR COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LAMAR COUNTY

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LAMAR COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2016
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 14,629,250	14,935,012	14,935,012	
Licenses, commissions and other revenue	991,025	1,086,364	1,086,364	
Fines and forfeitures	605,000	573,741	573,741	
Intergovernmental revenues	2,488,000	2,559,265	2,559,265	
Charges for services	80,000	122,996	122,996	
Interest income	44,500	55,384	55,384	
Miscellaneous revenues	558,302	1,153,867	1,153,867	
Total Revenues	<u>19,396,077</u>	<u>20,486,629</u>	<u>20,486,629</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	8,929,205	9,402,572	9,402,572	
Public safety	7,090,287	7,547,266	7,547,266	
Health and welfare	525,474	647,548	647,548	
Culture and recreation	1,555,596	1,539,385	1,539,385	
Conservation of natural resources	149,220	140,532	140,532	
Economic development and assistance	388,463	383,481	383,481	
Debt service	560,363	567,007	567,007	
Total Expenditures	<u>19,198,608</u>	<u>20,227,791</u>	<u>20,227,791</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>197,469</u>	<u>258,838</u>	<u>258,838</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		7,362	7,362	
Transfers in	312,000	32,444	32,444	
Transfers out	(575,000)	(833,000)	(833,000)	
Total Other Financing Sources and Uses	<u>(263,000)</u>	<u>(793,194)</u>	<u>(793,194)</u>	<u>0</u>
Net Change in Fund Balance	(65,531)	(534,356)	(534,356)	
Fund Balances - Beginning	<u>6,432,000</u>	<u>7,521,669</u>	<u>7,521,669</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 6,366,469</u>	<u>6,987,313</u>	<u>6,987,313</u>	<u>0</u>

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

LAMAR COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2016
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,162,000	5,566,593	5,566,593	
Road and bridge privilege taxes	650,000	719,799	719,799	
Intergovernmental revenues	818,000	754,464	754,464	
Interest income	5,000	11,328	11,328	
Miscellaneous revenues		310,071	310,071	
Total Revenues	<u>6,635,000</u>	<u>7,362,255</u>	<u>7,362,255</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	7,550,950	7,654,172	7,654,172	
Debt service	120,185	127,262	127,262	
Total Expenditures	<u>7,671,135</u>	<u>7,781,434</u>	<u>7,781,434</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,036,135)</u>	<u>(419,179)</u>	<u>(419,179)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		147,931	147,931	
Transfers in	360,000	27,066	27,066	
Total Other Financing Sources and Uses	<u>360,000</u>	<u>174,997</u>	<u>174,997</u>	<u>0</u>
Net Change in Fund Balance	(676,135)	(244,182)	(244,182)	0
Fund Balances - Beginning	<u>1,500,000</u>	<u>1,539,559</u>	<u>1,539,559</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 823,865</u>	<u>1,295,377</u>	<u>1,295,377</u>	<u>0</u>

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

LAMAR COUNTY
Schedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.19%	0.18%
County's proportionate share of the net pension liability (asset)	\$ 33,938,744	27,824,450
County's covered-employee payroll	\$ 12,104,686	11,310,419
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	280.38%	246.01%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%

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

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

LAMAR COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,007,885	1,810,441
Contributions in relation to the contractually required contribution	<u>2,007,885</u>	<u>1,810,441</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
County's covered-employee payroll	\$ 12,748,476	11,494,865
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

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

LAMAR COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2016

UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his 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	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ (534,356)	(244,182)
Increase (Decrease)		
Net adjustments for revenue accruals	(1,284,838)	653,397
Net adjustments for expenditure accruals	1,110,213	(1,026,856)
Other reconciling items:		
Non-cash financing activity		402,462
GAAP Basis	\$ <u>(708,981)</u>	<u>(215,179)</u>

LAMAR COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2016

UNAUDITED

Pension Schedules

A. Changes of assumptions.

2015

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

B. Changes in benefit provisions.

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

LAMAR COUNTY

SUPPLEMENTAL INFORMATION

LAMAR COUNTY

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LAMAR COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2016

Operating Expenditures, Cash Basis:

Salaries	\$	772,566
Expendable Commodities:		
Repair parts		97,560
Gasoline and petroleum products		72,994
Maintenance		5,699
Solid waste disposal fees		510,284
Uniforms		15,863
Telephone and utilities		6,450
Supplies		11,472
		<hr/>

Solid Waste Cash Basis Operating Expenditures		1,492,888
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Full Cost Expenses:

Indirect administrative costs	10,543
Depreciation on equipment	139,479
Net effect of other accrued expenses	6,292
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Solid Waste Full Cost Operating Expenses	\$	<u>1,649,202</u>
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LAMAR COUNTY

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LAMAR COUNTY

OTHER INFORMATION

LAMAR COUNTY

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LAMAR COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2016
UNAUDITED

Name	Position	Company	Bond
Mike Backstrom	Supervisor District 1	Ohio Casualty Insurance Co	\$100,000
Steve Lampton	Supervisor District 1	Ohio Casualty Insurance Co	\$100,000
Warren Byrd	Supervisor District 2	Ohio Casualty Insurance Co	\$100,000
Joe Bounds	Supervisor District 3	Ohio Casualty Insurance Co	\$100,000
Phillip Carlisle	Supervisor District 4	Ohio Casualty Insurance Co	\$100,000
Dale Lucas	Supervisor District 5	Ohio Casualty Insurance Co	\$100,000
Chuck Bennett	County Administrator	Ohio Casualty Insurance Co	\$100,000
Joseph Waits	County Administrator	Ohio Casualty Insurance Co	\$100,000
Wayne Smith	Chancery Clerk	Ohio Casualty Insurance Co	\$100,000
Jordan Dement	Purchase Clerk	Ohio Casualty Insurance Co	\$75,000
Loretta Sones	Assistant Purchase Clerk	Ohio Casualty Insurance Co	\$50,000
Jacqueline Pierce	Receiving Clerk	Ohio Casualty Insurance Co	\$75,000
Charrie Berard	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
John Anthony Bounds	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Regina Breazeale	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Sonya Broome	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Lena Clarke	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Jeffrey Clinton	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Tara Coggins	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Debra Collins	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Robin Duncan	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Sharon Hawthorne	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Jane Hemby	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Sharon Herrin	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Mary Ann Hollingsworth	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Curtis Jefferson	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Everett Delane Martin	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Ryan Pigott	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Robert Rawls	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Stanley Rayborn	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Lori Ryals	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Pamela Sellers	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Myron Dean Smith	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
James Neil Wallace	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Robert Byrd	Inventory Control Clerk	Ohio Casualty Insurance Co	\$75,000
Tommy Jones	Road Manager	Ohio Casualty Insurance Co	\$50,000
Leighton Chance Curry	Constable	Ohio Casualty Insurance Co	\$50,000
Danny Edwards	Constable	Ohio Casualty Insurance Co	\$50,000
Wayne Hale	Constable	Ohio Casualty Insurance Co	\$50,000
Leslie Wilson	Circuit Clerk	Ohio Casualty Insurance Co	\$100,000
Martin Hankins	Circuit Clerk	Ohio Casualty Insurance Co	\$100,000
Terry Davis	Deputy Circuit Clerk	Ohio Casualty Insurance Co	\$50,000
Rita Ann Hartfield	Deputy Circuit Clerk	Ohio Casualty Insurance Co	\$50,000
Mary Ann Hollingsworth	Deputy Circuit Clerk	Ohio Casualty Insurance Co	\$50,000
Melissa Moore	Deputy Circuit Clerk	Ohio Casualty Insurance Co	\$50,000
Condra Morrow	Deputy Circuit Clerk	Ohio Casualty Insurance Co	\$50,000
Ruth Mossor	Deputy Circuit Clerk	Ohio Casualty Insurance Co	\$50,000
Pamela S	Deputy Circuit Clerk	Ohio Casualty Insurance Co	\$50,000
Leslie Wilson	Deputy Circuit Clerk	Ohio Casualty Insurance Co	\$50,000
Daniel H. Rigel	Sheriff	Ohio Casualty Insurance Co	\$100,000
William Everett Anderson	Justice Court Judge	Ohio Casualty Insurance Co	\$100,000
Charles Greer	Justice Court Judge	Ohio Casualty Insurance Co	\$100,000

LAMAR COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2016
UNAUDITED

Name	Position	Company	Bond
Denton Plumlee	Justice Court Judge	Ohio Casualty Insurance Co	\$100,000
Sandra Owen Barrett	Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Mary Ruth Bass	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Sonya Broome	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Malissa Cameron	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Shelia Rose Dearman	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Tracy Nobles Finch	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Lindsay Caffey Garec	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Jane Hemby	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Jimmie Smith	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Jack Smith	Tax Assessor-Collector	Ohio Casualty Insurance Co	\$100,000
Joan Adams	Deputy Tax Collector	Ohio Casualty Insurance Co	\$50,000
Mindy Bennett	Deputy Tax Collector	Ohio Casualty Insurance Co	\$50,000
Cheryl Renee Faggard	Deputy Tax Collector	Ohio Casualty Insurance Co	\$50,000
Linda Nicole Gipson	Deputy Tax Collector	Ohio Casualty Insurance Co	\$50,000
Joanna Marie Hawthorn	Deputy Tax Collector	Ohio Casualty Insurance Co	\$50,000
Mary J. Hession	Deputy Tax Collector	Ohio Casualty Insurance Co	\$50,000
Darian Vanessa Robinson	Deputy Tax Collector	Ohio Casualty Insurance Co	\$50,000
Michelle Rouse	Deputy Tax Collector	Ohio Casualty Insurance Co	\$50,000
Debbie Sistrunk	Deputy Tax Collector	Ohio Casualty Insurance Co	\$50,000
Neta Williamson	Deputy Tax Collector	Ohio Casualty Insurance Co	\$50,000

LAMAR COUNTY

SPECIAL REPORTS

LAMAR 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
Lamar County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lamar County, Mississippi (the County), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 23, 2018. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is also qualified on the governmental activities because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2016-001 and 2016-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2016-003 to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Lamar County, Mississippi, in the 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 March 23, 2018, included within this document.

Lamar County's Responses to Findings

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

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 23, 2018



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

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

Members of the Board of Supervisors
Lamar County, Mississippi

We have examined Lamar County, Mississippi's (the County's) 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, 2016. The Board of Supervisors of Lamar County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Purchase Clerk.

1. The purchasing schedules should include all purchases meeting the criteria for inclusion.

Repeat Finding No

Criteria Section 31-7-115, Miss. Code Ann. (1972), requires the audit report to include a schedule of purchases not made from the lowest bidder, a schedule of emergency purchases made and a schedule of purchases made noncompetitively from a sole source.

Condition	It was noted during audit testing that the schedule of emergency purchases did not include all purchases meeting the criteria for inclusion.
Cause	Unknown
Effect	Failure to maintain accurate purchasing records could result in violation of state purchasing laws or misappropriation of public funds.
Recommendation	The Purchase Clerk should ensure that all purchases meeting the applicable criteria are included on the purchasing schedules.
Views of Responsible Official(s)	The Purchase Clerk will ensure that all purchases meeting the applicable criteria for an emergency purchase are included on the schedule of emergency purchases

In our opinion, except for the noncompliance referred to in the preceding paragraph, Lamar County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2016.

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.

Lamar 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 Lamar County, Mississippi's compliance with the aforementioned requirements, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 23, 2018

LAMAR COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2016

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

LAMAR COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2016

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
03/11/2016	Barricades and traffic control signs	\$ 7,879	Custom Products Corporation	Emergency flooding on roads

LAMAR COUNTY

Schedule 3Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2016

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
10/22/2015	TouchPrint 5900 Live Scan booking station	\$ 37,876	Morphotrust USA, Inc.
08/19/2016	Two Powerfoil X3.0 24' ceiling fans	20,672	Delta T Corporation
08/19/2016	Aluminum box culverts	67,400	Contech Construction Products, Inc.

LAMAR 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
Lamar County, Mississippi

In planning and performing our audit of the financial statements of Lamar County, Mississippi for the year ended September 30, 2016, we considered Lamar County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lamar County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated March 23, 2018, on the financial statements of Lamar County, Mississippi.

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

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

Board of Supervisors.

1.	<u>Controls over the levying of ad valorem taxes should be strengthened.</u>
Repeat Finding	No
Criteria	An effective system of internal control over the levying of ad valorem taxes should include the appropriate statute granting authority to levy taxes.
Condition	During our audit procedures, we noted the fire protection levy for the City of Lumberton was not authorized by law pursuant to Statute 19-5-189.
Cause	Unknown

Effect	The failure to cite the appropriate statute to authorize the levying of ad valorem taxes could result in the County having a tax levy for unauthorized purposes and/or the possibility of collecting incorrect amounts from taxpayers.
Recommendation	The Board of Supervisors should cite the appropriate statute from the Mississippi Code to authorize the levying of taxes for each tax levy.
Views of Responsible Official(s)	We have already complied with Miss. Code Section 19-5-189 for fiscal year 2017.
2.	<u>Deputy Tax Collectors should be bonded.</u>
Repeat Finding	No
Criteria	Section 27-1-9(a), Miss. Code Ann. (1972), requires each deputy tax collector to execute a bond to be payable, conditioned and approved as provided by law in an amount not less than fifty thousand dollars (\$50,000).
Condition	It was noted during the audit that two Deputy Tax Collectors were not bonded during the fiscal year 2016.
Cause	Unknown
Effect	Failure to comply with the statute would limit the amount available for recovery if a loss occurred over multiple terms.
Recommendation	The Deputy Tax Collectors should execute a bond in the amount of \$50,000 each, as required by law.
Views of Responsible Official(s)	The Board of Supervisors will implement necessary internal controls to verify that Deputy Tax Collectors execute a bond in the amount of \$50,000 as required by Miss. Code Section 27-1-9(a).
3.	<u>Required documentation should be filed timely with PERS when hiring a PERS service retiree.</u>
Repeat Finding	No
Criteria	The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss. Code Ann. (1972), counties hiring PERS service retirees to file PERS Form 4B, "Certification/Acknowledgment of Re-employment of Retiree", with the PERS office within five (5) days from the date of employment of the retiree.
Condition	During test work, it was noted that the form 4B was not filed for two PERS retirees.
Cause	Unknown
Effect	Failure to file caused the County to be in noncompliance with legal requirements.
Recommendation	The Board of Supervisors should ensure that the required form is filed with PERS as soon as possible and should implement procedures to ensure that the County files PERS Form 4B, "Certification/Acknowledgment of Re-employment of Retiree" for all retirees rehired by the County within five (5) days of re-employment.
Views of Responsible Official(s)	The Board of Supervisors will implement necessary procedures to ensure that all PERS Forms 4B are filed within five days of employment of a covered retiree.

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

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

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" and last name "McKnight" clearly legible.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 23, 2018

LAMAR COUNTY

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LAMAR COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

LAMAR COUNTY

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LAMAR COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2016

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Qualified
Aggregate discretely presented component units	Adverse
General fund	Unmodified
Countywide Road Maintenance Fund	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:

a. Material weaknesses identified?	Yes
b. Significant deficiency identified?	Yes

3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2016-001. Financial data for component units should be included in the financial statements.

Repeat Finding Yes

Criteria Generally accepted accounting principles require the financial data for the County's component units be reported with the financial data of the County's primary government unless the County also issued financial statements for the reporting entity that includes the financial data for its component units.

Condition As reported in the prior eight years' audit reports, the financial statements do not include the financial data for the County's legally separate component units.

Cause Unknown

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

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

Views of Responsible Official(s) The Board of Supervisors does not feel the cost associated with providing financial data for its separate component units outweighs the effects of accepting an adverse opinion.

Material Weakness

2016-002. Liability for postemployment benefits not recorded and note disclosures for postemployment benefits not reported.

LAMAR COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2016

Repeat Finding	Yes
Criteria	Lamar County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage to active employees and retirees through the County's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement No. 45, <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i> , as a single-employer defined health care plan. GASB Statement No. 45 requires the County to report on an accrual basis the liability associated with other postemployment benefits.
Condition	The County does not issue a publicly available financial report for its health insurance plan. Also, as reported in the prior seven years' audit reports, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.
Cause	Unknown
Effect	The failure to follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities.
Recommendation	The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosure can be made in accordance with accounting principles generally accepted in the United States of America.
Views of Responsible Official(s)	The Board of Supervisors does not feel that the cost associated with providing financial data associated with its retirement benefits outweighs the effects of accepting a qualified opinion.
Circuit Clerk.	
Significant Deficiency	
2016-003.	<u>Circuit Clerk should reconcile bank statements to fee journal.</u>
Repeat Finding	No
Criteria	An effective system of internal control over cash should include maintaining a fee journal and reconciling bank statements to the fee journal.
Condition	The Circuit Clerk's bank statements for the fee clearing account were not reconciled to the fee journal.
Cause	Unknown
Effect	Failure to reconcile the bank statements to the fee journal could result in loss or misappropriation of public funds.
Recommendation	The Circuit Clerk should ensure the fee clearing bank statements are reconciled to the fee journal.
Views of Responsible Official(s)	In progress.