



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

LAUDERDALE COUNTY, MISSISSIPPI

**AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS**

For the Year Ended September 30, 2017

C O N T E N T S

| | Page |
|---|-------|
| FINANCIAL AUDIT REPORT | |
| INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION | 1-3 |
| FINANCIAL STATEMENTS | |
| Statement of Net position | 4-5 |
| Statement of Activities | 6-7 |
| Balance Sheet – Governmental Funds | 8 |
| Reconciliation of Governmental Funds Balance Sheet to the Statement of Net position | 9 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 10 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities | 11 |
| Statement of Net position – Proprietary Fund, Ambulance Enterprise Fund | 12 |
| Statement of Revenues, Expenses and Changes in Fund Net position – Proprietary Fund, Ambulance Enterprise Fund | 13 |
| Statement of Cash Flows – Proprietary Fund, Ambulance Enterprise Fund | 14 |
| Statement of Fiduciary Assets and Liabilities | 15 |
| Notes to financial statements | 16-48 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedule for the General Fund | 49 |
| Budgetary Comparison Schedule for the Road Maintenance Fund | 50 |
| Schedule of County's Proportionate Share of the Net Pension Liability | 51 |
| Schedule of County Contributions | 52 |
| Schedule of Metro Ambulance's Proportionate Share of the Net Pension Liability | 53 |
| Schedule of Metro Ambulance's Contributions | 54 |
| Schedule of the Tourism Commission's Proportionate Share of the Net Pension Liability | 55 |
| Schedule of the Tourism Commission's Contributions | 56 |

| | |
|--|-------|
| Schedule of the Library's Proportionate Share of the Net Pension Liability | 57 |
| Schedule of the Library's Contributions | 58 |
| Notes to the Required Supplementary Information | 59-61 |
| OTHER INFORMATION | |
| Schedule of Surety Bonds for County Officials | 62 |
| SPECIAL REPORTS | |
| INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 63-64 |
| INDEPENDENT ACCOUNTANTS' REPORT ON CENTRAL PURCHASING SYSTEM, INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES (REQUIRED BY SECTION 31-7-115, MISS.CODE ANN. (1972)) | 65-66 |
| Schedule Purchases Not Made from the Lowest Bidder | 67 |
| Schedule of Emergency Purchases | 68 |
| Schedule of Purchases Made Noncompetitively from a Sole Source | 69 |
| Limited Internal Control and Compliance Review Management Report | 70-73 |
| SCHEDULE OF FINDINGS | 74 |

LAUDERDALE COUNTY, MISSISSIPPI

FINANCIAL AUDIT REPORT

For the Year Ended September 30, 2017



REA, SHAW, GIFFIN & STUART, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
AMERICAN INSTITUTE
OF
CERTIFIED PUBLIC
ACCOUNTANTS

POST OFFICE BOX 2090
MERIDIAN MS 39302
TELEPHONE 601-693-2841
FAX 601-693-2851

POST OFFICE BOX 562
WAYNESBORO MS 39367
TELEPHONE 601-735-2317
FAX 601-735-0585

POST OFFICE BOX 606
PHILADELPHIA MS 39360
TELEPHONE 601-658-2742
FAX 601-658-2760

MEMBER
MISSISSIPPI SOCIETY
OF
CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors
Lauderdale County, Mississippi

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Lauderdale County, Mississippi as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We also audited the financial statements of the Metro Ambulance Enterprise Fund, a blended component unit, which represents 100% of the assets, net position, and revenues of the major enterprise fund and the business-type activities, and the Lauderdale County Tourism Commission, a discretely presented component unit, which represents 21%, 21%, and 35% of the assets, net position and revenues of the governmental component units. We did not audit the financial statements of the Meridian-Lauderdale County Public Library, a discretely presented component unit, which represents 79%, 79%, and 65% of the assets, net position, and revenues of the governmental component unit column. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component units, is based solely on the reports of the other auditors.

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Lauderdale County, Mississippi, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

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

Supplementary and Other Information

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 February 15, 2019, on our consideration of Lauderdale County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lauderdale County, Mississippi's internal control over financial reporting and compliance.



REA, SHAW, GIFFIN & STUART, LLP

LAUDERDALE COUNTY, MISSISSIPPI
FINANCIAL STATEMENTS

LAUDERDALE COUNTY, MISSISSIPPI

STATEMENT OF NET POSITION
September 30, 2017

Exhibit 1

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|-----------------------|-----------------------|---|
| | Governmental Activities | Business-type Activities | Total | Tourism Commission | Meridian- Lauderdale Co. Public Library |
| ASSETS | | | | | |
| Cash | \$ 34,597,111 | \$ 405,081 | \$ 35,002,192 | \$ 1,046,577 | \$ 3,805,171 |
| Investments | - | - | - | - | 6,451 |
| Property tax receivable | 27,658,721 | - | 27,658,721 | - | - |
| Accounts receivable, net | 356,569 | 1,141,375 | 1,497,944 | 128,198 | - |
| Fines receivable, net | 277,498 | - | 277,498 | - | - |
| Intergovernmental receivables | 615,539 | - | 615,539 | - | - |
| Other receivables | 324,950 | - | 324,950 | - | - |
| Prepaid items | - | 41,242 | 41,242 | - | 26,743 |
| Internal balances | (435) | 435 | - | - | - |
| Inventories | - | 52,492 | 52,492 | - | - |
| Capital Assets | | | | | |
| Land and construction in-progress | 18,545,524 | - | 18,545,524 | - | - |
| Other capital assets, net | 86,443,416 | 649,796 | 87,093,212 | 14,166 | 560,212 |
| Total assets | \$ 168,818,893 | \$ 2,290,421 | \$ 171,109,314 | \$ 1,188,941 | \$ 4,398,577 |
| Deferred Outflows of Resources | | | | | |
| Deferred amount on refundings | \$ 1,763,330 | \$ - | \$ 1,763,330 | \$ - | \$ - |
| Deferred outflows related to pensions | 5,292,910 | 333,178 | 5,626,088 | 34,154 | 197,309 |
| Total deferred outflows of resources | \$ 7,056,240 | \$ 333,178 | \$ 7,389,418 | \$ 34,154 | \$ 197,309 |

The Notes to Financial Statements are an integral part of this statement.

LIABILITIES

| | | | | | |
|--|--------------|---------|--------------|-----------|--------|
| Claims payable | \$ 2,364,668 | \$ - | \$ 2,364,668 | \$ 85,305 | \$ - |
| Amounts held in custody for others | 592,469 | - | 592,469 | - | - |
| Intergovernmental payables | 844,561 | - | 844,561 | - | - |
| Accounts payable and accrued liabilities | - | - | - | - | 26,344 |
| Accrued interest payable | 243,598 | - | 243,598 | - | - |
| Unearned revenue | - | 156,668 | 156,668 | - | - |
| Other payables | 54,306 | 183,506 | 237,812 | - | - |

Long-term Liabilities

| | | | | | |
|----------------------------|-----------------------------|----------------------------|-----------------------------|--------------------------|----------------------------|
| Due within one year: | | | | | |
| Capital debt | 3,832,509 | - | 3,832,509 | - | - |
| Non-capital debt | 487,721 | - | 487,721 | - | - |
| Due in more than one year: | | | | | |
| Capital debt | 38,485,093 | - | 38,485,093 | - | - |
| Non-capital debt | 1,264,650 | - | 1,264,650 | 16,873 | - |
| Net pension liability | <u>30,303,964</u> | <u>6,649,358</u> | <u>36,953,322</u> | <u>326,650</u> | <u>1,414,651</u> |
| Total liabilities | \$ <u>78,473,539</u> | \$ <u>6,989,532</u> | \$ <u>85,463,071</u> | \$ <u>428,828</u> | \$ <u>1,440,995</u> |

Deferred Inflows of Resources

| | | | | | |
|--|-----------------------------|-------------------------|-----------------------------|--------------------|-------------------------|
| Property tax for future reporting period | \$ 27,658,721 | \$ - | \$ 27,658,721 | \$ - | \$ - |
| Deferred inflows related to pensions | <u>2,727,545</u> | <u>73,222</u> | <u>2,800,767</u> | <u>-</u> | <u>82,601</u> |
| Total deferred inflows of resources | \$ <u>30,386,266</u> | \$ <u>73,222</u> | \$ <u>30,459,488</u> | \$ <u>-</u> | \$ <u>82,601</u> |

Net Position

| | | | | | |
|-------------------------------------|-----------------------------|------------------------------|-----------------------------|--------------------------|----------------------------|
| Net investment in capital assets | \$ 64,413,813 | \$ 649,796 | \$ 65,063,609 | \$ 14,166 | \$ 560,212 |
| Restricted | | | | | |
| Expendable: | | | | | |
| General government | 1,592,235 | - | 1,592,235 | - | - |
| Public safety | 991,248 | - | 991,248 | - | - |
| Public works | 15,350,100 | - | 15,350,100 | - | - |
| Culture and recreation | 130,222 | - | 130,222 | - | - |
| Economic development and assistance | 1,193,269 | - | 1,193,269 | - | - |
| Unemployment compensation | - | - | - | - | 10,092 |
| Debt service | 3,971,915 | - | 3,971,915 | - | - |
| Other purposes | - | - | - | - | 351,694 |
| Unrestricted | <u>(20,627,474)</u> | <u>(5,088,951)</u> | <u>(25,716,425)</u> | <u>780,101</u> | <u>2,150,292</u> |
| Total net position | \$ <u>67,015,328</u> | \$ <u>(4,439,155)</u> | \$ <u>62,576,173</u> | \$ <u>794,267</u> | \$ <u>3,072,290</u> |

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

STATEMENT OF ACTIVITIES For the Year Ended September 30, 2017

Exhibit 2

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Position | | | Component Units | |
|--|---------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------|--------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | Tourism Commission | Meridian-Lauderdale County Public Library |
| | | | | | | | | | |
| Primary government | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government | \$ 8,262,490 | \$ 1,962,840 | \$ 302,176 | \$ 5,475 | \$ (5,991,999) | | \$ (5,991,999) | | |
| Public safety | 12,006,256 | 1,955,600 | 837,622 | 83,850 | (9,129,184) | | (9,129,184) | | |
| Public works | 12,657,967 | 1,295,352 | 1,040,399 | 609,788 | (9,712,428) | | (9,712,428) | | |
| Health and welfare | 936,862 | - | 159,098 | - | (777,764) | | (777,764) | | |
| Culture and recreation | 913,704 | - | 98,800 | - | (814,904) | | (814,904) | | |
| Conservation of natural resources | 104,236 | - | - | - | (104,236) | | (104,236) | | |
| Economic development and assistance | 1,347,096 | - | 111,321 | 88,378 | (1,147,397) | | (1,147,397) | | |
| Interest and issue costs on long-term debt | 1,467,377 | - | - | - | (1,467,377) | | (1,467,377) | | |
| Fiscal agents' fees | 28,062 | - | - | - | (28,062) | | (28,062) | | |
| Pension expense | 4,723,308 | - | - | - | (4,723,308) | | (4,723,308) | | |
| Total governmental activities | \$ 42,447,358 | \$ 5,213,792 | \$ 2,549,416 | \$ 787,491 | \$ (33,896,659) | | \$ (33,896,659) | | |
| Business-type activities | | | | | | | | | |
| Metro Ambulance | \$ 8,365,221 | \$ 7,749,395 | \$ - | \$ - | \$ - | \$ (615,826) | \$ (615,826) | | |
| Total business-type activities | \$ 8,365,221 | \$ 7,749,395 | \$ - | \$ - | \$ - | \$ (615,826) | \$ (615,826) | | |
| Total primary government | \$ 50,812,579 | \$ 12,963,187 | \$ 2,549,416 | \$ 787,491 | \$ (33,896,659) | \$ (615,826) | \$ (34,512,485) | | |
| Component units | | | | | | | | | |
| Tourism Commission | \$ 581,497 | \$ 802,879 | \$ - | \$ - | | | | \$ 221,382 | \$ - |
| Meridian-Lauderdale County Public Library | 1,469,996 | 32,424 | 184,729 | - | | | | - | (1,252,843) |
| Total component units | \$ 2,051,493 | \$ 835,303 | \$ 184,729 | \$ - | | | | \$ 221,382 | \$ (1,252,843) |

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

STATEMENT OF ACTIVITIES (continued)

September 30, 2017

| | Net (Expense) Revenue and Changes in Position | | | | |
|--|---|-----------------------------|-----------------------|-----------------------|---|
| | Governmental Activities | Business-type Activities | Total | Component Units | |
| | | | | Tourism Commission | Meridian- Lauderdale Co. Public Library |
| General Revenues | | | | | |
| Property taxes | \$ 27,695,698 | \$ 35,543 | \$ 27,731,241 | \$ - | \$ - |
| Road and bridge privilege taxes | 841,987 | - | 841,987 | - | - |
| Grants and contributions not restricted to specific programs | 1,572,520 | - | 1,572,520 | - | 1,025,371 |
| Unrestricted interest income | 169,419 | 432 | 169,851 | - | 16,367 |
| Miscellaneous | 1,323,831 | 48,339 | 1,372,170 | - | 18,468 |
| Transfers | - | - | - | (98,800) | - |
| Total general revenues | <u>\$ 31,603,455</u> | <u>\$ 84,314</u> | <u>\$ 31,687,769</u> | <u>\$ (98,800)</u> | <u>\$ 1,060,206</u> |
| Changes in net position | <u>\$ (2,293,204)</u> | <u>\$ (531,512)</u> | <u>\$ (2,824,716)</u> | <u>\$ 122,582</u> | <u>\$ (192,637)</u> |
| Net position - beginning, as originally presented | \$ 69,308,532 | \$ (3,907,643) | \$ 65,400,889 | \$ 671,685 | \$ 3,289,970 |
| Prior period adjustment | - | - | - | - | (25,043) |
| Net position - beginning, as restated | <u>\$ 69,308,532</u> | <u>\$ (3,907,643)</u> | <u>\$ 65,400,889</u> | <u>\$ 671,685</u> | <u>\$ 3,264,927</u> |
| Net position - ending | <u>\$ 67,015,328</u> | <u>\$ (4,439,155)</u> | <u>\$ 62,576,173</u> | <u>\$ 794,267</u> | <u>\$ 3,072,290</u> |

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2017

Exhibit 3

| | Major Funds | | | | Other | Total |
|--|----------------------|----------------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | General Fund | County Road Maintenance | Combined GO Debt Fund | Series 2015 B Bond | Governmental Funds | Governmental Funds |
| ASSETS | | | | | | |
| Cash | \$ 10,087,145 | \$ 2,450,962 | \$ 4,063,506 | \$ 9,614,991 | \$ 8,380,507 | \$ 34,597,111 |
| Property tax receivable | 14,339,026 | 1,898,063 | 5,070,056 | - | 6,351,576 | 27,658,721 |
| Accounts receivable, net | - | - | - | - | 356,569 | 356,569 |
| Fines receivable, net | 277,498 | - | - | - | - | 277,498 |
| Intergovernmental receivables | 418,986 | - | - | - | 196,553 | 615,539 |
| Other receivables | 5,389 | 157,500 | - | - | 162,061 | 324,950 |
| Due from other funds | 135,000 | 91,458 | 65,751 | - | 109,159 | 401,368 |
| Advances to other funds | 186,000 | - | - | - | 6,800 | 192,800 |
| Total assets | \$ 25,449,044 | \$ 4,597,983 | \$ 9,199,313 | \$ 9,614,991 | \$ 15,563,225 | \$ 64,424,556 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Claims payable | \$ 676,362 | \$ 373,369 | \$ - | \$ 541,561 | \$ 773,376 | \$ 2,364,668 |
| Amounts held in custody for others | 592,469 | - | - | - | - | 592,469 |
| Intergovernmental payables | 814,435 | - | - | - | 3 | 814,438 |
| Due to other funds | 296,926 | - | - | - | 135,000 | 431,926 |
| Advances from other funds | - | - | - | - | 192,800 | 192,800 |
| Other payables | 54,306 | - | - | - | - | 54,306 |
| Total liabilities | \$ 2,434,498 | \$ 373,369 | \$ - | \$ 541,561 | \$ 1,101,179 | \$ 4,450,607 |
| Deferred Inflows of Resources | | | | | | |
| Unavailable revenue - property taxes | \$ 14,339,026 | \$ 1,898,063 | \$ 5,070,056 | \$ - | \$ 6,351,576 | \$ 27,658,721 |
| Unavailable revenue - accounts receivable | - | - | - | - | 356,569 | 356,569 |
| Unavailable revenue - fines | 277,498 | - | - | - | - | 277,498 |
| Total deferred inflows of resources | \$ 14,616,524 | \$ 1,898,063 | \$ 5,070,056 | \$ - | \$ 6,708,145 | \$ 28,292,788 |
| Fund Balances | | | | | | |
| Nonspendable: | | | | | | |
| Advances | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | | | | | | |
| General government | - | - | - | - | 1,592,235 | 1,592,235 |
| Public safety | - | - | - | - | 991,248 | 991,248 |
| Public works | - | 2,326,551 | - | 9,073,430 | 3,593,550 | 14,993,531 |
| Culture and recreation | - | - | - | - | 130,222 | 130,222 |
| Economic development and assistance | - | - | - | - | 1,193,269 | 1,193,269 |
| Debt service | - | - | 4,129,257 | - | 86,256 | 4,215,513 |
| Committed | | | | | | |
| Public safety | - | - | - | - | 189,644 | 189,644 |
| Assigned | | | | | | |
| Public safety | - | - | - | - | 63,043 | 63,043 |
| Unassigned | 8,398,022 | - | - | - | (85,566) | 8,312,456 |
| Total fund balances | \$ 8,398,022 | \$ 2,326,551 | \$ 4,129,257 | \$ 9,073,430 | \$ 7,753,901 | \$ 31,681,161 |
| Total liabilities and fund balances | \$ 25,449,044 | \$ 4,597,983 | \$ 9,199,313 | \$ 9,614,991 | \$ 15,563,225 | \$ 64,424,556 |

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

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

September 30, 2017

Exhibit 3.1

| | | |
|---|------------------|----------------------|
| Total Fund Balances - Governmental Funds | | \$ 31,681,161 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Other long-term assets are not available to pay for current period expenditures, therefore, are deferred in the funds. | | |
| Solid waste accounts receivable | 356,569 | |
| Court fines receivable | <u>277,498</u> | |
| | | 634,067 |
| Capital leases receivable are not available to pay for current period's expenditures, therefore, are deferred in the funds. | | - |
| Capital assets are used in governmental activities and are not financial resources, therefore, are not reported in the funds, net of accumulated depreciation of \$93,458,327 | | 104,988,940 |
| Accrued interest is not due and payable in the current period, therefore, is not reported in the funds. | | (243,598) |
| Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds. Long-term liabilities at year-end consist of: | | |
| Compensated absences | (541,893) | |
| Bond principal | (40,615,000) | |
| Other loan principal | (817,993) | |
| Capital leases principal | (1,620,809) | |
| Bond premiums | <u>(474,278)</u> | |
| | | (44,069,973) |
| Deferred amount on refunding | | 1,763,330 |
| Net pension obligations are not due and payable in the current period, therefore, are not reported in the funds. | | (30,303,964) |
| 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 | | 5,292,910 |
| Deferred inflows of resources related to pensions | | <u>(2,727,545)</u> |
| Total net position - Governmental Activities | | <u>\$ 67,015,328</u> |

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

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

For the Year Ended September 30, 2017

Exhibit 4

| | Major Funds | | | | Other | Total |
|---|----------------------|----------------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | General Fund | County Road Maintenance | Combined GO Debt Fund | Series 2015 B Bond | Governmental Funds | Governmental Funds |
| Revenues | | | | | | |
| Property taxes | \$ 14,372,147 | \$ 1,894,584 | \$ 5,377,903 | \$ - | \$ 6,051,064 | \$ 27,695,698 |
| Road and bridge privilege taxes | - | 841,987 | - | - | - | 841,987 |
| Licenses, commissions and other revenues | 1,054,158 | 369 | 758 | - | 93,278 | 1,148,563 |
| Fines and forfeitures | 1,070,196 | - | - | - | - | 1,070,196 |
| Intergovernmental revenues | 1,721,067 | 957,861 | 71,037 | - | 2,159,462 | 4,909,427 |
| Charges for services | 500,922 | - | - | - | 2,511,134 | 3,012,056 |
| Interest income | 88,184 | 6,444 | 8,539 | 41,054 | 25,198 | 169,419 |
| Miscellaneous revenues | 547,420 | 6,195 | 87 | - | 651,269 | 1,204,971 |
| Total revenues | <u>\$ 19,354,094</u> | <u>\$ 3,707,440</u> | <u>\$ 5,458,324</u> | <u>\$ 41,054</u> | <u>\$ 11,491,405</u> | <u>\$ 40,052,317</u> |
| Expenditures | | | | | | |
| General government | \$ 7,405,640 | \$ - | \$ - | \$ - | \$ 1,061,847 | \$ 8,467,487 |
| Public safety | 9,274,695 | - | - | - | 3,877,690 | 13,152,385 |
| Public works | - | 3,972,804 | - | 1,563,320 | 7,925,618 | 13,461,742 |
| Health and welfare | 944,438 | - | - | - | 4,829 | 949,267 |
| Culture and recreation | - | - | - | 25,295 | 850,864 | 876,159 |
| Conservation of natural resources | 104,236 | - | - | - | - | 104,236 |
| Economic development and assistance | 193,200 | - | - | - | 767,897 | 961,097 |
| Debt service | | | | | | - |
| Principal | 591,111 | 459,829 | - | - | 3,703,272 | 4,754,212 |
| Interest | 33,742 | 7,003 | - | - | 1,424,754 | 1,465,499 |
| Fiscal agent fees | 2,350 | - | - | - | 25,712 | 28,062 |
| Total expenditures | <u>\$ 18,549,412</u> | <u>\$ 4,439,636</u> | <u>\$ -</u> | <u>\$ 1,588,615</u> | <u>\$ 19,642,483</u> | <u>\$ 44,220,146</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 804,682</u> | <u>\$ (732,196)</u> | <u>\$ 5,458,324</u> | <u>\$ (1,547,561)</u> | <u>\$ (8,151,078)</u> | <u>\$ (4,167,829)</u> |
| Other Financing Sources (Uses) | | | | | | |
| Long-term debt issued | \$ 200,689 | \$ - | \$ - | \$ - | \$ 1,165,415 | \$ 1,366,104 |
| Proceeds from sale of capital assets | 6,413 | 346,337 | - | - | 158,545 | 511,295 |
| Compensation for loss of capital assets | - | - | - | - | 20,307 | 20,307 |
| Transfers-in | 388,692 | - | - | 7,461 | 5,071,287 | 5,467,440 |
| Transfers-out | (848,358) | (41,786) | (4,453,438) | (30,210) | (93,648) | (5,467,440) |
| Total other financing sources (uses) | <u>\$ (252,564)</u> | <u>\$ 304,551</u> | <u>\$ (4,453,438)</u> | <u>\$ (22,749)</u> | <u>\$ 6,321,906</u> | <u>\$ 1,897,706</u> |
| Net change in fund balances | \$ 552,118 | \$ (427,645) | \$ 1,004,886 | \$ (1,570,310) | \$ (1,829,172) | \$ (2,270,123) |
| Fund balances - beginning | <u>7,845,904</u> | <u>2,754,196</u> | <u>3,124,371</u> | <u>10,643,740</u> | <u>9,583,073</u> | <u>33,951,284</u> |
| Fund balances - ending | <u>\$ 8,398,022</u> | <u>\$ 2,326,551</u> | <u>\$ 4,129,257</u> | <u>\$ 9,073,430</u> | <u>\$ 7,753,901</u> | <u>\$ 31,681,161</u> |

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended September 30, 2017

Exhibit 4.1

Net change in fund balances -total governmental funds \$ (2,270,123)

Amounts reported for governmental activities in the statement of activities ("SOA") are different because:

Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the SOA using the full-accrual basis of accounting. 18,869

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 SOA using the full-accrual basis of accounting. (35,892)

Governmental funds report capital outlays as expenditures. However, in the SOA, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in nets assets differs from the change in fund balances by the following:

| | | |
|----------------------|--------------------|---------|
| Capital outlays | 3,449,913 | |
| Depreciation expense | <u>(3,455,700)</u> | (5,787) |

In the SOA, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the following:

| | | |
|--|-----------------|-----------|
| Proceeds from the sale of capital assets | (511,295) | |
| Gains (losses) | 118,860 | |
| Compensation for loss of capital assets | <u>(20,307)</u> | (412,742) |

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the SOA. 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 following:

| | | |
|-----------------|--------------------|-----------|
| Debt repayments | 4,754,138 | |
| Debt proceeds | <u>(1,366,104)</u> | 3,388,034 |

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 SOA, 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 when it accrues. Thus the change in net position differs from the change in fund balances by the following:

| | | |
|---|------------------|----------|
| Compensated absences | (33,146) | |
| Accrued interest payable | 180,938 | |
| The amortization of general obligation bond premium | 26,485 | |
| The amortization of refunding bond premium | 23,693 | |
| The amortization of deferred refunding charges | <u>(232,920)</u> | (34,950) |

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:

| | | |
|--|------------------|--|
| Recognition of pension expense for the current year | (4,723,308) | |
| Recognition of pension contributions made during the fiscal year | <u>1,782,695</u> | |

Change in net position of governmental activities \$ (2,293,204)

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

**STATEMENT OF NET POSITION - PROPRIETARY FUND
AMBULANCE ENTERPRISE FUND**

September 30, 2017

Exhibit 5

ASSETS

Current Assets

| | |
|---|----------------------------|
| Cash and investments | \$ 405,081 |
| Accounts receivable, net of allowance for uncollectibles of \$0 | 1,141,375 |
| Due from other funds | 435 |
| Prepaid items | 41,242 |
| Inventories | 52,492 |
| Total current assets | <u>\$ 1,640,625</u> |

Non-current Assets

Capital Assets

| | |
|-----------------------------------|--------------------------|
| Land and construction in-progress | |
| Other capital assets, net | 649,796 |
| Total non-current assets | <u>\$ 649,796</u> |

| | |
|---------------------|----------------------------|
| Total assets | <u>\$ 2,290,421</u> |
|---------------------|----------------------------|

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|--------------------------|
| Deferred outflows related to pensions | 333,178 |
| Total deferred outflows of resources | <u>\$ 333,178</u> |

LIABILITIES

Current Liabilities

| | |
|----------------------------------|--------------------------|
| Unearned revenue | \$ 156,668 |
| Other accrued liabilities | 183,506 |
| Total current liabilities | <u>\$ 340,174</u> |

Non-current Liabilities

| | |
|--------------------------------------|----------------------------|
| Net pension liability | 6,649,358 |
| Total non-current liabilities | <u>\$ 6,649,358</u> |

| | |
|--------------------------|----------------------------|
| Total liabilities | <u>\$ 6,989,532</u> |
|--------------------------|----------------------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|--|-------------------------|
| Deferred inflows related to pensions | 73,222 |
| Total deferred inflows of resources | <u>\$ 73,222</u> |

NET POSITION

| | |
|---|------------------------------|
| Invested in capital assets, net of related debt | \$ 649,796 |
| Unrestricted | (5,088,951) |
| Total net position | <u>\$ (4,439,155)</u> |

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

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

AMBULANCE ENTERPRISE FUND

For the Year Ended September 30, 2017

Exhibit 6

Operating Revenues

| | |
|----------------------|--------------|
| Charges for services | \$ 7,749,395 |
|----------------------|--------------|

| | |
|-----------------------|---------------------|
| Total revenues | \$ 7,749,395 |
|-----------------------|---------------------|

Operating Expenses

| | |
|-------------------|--------------|
| Personal services | \$ 3,734,339 |
|-------------------|--------------|

| | |
|------------------------|-----------|
| Materials and supplies | 2,546,149 |
|------------------------|-----------|

| | |
|---------|---------|
| Repairs | 341,629 |
|---------|---------|

| | |
|----------------|---------|
| Administrative | 539,563 |
|----------------|---------|

| | |
|---------------|--------|
| Miscellaneous | 47,307 |
|---------------|--------|

| | |
|----------------------|---------|
| Depreciation expense | 258,181 |
|----------------------|---------|

| | |
|-----------------|---------|
| Pension expense | 898,053 |
|-----------------|---------|

| | |
|---------------------------------|---------------------|
| Total operating expenses | \$ 8,365,221 |
|---------------------------------|---------------------|

| | |
|-------------------------|--------------|
| Operating income (loss) | \$ (615,826) |
|-------------------------|--------------|

Non-operating Revenues (expenses)

| | |
|-----------------|--------|
| Interest income | \$ 432 |
|-----------------|--------|

| | |
|----------------|--------|
| Property taxes | 35,543 |
|----------------|--------|

| | |
|-------------------------|--------|
| Other income (expenses) | 48,339 |
|-------------------------|--------|

| | |
|--|------------------|
| Total non-operating revenues (expenses) | \$ 84,314 |
|--|------------------|

| | |
|-------------------------------|---------------------|
| Change in net position | \$ (531,512) |
|-------------------------------|---------------------|

| | |
|---------------------------------|--------------------|
| Net position - beginning | (3,907,643) |
|---------------------------------|--------------------|

| | |
|------------------------------|-----------------------|
| Net position - ending | \$ (4,439,155) |
|------------------------------|-----------------------|

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
AMBULANCE ENTERPRISE FUND**

For the Year Ended September 30, 2017

Exhibit 7

| | |
|---|----------------------------|
| Cash Flows from Operating Activities | |
| Receipts from customers | \$ 5,155,387 |
| Payments to employees for services | (3,057,526) |
| Payments to other suppliers for goods and services | (2,168,753) |
| Net cash used in operating activities | <u>\$ (70,892)</u> |
| Cash Flows from Non-capital Financing Activities | |
| Membership revenue received | \$ 289 |
| Other grants received | 49,155 |
| Property taxes | 35,543 |
| Loans from other funds | (435) |
| Interfund loan repayments | 635 |
| Licenses, commissions and other | 5 |
| Other non-capital financing activities | 4,364 |
| Net cash provided by non-capital financing activities | <u>\$ 89,556</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Acquisition or construction of capital assets | \$ (116,985) |
| Proceeds on disposal of asset | (4,474) |
| Net cash used in capital and related financing activities | <u>\$ (121,459)</u> |
| Cash Flows from Investing Activities | |
| Interest and dividends on investments | \$ 432 |
| Net cash provided by investing activities | <u>\$ 432</u> |
| Net Decrease in Cash and Cash Equivalents | \$ (102,363) |
| Cash and cash equivalents at beginning of year | <u>507,444</u> |
| Cash and cash equivalents at ending of year | <u>\$ 405,081</u> |
| Reconciliation of Operating Loss to Net Cash Provided by Operating Activities | |
| Operating loss | <u>\$ (615,826)</u> |
| Adjustments to reconcile Operating Loss to Net Cash Provided by Operating Activities | |
| Depreciation | 258,181 |
| Loss on disposal of assets | 4,474 |
| Change in assets and liabilities: | |
| (Increase) decrease in receivables | (250,082) |
| (Increase) decrease in prepaid expenses | 29,744 |
| (Increase) decrease in inventories | (10,118) |
| Increase (decrease) deferred outflows-pension | 1,015,886 |
| Increase (decrease) in accrued liabilities | (19,673) |
| Increase (decrease) in deferred revenue | 38,584 |
| Increase (decrease) in net pension liability | (495,641) |
| Increase (decrease) in deferred inflows-pension | (26,421) |
| Total adjustments | <u>\$ 544,934</u> |
| Net cash used in operating activities | <u>\$ (70,892)</u> |

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
September 30, 2017

Exhibit 8

Assets

| | |
|----------------------|--------------------------|
| Cash and investments | \$ 765,187 |
| Due from other funds | <u>30,123</u> |
| Total assets | <u>\$ 795,310</u> |

Liabilities

| | |
|------------------------------------|--------------------------|
| Amounts held in custody for others | \$ 687,274 |
| Intergovernmental payables | <u>108,036</u> |
| Total liabilities | <u>\$ 795,310</u> |

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

B. Individual Component Unit Disclosures

Blended Components Units

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

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

Note 1. Summary of Significant Accounting Policies (continued)

Discretely Presented Component Units

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

- The Meridian-Lauderdale County Public Library was formed under Section 39-3-1, Miss. Code Ann. (1972), and is a legally separate entity. The library was originally organized by the City of Meridian. Effective October 1, 1994, the library became a county library rather than a municipal library. At that time the County Board of Supervisors began appointing board members as the City's appointed members' terms expired. Complete financial statements for the Meridian-Lauderdale County Public Library can be obtained from 2517 7th Street, Meridian, MS 39301.
- The Lauderdale County Tourism Commission was authorized under House Bill 1751. The County appoints three of the seven board members. A majority of the Commission's funding is supplied by the County, and the Commission's budget must be approved by the County. Complete financial statements for the Lauderdale County Tourism Commission can be obtained from P.O. Box 5313, Meridian, MS 39302.

C. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements

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

Note 1. Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements

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

D. Measurement Focus and Basis of Accounting

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

The revenues and expenses of the proprietary funds are classified as operating or non-operating. Operating revenues and expenses generally result from providing services in connections with a proprietary fund's primary operations. All other revenues and expenses are reported as non-operating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to

Note 1. Summary of Significant Accounting Policies (continued)

finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within sixty days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund 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 all and report all financial resources not accounted for and reported in another fund.

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

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

Series 2015 B General Obligation Bond Fund – This fund is used to account for resources accumulated and used for the payment of long-term principal, interest, and related costs of borrowing used for road and bridge projects, equipment, buildings, and recreation.

The County reports the following major enterprise fund:

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

Additionally, the county reports the following fund types:

Governmental Fund Types

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources or committed to expenditures for specified purpose other than debt service or capital projects.

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

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

Note 1. Summary of Significant Accounting Policies (continued)

Proprietary Fund Types

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

Fiduciary Fund Types

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

E. Account Classifications

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

F. Deposits and Investments

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements. Cash includes cash on hand, demand deposits, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

G. Receivables

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

H. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as “due to/from other funds.” Non-current 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 reserve account in applicable Governmental Funds 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

Note 1. Summary of Significant Accounting Policies (continued)

funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

I. Inventories and Prepaid Items

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

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

J. Restricted Assets

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

K. Capital Assets

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

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

Note 1. Summary of Significant Accounting Policies (continued)

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Fund. 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:

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

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

L. Deferred Outflows/Inflows of Resources

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

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

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 10 for additional details. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

M. Pensions

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

N. Long-term Liabilities

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

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

O. Equity Classifications

Government-wide Financial Statements

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

Note 1. Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County's highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

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

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

Fund Balance Flow Assumption

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

P. Property Tax Revenues

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

The board of supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on

Note 1. Summary of Significant Accounting Policies (continued)

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 collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

Q. Intergovernmental Revenues in Governmental Funds

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

R. Compensated Absences

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

S. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, Tax Abatement Disclosures and GASB Statement No. 82, Pension Issues- an amendment of GASB Statements No. 67, No. 68 and No. 73. The provisions of these standards have been incorporated into the financial statements and notes.

Note 2. Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit 2- Statement of Activities

| <u>Component unit - Meridian - Lauderdale County Public Library</u> | <u>Amount</u> |
|---|--------------------|
| To record adjustments to GASB 68 and 71: | |
| Deferred outflows related to pensions for fiscal year 2016 | \$ 3,955 |
| Deferred inflows related to pensions for fiscal year 2016 | <u>(28,998)</u> |
| Total prior period adjustments | <u>\$ (25,043)</u> |

Note 3. DepositsPrimary Government

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$35,767,379, and the bank balance was \$37,711,150. 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.

Note 4. Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2017:

A. Due From/To Other Funds

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|--------------------------|--------------------------|-------------------|
| General fund | Other Governmental Funds | \$ 135,000 |
| County Road Maintenance | General Fund | 91,458 |
| Combined GO Debt Fund | General Fund | 65,751 |
| Other Governmental Funds | General Fund | 109,159 |
| Metro Ambulance Fund | General Fund | 435 |
| Agency fund | General Fund | <u>30,123</u> |
| | | <u>\$ 431,926</u> |

The receivables represent operating loans and tax revenue collected in September 2017 but not settled until October 2017. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|--------------------------|-------------------|
| General Fund | Other Governmental Funds | \$ 186,000 |
| Other Governmental Funds | Other Governmental Funds | <u>6,800</u> |
| | | <u>\$ 192,800</u> |

The purpose of the advances is to provide operating loans for cash flow. None of the advances are expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> |
|--------------------------|--------------------------|---------------------|
| General Fund | Combined GO Debt Fund | \$ 388,692 |
| Series 2015 B bond | Other Governmental Funds | 7,461 |
| Other Governmental Funds | County Road Maintenance | 41,786 |
| Other Governmental Funds | Series 2015 B bond | 30,210 |
| Other Governmental Funds | Combined GO Debt Fund | 4,064,746 |
| Other Governmental Funds | General Fund | 848,358 |
| Other Governmental Funds | Other Governmental Funds | <u>86,187</u> |
| | | <u>\$ 5,467,440</u> |

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

Note 5. Intergovernmental Receivables

Intergovernmental receivables at September 30, 2017 consists of the following:

Governmental Activities

| | <u>Amount</u> |
|-------------------------------------|-------------------|
| Legislative tax credit | \$ 385,288 |
| Reimbursement for housing prisoners | 25,192 |
| Sheriff investigative services | 6,000 |
| Various reimbursement grants | <u>199,059</u> |
| Total governmental activities | <u>\$ 615,539</u> |

Note 6. Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2017:

Governmental Activities

| | Balance Oct 1, 2016 | Addition | Deletion | * Adjustments | Balance Sept 30, 2017 |
|--|------------------------|-----------------------|-----------------------|---------------------|--------------------------|
| Non-depreciable capital assets | | | | | |
| Land | \$ 14,886,486 | \$ 74,994 | \$ - | \$ - | \$ 14,961,480 |
| Construction in-progress | <u>2,984,285</u> | <u>1,544,929</u> | <u>(41,720)</u> | <u>(903,450)</u> | <u>3,584,044</u> |
| Total non-depreciable capital assets | <u>\$ 17,870,771</u> | <u>\$ 1,619,923</u> | <u>\$ (41,720)</u> | <u>\$ (903,450)</u> | <u>\$ 18,545,524</u> |
| Depreciable capital assets | | | | | |
| Infrastructure | \$ 115,185,590 | \$ - | \$ - | \$ 264,998 | \$ 115,450,588 |
| Buildings | 35,266,264 | - | - | 78,494 | 35,344,758 |
| Improvements other than buildings | 7,676,971 | - | - | 559,958 | 8,236,929 |
| Mobile equipment | 14,426,710 | 1,353,191 | (1,103,756) | 553,785 | 15,229,930 |
| Furniture and equipment | 3,409,097 | 212,205 | (188,264) | 143,916 | 3,576,954 |
| Property under capital leases | <u>2,495,691</u> | <u>264,594</u> | <u>-</u> | <u>(697,701)</u> | <u>2,062,584</u> |
| Total depreciable capital assets | <u>\$ 178,460,323</u> | <u>\$ 1,829,990</u> | <u>\$ (1,292,020)</u> | <u>\$ 903,450</u> | <u>\$ 179,901,743</u> |
| Less accumulated depreciation for | | | | | |
| Infrastructure | \$ 64,069,665 | \$ 1,298,370 | \$ - | \$ - | \$ 65,368,035 |
| Buildings | 10,385,478 | 696,012 | - | - | 11,081,490 |
| Improvements other than buildings | 2,041,697 | 320,414 | - | - | 2,362,111 |
| Mobile equipment | 10,648,347 | 743,146 | (738,587) | 179,049 | 10,831,955 |
| Furniture and equipment | 2,798,016 | 148,238 | (182,411) | 135,791 | 2,899,634 |
| Property under capital leases | <u>980,422</u> | <u>249,520</u> | <u>-</u> | <u>(314,840)</u> | <u>915,102</u> |
| Total accumulated depreciation | <u>\$ 90,923,625</u> | <u>\$ 3,455,700</u> | <u>\$ (920,998)</u> | <u>\$ -</u> | <u>\$ 93,458,327</u> |
| Total depreciable capital assets, net | <u>\$ 87,536,698</u> | <u>\$ (1,625,710)</u> | <u>\$ (371,022)</u> | <u>\$ 903,450</u> | <u>\$ 86,443,416</u> |
| Governmental activities capital assets, net | <u>\$ 105,407,469</u> | <u>\$ (5,787)</u> | <u>\$ (412,742)</u> | <u>\$ -</u> | <u>\$ 104,988,940</u> |

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

Note 6. Capital Assets (continued)

Depreciation expense was charged to the governmental functions as follows:

Governmental Activities

| | |
|-------------------------------------|----------------|
| General government | \$ 542,563 |
| Public safety | 427,912 |
| Public works | 1,911,245 |
| Health and welfare | 26,377 |
| Culture and recreation | 73,226 |
| Conservation of natural resources | - |
| Economic development and assistance | <u>474,377</u> |

| | |
|--|---------------------|
| Total governmental activities depreciation expense | <u>\$ 3,455,700</u> |
|--|---------------------|

Business-type Activities

| | Balance Oct 1, 2016 | Addition | Deletion | Adjustments | Balance Sept 30, 2017 |
|---|------------------------|---------------------|---------------------|-------------|--------------------------|
| Depreciable capital assets | | | | | |
| Leasehold improvements | \$ 391,524 | \$ - | \$ (73,172) | \$ - | \$ 318,352 |
| Mobile equipment | 1,930,774 | - | (12,735) | - | 1,918,039 |
| Furniture and equipment | <u>1,958,056</u> | <u>116,984</u> | <u>(626,276)</u> | <u>-</u> | <u>1,448,764</u> |
| Total depreciable capital assets | <u>\$ 4,280,354</u> | <u>\$ 116,984</u> | <u>\$ (712,183)</u> | <u>\$ -</u> | <u>\$ 3,685,155</u> |
| Less accumulated depreciation for | | | | | |
| Leasehold improvements | \$ 214,273 | \$ 18,367 | \$ (73,084) | \$ - | \$ 159,556 |
| Mobile equipment | 1,489,404 | 147,417 | (12,735) | - | 1,624,086 |
| Furniture and equipment | <u>1,781,211</u> | <u>92,397</u> | <u>(621,891)</u> | <u>-</u> | <u>1,251,717</u> |
| Total accumulated depreciation | <u>\$ 3,484,888</u> | <u>\$ 258,181</u> | <u>\$ (707,710)</u> | <u>\$ -</u> | <u>\$ 3,035,359</u> |
| Total depreciable capital assets, net | <u>\$ 795,466</u> | <u>\$ (141,197)</u> | <u>\$ (4,473)</u> | <u>\$ -</u> | <u>\$ 649,796</u> |
| Business-type activities capital assets, net | <u>\$ 795,466</u> | <u>\$ (141,197)</u> | <u>\$ (4,473)</u> | <u>\$ -</u> | <u>\$ 649,796</u> |

All depreciation expense was charged to Metro Ambulance.

Note 6. Capital Assets (continued)**Component Units – Governmental**

The Meridian-Lauderdale County Public Library capital assets balances at September 30, 2017, are as follows:

| | Balance Oct 1, 2016 | Addition | Deletion | Adjustments | Balance Sept 30, 2017 |
|---------------------------------------|------------------------|------------|----------|-------------|--------------------------|
| Depreciable capital assets | | | | | |
| Reading material | \$ 471,885 | \$ 96,625 | \$ - | \$ - | \$ 568,510 |
| Furniture and equipment | 525,801 | 206,066 | - | - | 731,867 |
| Vehicle | 17,121 | - | - | - | 17,121 |
| Total depreciable capital assets | \$ 1,014,807 | \$ 302,691 | \$ - | \$ - | \$ 1,317,498 |
| Less accumulated depreciation for | | | | | |
| Reading material | \$ 273,617 | \$ 82,652 | \$ - | \$ - | \$ 356,269 |
| Furniture and equipment | 318,552 | 65,344 | - | - | 383,896 |
| Vehicle | 17,121 | - | - | - | 17,121 |
| Total accumulated depreciation | \$ 609,290 | \$ 147,996 | \$ - | \$ - | \$ 757,286 |
| Total depreciable capital assets, net | \$ 405,517 | \$ 154,695 | \$ - | \$ - | \$ 560,212 |
| Component unit capital assets, net | \$ 405,517 | \$ 154,695 | \$ - | \$ - | \$ 560,212 |

The Lauderdale County Tourism Commission capital assets balance at September 30, 2017, is as follows:

| | Balance Oct 1, 2016 | Addition | Deletion | Adjustments | Balance Sept 30, 2017 |
|---------------------------------------|------------------------|----------|------------|-------------|--------------------------|
| Depreciable capital assets | | | | | |
| Computer equipment | \$ 20,069 | \$ 355 | \$ (1,777) | \$ - | \$ 18,647 |
| Furniture and equipment | 23,858 | 7,838 | (520) | - | 31,176 |
| Vehicle | 33,292 | 335 | (2,556) | - | 31,071 |
| Total depreciable capital assets | \$ 77,219 | \$ 8,528 | \$ (4,853) | \$ - | \$ 80,894 |
| Less accumulated depreciation for | | | | | |
| Computer equipment | \$ 18,040 | \$ 2,235 | \$ (1,447) | \$ (822) | \$ 18,006 |
| Furniture and equipment | 20,036 | 267 | (416) | - | 19,887 |
| Vehicle | 28,189 | 758 | (112) | - | 28,835 |
| Total accumulated depreciation | \$ 66,265 | \$ 3,260 | \$ (1,975) | \$ (822) | \$ 66,728 |
| Total depreciable capital assets, net | \$ 10,954 | \$ 5,268 | \$ (2,878) | \$ 822 | \$ 14,166 |
| Component unit capital assets, net | \$ 10,954 | \$ 5,268 | \$ (2,878) | \$ 822 | \$ 14,166 |

Note 6. Capital Assets (continued)

As of September 30, 2017, the county had the following commitments with respect to unfinished capital projects:

| Description of Commitment | Remaining Financial Commitment | Expected Date of Completion |
|--|--------------------------------------|--------------------------------|
| Fisher Road | \$ 3,567 | August 31, 2018 |
| Tower Automotive upgrades | 176,424 | January 31, 2018 |
| Roy Dollar Road | 10,050 | October 31, 2018 |
| Null Road | 9,210 | November 30, 2018 |
| Old Highway 80 West | 3,554 | July 31, 2018 |
| Mosley Crossing Road | 31,483 | August 31, 2018 |
| Beaver Pond Road | 6,126 | September 30, 2018 |
| Old Mount Barton School | 137,479 | January 31, 2018 |
| Soil Cement and DBST Project #38-16-03 | 184,843 | September 30, 2018 |

Note 7. Claims and Judgments**Risk Financing**

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2017, to January 1, 2018. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Note 8. Operating LeasesAs Lessor

On February 5, 2007 in Lauderdale County, Tower Automotive Products Company, Ins. entered into a non-cancellable operating lease agreement with Lauderdale County Economic Development District for the lease of 43 acres of land owned by Lauderdale County Economic Development District for the purpose of heavy and light industrial uses as well as warehousing. The operating lease stipulated that the lessee would pay \$32,128 per month in lease payments which is comprised of a \$31,250 monthly rent with the balance of the payment being an additional consideration to the landlord for granting the right for payments to be made monthly as opposed to annually. The payments commenced February 1, 2007 for a term of 15 years.

The county receives income from property it leases under a noncancellable operating lease. Total income from such lease was \$353,406 for the year ended September 30, 2017. The future minimum lease receivables for these leases are as follows:

| <u>Year Ending September 30</u> | <u>Amount</u> |
|---------------------------------|---------------------|
| 2018 | \$ 375,000 |
| 2019 | 375,000 |
| 2020 | 375,000 |
| 2021 | 375,000 |
| 2022 | <u>125,000</u> |
| | <u>\$ 1,625,000</u> |

Note 9. Capital LeasesAs Lessee

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

| <u>Classes of Property</u> | <u>Governmental Activities</u> |
|--------------------------------------|------------------------------------|
| Mobile equipment | \$ 1,856,628 |
| Furniture and equipment | <u>205,956</u> |
| Total | \$ 2,062,584 |
| Less: accumulated depreciation | <u>(915,102)</u> |
| Leased property under capital leases | <u>\$ 1,147,482</u> |

Note 9. Capital Leases (continued)

The following is a schedule by years of the total payments due as of September 30, 2017:

| <u>Year Ending September 30</u> | <u>Governmental Activities</u> | |
|---------------------------------|--------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 545,644 | \$ 27,007 |
| 2019 | 391,077 | 18,215 |
| 2020 | 282,022 | 10,784 |
| 2021 | 259,749 | 6,400 |
| 2022 | 142,317 | 993 |
| Total | <u>\$ 1,620,809</u> | <u>\$ 63,399</u> |

Note 10. Defined Benefit Pension Plan

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

Benefits Provided – Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% 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 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or 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 (4 years of membership service for those who became members of PERS before July 1, 2007).

Note 10. Defined Benefit Pension Plan (continued)

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 3.00% 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 3.00% 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, 2017, PERS members were required to contribute 9.00% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2017 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 fiscal years ending September 30, 2017, 2016, 2015 and 2014 were \$1,874,890, \$1,805,194, \$1,736,802 and \$1,666,993, respectively, equal to the required contributions for each year. Metro Ambulance's contributions to PERS for the fiscal years ending September 30, 2017, 2016 and 2015 were \$409,368, \$415,184, and \$418,329, respectively, which equaled the required contribution for each year. The Lauderdale County Tourism Commission's contributions to PERS for the fiscal years ending September 30, 2017, 2016 and 2015 were \$20,209, \$23,243, and \$21,792, respectively, which equaled the required contribution for each year. The Library's contributions (employer share only) to PERS for the fiscal years ending September 30, 2017, 2016 and 2015 were \$88,824, \$72,346, and \$72,351, respectively, equal to the required contribution for each year.

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

At September 30, 2017, the County reported a liability of \$30,303,964 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2017, the County's proportion was 0.182297%, which was an increase of 0.009181% from its proportion measured as of June 30, 2016.

Note 10. Defined Benefit Pension Plan (continued)

For the year ended September 30, 2017, the County recognized pension expense of \$4,723,308. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|----------------------------------|---------------------------------|
| Difference between expected and actual experience | \$ - | \$ 221,120 |
| Net difference between projected and actual earnings on pension plan investments | - | 2,341,449 |
| Changes in assumptions | 30,949 | - |
| Changes in proportion and differences between the County's contributions and proportionate share of contributions | 4,748,729 | 164,976 |
| County contributions subsequent to the measurement date | <u>513,232</u> | <u>-</u> |
| Total | <u>\$ 5,292,910</u> | <u>\$ 2,727,545</u> |

\$513,232 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, 2018.

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:

| | |
|-------|---------------------|
| 2018 | \$ 1,634,844 |
| 2019 | 838,721 |
| 2020 | 163,931 |
| 2021 | <u>(585,363)</u> |
| Total | <u>\$ 2,052,133</u> |

Business Type Activities – Metro Ambulance

At September 30, 2017, Metro Ambulance reported a liability of \$6,649,358 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Metro Ambulance's proportion of the net pension liability was based on a projection of

Note 10. Defined Benefit Pension Plan (continued)

Metro Ambulance's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2017, Metro Ambulance's proportion was 0.04%.

For the year ended September 30, 2017, Metro Ambulance recognized pension expense of \$898,053. At September 30, 2017, Metro Ambulance reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|--|----------------------------------|---------------------------------|
| Difference between expected and actual experience | \$ (48,518) | \$ - |
| Changes in assumptions | 783,199 | 73,219 |
| Changes in proportion and differences between the contributions and proportionate share of contributions | - | 3 |
| Net difference between projected and actual earnings on pension plan investments | (513,765) | - |
| District contributions subsequent to the measurement date | <u>112,262</u> | <u>-</u> |
| Total | <u>\$ 333,178</u> | <u>\$ 73,222</u> |

\$112,262 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | | |
|----------------------------------|----|----------------|
| <u>Year ending September 30:</u> | | |
| 2018 | \$ | 43,826 |
| 2019 | | 43,826 |
| 2020 | | 43,826 |
| 2021 | | 16,216 |
| 2022 | | <u>-</u> |
| Total | \$ | <u>147,694</u> |

Note 10. Defined Benefit Pension Plan (continued)Component Unit – Lauderdale County Tourism Commission

At September 30, 2017, the Commission reported a liability of \$326,650 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Commission's proportion was 0.002%.

For the year ended September 30, 2017, the Commission recognized pension expense of \$24,026. At September 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|----------------------------------|---------------------------------|
| Difference between expected and actual experience | \$ (2,383) | \$ - |
| Changes in assumptions | 56,221 | - |
| Net difference between projected and actual earnings on pension plan investments | (25,239) | - |
| Changes in proportion and differences between Commission contributions and proportionate share of contributions | - | - |
| Commission contributions subsequent to the measurement date | <u>5,555</u> | <u>-</u> |
| Total | <u>\$ 34,154</u> | <u>\$ -</u> |

Note 10. Defined Benefit Pension Plan (continued)

\$5,555 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018. 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:

| | | |
|-------|----|---------------|
| 2018 | \$ | 6,114 |
| 2019 | | 6,114 |
| 2020 | | 6,237 |
| 2021 | | 10,134 |
| 2022 | | - |
| Total | \$ | <u>28,599</u> |

Component Unit – Meridian-Lauderdale County Public Library

At September 30, 2017, the Library reported a liability of \$1,414,651 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based on a projection of the Library's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Library's proportion was 0.008510%, which was an increase of 0.001652% from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the Library recognized pension expense of \$298,722. At September 30, 2017, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflow of Resources</u> | <u>Deferred Inflow of Resources</u> |
|--|--|---|
| Difference between expected and actual experience | \$ 16,749 | \$ 10,322 |
| Net difference between projected and actual earnings on pension plan investments | - | 35,784 |
| Changes in assumptions | 27,689 | 1,943 |
| Changes in proportion and differences between college contributions and proportionate share of contributions | 132,583 | 34,552 |
| Library contributions subsequent to the measurement date | <u>20,288</u> | <u>-</u> |
| Total | <u>\$ 197,309</u> | <u>\$ 82,601</u> |

Note 10. Defined Benefit Pension Plan (continued)

\$20,288 reported as deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018.

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:

| | |
|-------|------------------|
| 2018 | \$ 45,818 |
| 2019 | 59,967 |
| 2020 | 15,960 |
| 2021 | <u>(27,325)</u> |
| Total | <u>\$ 94,420</u> |

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.00 percent |
| Salary increases | 3.75-18.50 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 2022 with male rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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 by adding expected inflation.

Note 10. Defined Benefit Pension Plan (continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

| Asset Class | Target Allocation | Long-term expected real rate of return |
|-------------------------|-------------------|--|
| U.S. broad | 27.00% | 4.60% |
| International equity | 18.00% | 4.50% |
| Emerging markets equity | 4.00% | 4.75% |
| Global | 12.00% | 4.75% |
| Fixed income | 18.00% | 0.75% |
| Real assets | 10.00% | 3.50% |
| Private equity | 8.00% | 5.10% |
| Emerging debt | 2.00% | 2.50% |
| Cash | 1.00% | 0.00% |
| Total | 100.00% | |

Discount Rate – The discount rate used to measure the total pension liability was 7.75%. 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, Metro Ambulance, Lauderdale County Tourism Commission, and Meridian-Lauderdale County Public Library's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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%) or 1-percentage-point higher (8.75%) than the current rate.

| | 1% Decrease 6.75% | Current Discount rate 7.75% | 1% Increase 8.75% |
|---|----------------------|-----------------------------------|----------------------|
| County's proportionate share of the net pension liability | \$ 39,745,672 | \$ 30,303,964 | \$ 22,465,295 |
| Metro Ambulance's proportionate share of the net pension liability | 8,721,076 | 6,649,358 | 4,929,381 |
| Tourism Commission's proportionate share of the net pension liability | 428,423 | 326,650 | 242,156 |
| Library's proportionate share of the net pension liability | 1,855,409 | 1,414,651 | 1,048,726 |

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

Note 11. Long-term Debt

Debt outstanding as of September 30, 2017, consisted of the following:

| Description and Purpose | Amount Outstanding | Interest Rate | Final Maturity Date |
|---|-----------------------|------------------|---------------------------|
| Governmental Activities | | | |
| A. General Obligation Bonds | | | |
| Road and bridge - Series 2009 | \$ 235,000 | 3.00 | 2/2019 |
| Series 2011 - General Obligation Refunding | 690,000 | 2.00-3.00 | 7/2019 |
| Series 2012 - Road, Bridge, Equipment and Rec | 8,125,000 | 2.00-3.50 | 3/2027 |
| Series 2013 A - General Obligation Refunding | 4,565,000 | 1.00-2.25 | 4/2023 |
| Series 2013 B - GO Refunding Taxable | 13,495,000 | .47-3.31 | 2/2026 |
| Series 2015 Road, Bridge, Equip and Rec Bonds | 3,085,000 | 3.00-4.00 | 11/2035 |
| Series 2015 B Road, Bridge, Equip and Rec Bonds | <u>10,420,000</u> | 2.50-3.50 | 11/2035 |
| Total General Obligation Bonds | <u>\$ 40,615,000</u> | | |
| | | | |
| Description and Purpose | Amount Outstanding | Interest Rate | Final Maturity Date |
| B. Capital Leases | | | |
| 8 Kubota Tractors and 8 Bushhogs | \$ 7,434 | 1.87 | 10/2017 |
| 9 2013 International Dump Trucks | 52,306 | 1.74 | 2/2018 |
| 2014 International Model 4300 Knuckleboom | 17,681 | 1.59 | 6/2018 |
| Telephone system | 14,898 | 2.25 | 5/2018 |
| Copier - Circuit Court | 5,438 | 2.22 | 5/2019 |
| Liberty Digital Recorders | 1,066 | 1.84 | 1/2018 |
| Dell Computers | 96,133 | 2.07 | 4/2020 |
| Copier for LEMA and Vol Fire Dept | 5,372 | 1.89 | 1/2019 |
| 9 Unequipped Vehicles | 167,860 | 1.49 | 3/2020 |
| 8 2016 Dodge Chargers and Equipment | 136,370 | 1.67 | 2/2019 |
| 3 2016 Trucks - LEMA, Supervisor, E-911 | 43,375 | 1.73 | 5/2019 |
| E-911 CAD | <u>1,072,876</u> | 2.09 | 4/4022 |
| Total Capital Leases | <u>\$ 1,620,809</u> | | |
| | | | |
| C. Other Loans | | | |
| MDA CAP Loan - Ag Center | \$ 268,995 | 2.00 | 4/2024 |
| MDA CAP Loan - CertainTeed Upgrades | <u>548,998</u> | 3.00 | 5/2025 |
| Total Other Loans | <u>\$ 817,993</u> | | |

Note 11. Long-term Debt (continued)

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

| <u>Year Ending September 30</u> | <u>Bonds</u> | |
|---------------------------------|----------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 3,670,000 | \$ 1,126,029 |
| 2019 | 3,795,000 | 1,034,998 |
| 2020 | 3,430,000 | 939,105 |
| 2021 | 3,555,000 | 853,440 |
| 2022 | 3,660,000 | 761,052 |
| 2023-2027 | 15,020,000 | 2,299,600 |
| 2028-2032 | 3,870,000 | 904,981 |
| 2033-2037 | <u>3,615,000</u> | <u>245,821</u> |
| Total | <u>\$ 40,615,000</u> | <u>\$ 8,165,026</u> |

| <u>Year Ending September 30</u> | <u>Other Loans</u> | |
|---------------------------------|--------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 104,586 | \$ 20,691 |
| 2019 | 107,462 | 17,815 |
| 2020 | 110,322 | 14,955 |
| 2021 | 113,261 | 12,017 |
| 2022 | 116,280 | 8,997 |
| 2023-2027 | <u>266,082</u> | <u>9,705</u> |
| Total | <u>\$ 817,993</u> | <u>\$ 84,180</u> |

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 15.00% 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 20.00% 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, 2017, the amount of outstanding debt was equal to 6.18% of the latest property assessments.

Note 11. Long-term Debt (continued)

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

| Governmental Activities | | | | | | Amount due |
|--------------------------|------------------------|---------------------|-----------------------|--------------|--------------------------|---------------------|
| | Balance Oct 1, 2016 | Additions | Reductions | Adjustments | Balance Sept 30, 2017 | within one year |
| Compensated absences | \$ 508,747 | \$ 33,146 | \$ - | \$ - | \$ 541,893 | \$ - |
| General obligation bonds | 44,190,000 | - | (3,575,000) | - | 40,615,000 | 3,670,000 |
| Add: premiums | 524,456 | - | (50,178) | - | 474,278 | - |
| Capital leases | 1,332,058 | 1,366,104 | (1,077,255) | (98) | 1,620,809 | 545,644 |
| Other loans | 919,778 | - | (101,957) | 172 | 817,993 | 104,586 |
| Total | <u>\$ 47,475,039</u> | <u>\$ 1,399,250</u> | <u>\$ (4,804,390)</u> | <u>\$ 74</u> | <u>\$ 44,069,973</u> | <u>\$ 4,320,230</u> |
| Business-type Activities | | | | | | Amount due |
| | Balance Oct 1, 2016 | Additions | Reductions | Adjustments | Balance Sept 30, 2017 | within one year |
| Compensated Absences | <u>\$ 136,072</u> | <u>\$ -</u> | <u>\$ (9,934)</u> | <u>\$ -</u> | <u>\$ 126,138</u> | <u>\$ -</u> |

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

Commitments

On December 2009, Lauderdale County entered into an agreement with the City of Meridian to provide additional security and payments of 35% of the total debt of the Crossroads construction project. The debt will be serviced by revenues generated by the tax increment payment of \$80,500 that was paid for the year ended September 30, 2017.

On March 2010, Lauderdale County, Mississippi entered into an agreement with the City of Meridian to provide additional security and payments of 35% of the total debt of the Highway 19 North Hills Project construction project. The debt will be serviced by revenues generated by tax increment financing. A payment of \$8,750 was paid for the year ended September 30, 2017.

Note 12. Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balances at September 30, 2017:

| <u>Fund</u> | <u>Deficit Amount</u> |
|---------------------------------------|-----------------------|
| Alcohol/drug countermeasures | \$ (3,338) |
| Occupant protection grant | (917) |
| Sheriff mental health - CIT grant | (1,774) |
| Q.V. Sykes Fitness Trail Grant | (50,237) |
| Community Heritage Preservation Grant | (1,091) |
| Sowashee Walking Trail | (14,093) |
| Emergency Watershed Protection Grant | (11,610) |
| Certainfeed Cap Loan | (2,505) |

Note 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.

Note 14. Joint Venture

The County participates in the following joint venture:

Lauderdale County is a participant with the City of Meridian in a joint venture, authorized by Section 57-31-1, Miss. Code Ann. (1972), to operate the East Mississippi Business Development Corporation. The joint venture was created to encourage, foster and facilitate economic development in the County. The Board is made up of citizens and corporate members, who are not appointed by the County or the City. The County's appropriation to the joint venture was \$282,600 in fiscal year 2017. Complete financial statements for the East Mississippi Business Development Corporation can be obtained from P. O. Box 790, Meridian, MS 39302.

Note 15. Jointly Governed Organizations

The County participates in the following jointly governed organizations:

Central Mississippi Emergency Medical Services District operates in a district composed of the Counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Lauderdale County Board of Supervisors appoints two of the 26 members of the board. The County provided no financial support in fiscal year 2017.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Lauderdale County Board of Supervisors appoints one of the 15 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County appropriated \$48,000 for support of the district in fiscal year 2017.

East Mississippi Community College operates in a district composed of the Counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee and Oktibbeha. The Lauderdale County Board of Supervisors appoints two of the 12 members of the college board of trustees. The county appropriated \$255,985 for financial support in fiscal year 2017.

The Multi-County Community Service Agency operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The agency was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Lauderdale County Board of Supervisors appoints three of the 24 members of the board of directors. Most of the funding is derived from federal funds. The County appropriated \$50,000 for support of the agency in fiscal year 2017.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Lauderdale County Board of Supervisors appoints one of the 9 members of the board of commissioners. The County appropriated \$139,354 for support of the commission in fiscal year 2017.

Mid-Mississippi Development District operates in a district composed of the Counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The District was created to encourage, foster and facilitate economic development in member counties. The District's Board of Trustees is composed of 30 members, five each from the six-member counties. The County contributed the minimal financial support in fiscal year 2017.

Note 16. Tax Abatements

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement 77, *Tax Abatement Disclosures*. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Lauderdale County Board of Supervisors negotiate property tax abatements on an individual basis. Abatements can be up to a maximum of ten years and are for economic development purposes. The County has tax abatement agreements with multiple entities, with some entities having more than one expansion eligible for the tax abatement, as of September 30, 2017.

The County had various types of abatements, none of which provides for the abatement of school or state tax levies:

Section 17-21-7, Miss Code (Ann.) 1972

All allowable property tax levies.

Four companies have tax abatements under this statute.

Section 27-31-51, Miss Code (Ann.) 1972

All allowable property tax levies.

Two companies have tax abatements under this statute.

Sections 27-31-101 and 27-31-105, Miss. Code (Ann.) 1972

All allowable property tax levies.

Twenty-one companies have tax abatements under these statutes.

Section 57-10-255, Miss. Code (Ann.) 1972

All allowable property tax levies.

One company has tax abatement under this statute.

The County also participates with the City of Meridian in two Tax Increment Financing for economic development.

Note 17. Subsequent Events

Events that occur after the statement of net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of Lauderdale County, Mississippi evaluated the activity of the County through February 15, 2019 (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2017, the County issued the following debt obligations:

| <u>Issue Date</u> | <u>Interest Rate</u> | <u>Issue Amount</u> | <u>Type of Financing</u> | <u>Source of Financing</u> |
|-------------------|----------------------|---------------------|---|----------------------------|
| 12/4/2017 | 2.21% | \$ 109,415 | Capital lease | Ad valorem taxes |
| 12/11/2017 | 2.38% | \$ 502,005 | Capital lease | Ad valorem taxes |
| | | | General obligation refunding bonds, series 2017 | |
| 12/21/2017 | 2%-4% | \$ 6,000,000 | | Ad valorem taxes |
| 2/28/2018 | 2.14% | \$ 246,123 | Capital lease | Ad valorem taxes |
| 2/28/2018 | 2.14% | \$ 246,124 | Capital lease | Ad valorem taxes |
| 3/8/2018 | 2.19% | \$ 180,901 | Capital lease | Ad valorem taxes |
| 6/18/2018 | 2.44% | \$ 405,165 | Capital lease | Ad valorem taxes |
| 11/15/2018 | 2.68% | \$ 460,773 | Capital lease | Ad valorem taxes |

REQUIRED SUPPLEMENTARY INFORMATION

LAUDERDALE COUNTY, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended September 30, 2017

UNAUDITED

| | Budgeted Amounts | | Actual | Variance with |
|---|----------------------|----------------------|----------------------|---------------------|
| | Original | Final | (Non-GAAP) | Final Budget |
| | | | | Positive (Negative) |
| Revenues | | | | |
| Property taxes | \$ 14,110,662 | \$ 14,383,296 | \$ 14,383,296 | \$ - |
| Licenses, commissions, and other revenues | 595,900 | 613,852 | 613,852 | - |
| Fines and forfeitures | 1,014,500 | 1,041,690 | 1,041,690 | - |
| Intergovernmental revenues | 1,687,020 | 1,690,188 | 1,690,188 | - |
| Charges for services | 474,000 | 594,545 | 594,545 | - |
| Interest income | 70,000 | 61,006 | 61,006 | - |
| Miscellaneous revenues | 906,455 | 1,014,921 | 1,014,921 | - |
| Total revenues | <u>\$ 18,858,537</u> | <u>\$ 19,399,498</u> | <u>\$ 19,399,498</u> | <u>\$ -</u> |
| Expenditures | | | | |
| General government | \$ 7,761,213 | \$ 7,370,420 | \$ 7,376,434 | \$ 6,014 |
| Public safety | 9,231,505 | 9,106,016 | 9,105,753 | (263) |
| Health and welfare | 963,864 | 944,069 | 944,069 | - |
| Conservation of natural resources | 125,077 | 107,254 | 107,254 | - |
| Economic development and assistance | 213,400 | 193,200 | 193,200 | - |
| Debt service: | | | | |
| Principal | 408,117 | 408,116 | 408,116 | - |
| Interest | 28,120 | 28,119 | 28,119 | - |
| Bond issue costs | 2,250 | 2,350 | 2,350 | - |
| Total expenditures | <u>\$ 18,733,546</u> | <u>\$ 18,159,544</u> | <u>\$ 18,165,295</u> | <u>\$ 5,751</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 124,991</u> | <u>\$ 1,239,954</u> | <u>\$ 1,234,203</u> | <u>\$ (5,751)</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of capital assets | \$ - | \$ 6,412 | \$ 6,412 | \$ - |
| Compensation for loss of capital assets | 10,000 | 10,370 | 10,370 | - |
| Transfers in | 995,968 | 984,196 | 984,196 | - |
| Transfers out | (1,138,759) | (1,439,183) | (1,439,183) | - |
| Total other financing sources (uses) | <u>\$ (132,791)</u> | <u>\$ (438,205)</u> | <u>\$ (438,205)</u> | <u>\$ -</u> |
| Net change in fund balances | <u>\$ (7,800)</u> | <u>\$ 801,749</u> | <u>\$ 795,998</u> | <u>\$ (5,751)</u> |
| Fund balances - beginning | <u>2,184,327</u> | <u>7,579,333</u> | <u>8,059,014</u> | <u>479,681</u> |
| Fund balances - ending | <u>\$ 2,176,527</u> | <u>\$ 8,381,082</u> | <u>\$ 8,855,012</u> | <u>\$ 473,930</u> |

The Notes to the Required Supplementary Information are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE FOR THE ROAD MAINTENANCE FUND

For the Year Ended September 30, 2017

UNAUDITED

| | Budgeted Amounts | | Actual | Variance with |
|---|---------------------|---------------------|---------------------|---------------------|
| | Original | Final | (Non-GAAP | Final Budget |
| | | | | Positive (Negative) |
| Revenues | | | | |
| Property taxes | \$ 1,832,197 | \$ 1,895,625 | \$ 1,895,625 | \$ - |
| Road and bridge privilege taxes | 837,500 | 844,899 | 844,899 | - |
| Licenses, commissions and other revenues | 400 | 369 | 369 | - |
| Intergovernmental revenues | 906,400 | 957,860 | 957,860 | - |
| Interest income | - | 10,919 | 10,919 | - |
| Miscellaneous revenues | - | 3,887 | 3,887 | - |
| Total revenues | <u>\$ 3,576,497</u> | <u>\$ 3,713,559</u> | <u>\$ 3,713,559</u> | <u>\$ -</u> |
| Expenditures | | | | |
| Public works | \$ 3,322,209 | \$ 3,765,841 | \$ 3,766,104 | \$ 263 |
| Debt service: | | | | |
| Principal | 297,308 | 459,829 | 459,829 | - |
| Interest | 6,980 | 7,003 | 7,003 | - |
| Total expenditures | <u>\$ 3,626,497</u> | <u>\$ 4,232,673</u> | <u>\$ 4,232,936</u> | <u>\$ 263</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (50,000)</u> | <u>\$ (519,114)</u> | <u>\$ (519,377)</u> | <u>\$ (263)</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of capital assets | \$ - | \$ 188,838 | \$ 188,838 | \$ - |
| Compensation for loss of capital assets | - | 2,308 | 2,308 | - |
| Transfers in | 108,056 | - | - | - |
| Transfers out | - | (41,786) | (41,786) | - |
| Total other financing sources (uses) | <u>\$ 108,056</u> | <u>\$ 149,360</u> | <u>\$ 149,360</u> | <u>\$ -</u> |
| Net change in fund balances | <u>\$ 58,056</u> | <u>\$ (369,754)</u> | <u>\$ (370,017)</u> | <u>\$ (263)</u> |
| Fund balances - beginning | <u>556,410</u> | <u>2,881,175</u> | <u>2,820,459</u> | <u>(60,716)</u> |
| Fund balances - ending | <u>\$ 614,466</u> | <u>\$ 2,511,421</u> | <u>\$ 2,450,442</u> | <u>\$ (60,979)</u> |

The Notes to the Required Supplementary Information are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

Last 10 Fiscal Years*

For the Years Ended September 30, 2017, 2016 and 2015

| | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|
| County's proportion of the net pension liability (asset) | 0.182297% | 0.173116% | 0.174217% |
| County's proportionate share of the new pension liability (asset) | \$ 30,303,964 | \$ 30,922,849 | \$ 26,930,485 |
| County's covered payroll | \$ 11,899,557 | \$ 11,461,550 | \$ 11,023,486 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 254.66% | 269.80% | 244.30% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.49% | 57.47% | 61.70% |

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the fiscal year end 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 Notes to the Required Supplementary Information are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

SCHEDULE OF THE COUNTY'S CONTRIBUTIONS

Last 10 Fiscal Years*

For the Years Ended September 30, 2017, 2016 and 2015

| | 2017 | 2016 | 2015 |
|--|------------------|------------------|------------------|
| Contractually required contribution | \$ 1,874,890 | \$ 1,805,194 | \$ 1,736,801 |
| Contributions in relation to the contractually required contribution | <u>1,874,890</u> | <u>1,805,194</u> | <u>1,736,801</u> |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - |
| County's covered payroll | \$ 11,899,557 | \$ 11,461,550 | \$ 11,023,486 |
| Contributions as a percentage of covered payroll | 15.75% | 15.75% | 15.75% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the fiscal year end 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 Notes to the Required Supplementary Information are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

**SCHEDULE OF METRO AMBULANCE'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

Last 10 Fiscal Years*
For the Years Ended September 30, 2017, 2016 and 2015

| | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------|
| Metro Ambulance's porportion of the net pension liability (asset) | 0.04% | 0.04% | 0.04% |
| Metro Ambulance's proportionate share of the net pension liability (asset) | \$ 6,649,358 | \$ 7,144,999 | \$ 6,183,211 |
| Metro Ambulance's covered payroll | \$ 2,599,162 | \$ 2,636,089 | \$ 2,656,057 |
| Metro Ambulance's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 255.83% | 271.05% | 232.80% |
| Plan fiduciary net position as a percentage of the total pension liability | 64.49% | 57.47% | 61.70% |

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

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

The Notes to the Required Supplementary Information are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

SCHEDULE OF METRO AMBULANCE'S CONTRIBUTIONS

Last 10 Fiscal Years*

For the Years Ended September 30, 2017, 2016 and 2015

| | 2017 | 2016 | 2015 |
|--|---------------------|---------------------|---------------------|
| Contractually required contribution | \$ 409,368 | \$ 415,184 | \$ 418,329 |
| Contributions in relation to the contractually required contribution | <u>409,368</u> | <u>415,184</u> | <u>418,329</u> |
| Contributions deficiency (excess) | \$ - | \$ - | \$ - |
| Metro Ambulance's covered payroll | <u>\$ 2,599,162</u> | <u>\$ 2,636,089</u> | <u>\$ 2,656,057</u> |
| Contributions as a percentage of covered payroll | 15.75% | 15.75% | 15.75% |
| Proportionate share percentage | 0.04% | 0.04% | 0.04% |

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

The Notes to the Required Supplementary Information are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

**SCHEDULE OF THE TOURISM COMMISSION'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

Last 10 Fiscal Years*
For the Years Ended September 30, 2017, 2016 and 2015

| | 2017 | 2016 | 2015 ** |
|--|------------|------------|------------|
| Commission's proportion of the net pension liability (asset) | 0.002% | 0.002% | 0.002% |
| Commission's proportionate share of the net position liability (asset) | \$ 326,650 | \$ 398,154 | \$ 338,249 |
| Commission's covered payroll | \$ 128,311 | \$ 147,575 | \$ 138,362 |
| Commission's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 254.58% | 269.80% | 244.47% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.49% | 57.47% | 61.70% |

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

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

** This schedule for 2015 was included with the County in the prior year audit report.

The Notes to the Required Supplementary Information are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

SCHEDULE OF THE TOURISM COMMISSION'S CONTRIBUTIONS

Last 10 Fiscal Years*

For the Years Ended September 30, 2017, 2016 and 2015

| | 2017 | 2016 | 2015 ** |
|--|-------------------|-------------------|-------------------|
| Contractually required contribution | \$ 20,209 | \$ 23,243 | \$ 21,792 |
| Contributions in relation to the contractually required contribution | <u>20,209</u> | <u>23,243</u> | <u>21,792</u> |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - |
| Commission's covered payroll | \$ <u>128,311</u> | \$ <u>147,575</u> | \$ <u>138,362</u> |
| Contributions as a percentage of covered payroll | 15.75% | 15.75% | 15.75% |
| Proportionate share percentage | 0.002% | 0.002% | 0.002% |

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

** This schedule for 2015 was included with the County in the prior year audit report.

The Notes to the Required Supplementary Information are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

**SCHEDULE OF THE LIBRARY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

Last 10 Fiscal Years*

| | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|------------|
| Library's proportion of the net pension liability (asset) | 0.008510% | 0.006858% | 0.007445% | 0.007552% |
| Library's proportionate share of the net position liability (asset) | \$ 1,414,651 | \$ 1,225,009 | \$ 1,150,850 | \$ 916,675 |
| Library's covered payroll | \$ 563,962 | \$ 459,340 | \$ 459,371 | \$ 456,533 |
| Library's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 250.84% | 266.67% | 250.53% | 200.79% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.49% | 57.47% | 61.70% | 67.21% |

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

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

The Notes to the Required Supplementary Information are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

SCHEDULE OF THE LIBRARY'S CONTRIBUTIONS
Last 10 Fiscal Years*

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 88,824 | \$ 72,346 | \$ 72,351 | \$ 71,904 |
| Contributions in relation to the contractually required contribution | <u>88,824</u> | <u>72,346</u> | <u>72,351</u> | <u>71,904</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Library's covered payroll | 563,962 | 459,340 | 459,371 | 456,533 |
| Contributions as a percentage of covered payroll | 15.75% | 15.75% | 15.75% | 15.75% |

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

The Notes to the Required Supplementary Information are an integral part of this statement.

LAUDERDALE COUNTY, MISSISSIPPI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2017

Note 1. 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 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.

Note 2. 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.

Note 3. 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 Notes to the Required Supplementary Information are an integral part of this statement.

Note 3. Budget/GAAP Reconciliation (continued)

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

| | <u>Governmental Fund Types</u> | |
|--|--------------------------------|---------------------|
| | <u>General Fund</u> | <u>Road Fund</u> |
| Budget (cash basis) | \$ 795,998 | \$ (370,017) |
| Increase (decrease) | | |
| Net adjustments for revenue accruals | 140,237 | 149,073 |
| Net adjustments for expenditure accruals | <u>(384,117)</u> | <u>(206,701)</u> |
| GAAP basis | <u>\$ 552,118</u> | <u>\$ (427,645)</u> |

LAUDERDALE COUNTY, MISSISSIPPI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2017

Pension Schedules

1. Changes in 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. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

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

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for both healthy and disabled lives. The wage inflation assumption was reduced from 3.75% to 3.25%. Withdrawal rates, pre-retirement mortality rates, disability rates, and service retirement rates were also adjusted to more closely reflect actual experience. The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2. Changes in benefit provisions

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market 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.

LAUDERDALE COUNTY, MISSISSIPPI

SCHEDULE OF SURETY BONDS FOR COUNTY OFFICIALS

For the Year Ended September 30, 2017

UNAUDITED

| Name | Position | Company | Bond |
|-----------------------------|-------------------------------|------------------|------------|
| Jonathan Wells | Supervisor District 1 | Travelers | \$ 100,000 |
| Wayman Newell | Supervisor District 2 | State Farm | 100,000 |
| Josh Todd | Supervisor District 3 | Western Surety | 100,000 |
| Joe Norwood | Supervisor District 4 | Travelers | 100,000 |
| Kyle Rutledge | Supervisor District 5 | Liberty Mutual | 100,000 |
| Chris Lafferty | County Administrator | Travelers | 100,000 |
| Cheryl Polk | Internal Auditor | Travelers | 100,000 |
| Carolyn Mooney | Chancery Clerk | EMC Insurance | 100,000 |
| Tracey Rue | Purchase Clerk | Western Surety | 75,000 |
| Christy Jackson | Asst Purchase Clerk | Travelers | 50,000 |
| Evelyn Cole Ward | Receiving Clerk | EMC Insurance | 75,000 |
| Blanket bond (12 employees) | Asst Receiving Clerk | Travelers | 50,000 |
| Kim Poe | Inventory Control | EMC Insurance | 75,000 |
| Ondray Harris | Constable/Justice Court Judge | EMC Insurance | 50,000 |
| Mike Myers | Constable | EMC Insurance | 50,000 |
| Tommie Coker | Constable | Liberty Mutual | 50,000 |
| Lee Roberts | Constable | Liberty Mutual | 50,000 |
| Chris McFarland | Constable | EMC Insurance | 50,000 |
| Donna Jill Johnson | Circuit Clerk | EMC Insurance | 100,000 |
| Deborah Massey | Deputy Circuit Clerk | EMC Insurance | 50,000 |
| Blanket bond (5 employees) | Deputy Circuit Clerk | EMC Insurance | 50,000 |
| William Sollie | Sherriff | EMC Insurance | 100,000 |
| Blanket bond (8 deputies) | Sherriff's Deputies | EMC Insurance | 50,000 |
| Melvin Robinson | Justice Court Judge | EMC Insurance | 50,000 |
| Gerald Thompson | Justice Court Judge | EMC Insurance | 50,000 |
| Darrell Theall | Justice Court Judge | EMC Insurance | 50,000 |
| Richard Roberts | Justice Court Judge | Western Surety | 50,000 |
| Darlene Mayo | Justice Court Judge | Western Surety | 50,000 |
| Nikita McFarland | Deputy Justice Court Clerk | Western Surety | 50,000 |
| Linda Jernigan | Deputy Justice Court Clerk | Travelers | 50,000 |
| Loretta Webb | Deputy Justice Court Clerk | Ohio Casulty Co. | 50,000 |
| Blanket bond (10 employees) | Deputy Justice Court Clerk | Travelers | 50,000 |
| Doris Spidle | Tax Collector | EMC Insurance | 100,000 |
| Blanket bond (10 employees) | Deputy Tax Collector | EMC Insurance | 100,000 |
| James Rainey | Tax Assessor | RLI | 100,000 |
| Blanket bond (10 employees) | Deputy Tax Assessor | EMC Insurance | 10,000 |
| Rush Mayatt | Road Manager | Travelers | 50,000 |
| Lenette McDonald | Drug Court Case Manager | Travelers | 50,000 |
| Detrick Robinson | Drug Court Probation Officer | Travelers | 50,000 |
| Angela Turner | Drug Court Coordinator | Travelers | 50,000 |

LAUDERDALE COUNTY, MISSISSIPPI
SPECIAL REPORTS



REA, SHAW, GIFFIN & STUART, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
AMERICAN INSTITUTE
OF
CERTIFIED PUBLIC
ACCOUNTANTS

POST OFFICE BOX 2090
MERIDIAN MS 39302
TELEPHONE 601-693-2841
FAX 601-693-2851

POST OFFICE BOX 562
WAYNESBORO MS 39367
TELEPHONE 601-735-2317
FAX 601-735-0585

POST OFFICE BOX 606
PHILADELPHIA MS 39360
TELEPHONE 601-658-2742
FAX 601-658-2760

MEMBER
MISSISSIPPI SOCIETY
OF
CERTIFIED PUBLIC
ACCOUNTANTS

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

To the Members of the Board of Supervisors
Lauderdale County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, discretely presented component units, each major fund and the aggregate remaining fund information of Lauderdale County, Mississippi as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 15, 2019. We also audited the financial statements of the Metro Ambulance Enterprise Fund and the Lauderdale County Tourism Commission, as described in our report thereon dated February 15, 2019. We did not audit the financial statements of the Meridian-Lauderdale County Public Library, component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lauderdale County, Mississippi's financial statements are free of material misstatement, we and other auditors 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 matter that are required to be reported under *Government Auditing Standards*.

Lauderdale County, Mississippi's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Lauderdale County, Mississippi's responses 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.

A handwritten signature in black ink that reads "Rea, Shaw, Giffin & Stuart". The signature is written in a cursive, flowing style.

REA, SHAW, GIFFIN & STUART, LLP



REA, SHAW, GIFFIN & STUART, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
AMERICAN INSTITUTE
OF
CERTIFIED PUBLIC
ACCOUNTANTS

POST OFFICE BOX 2090
MERIDIAN MS 39302
TELEPHONE 601-693-2841
FAX 601-693-2851

POST OFFICE BOX 562
WAYNESBORO MS 39367
TELEPHONE 601-735-2317
FAX 601-735-0585

POST OFFICE BOX 606
PHILADELPHIA MS 39360
TELEPHONE 601-658-2742
FAX 601-658-2760

MEMBER
MISSISSIPPI SOCIETY
OF
CERTIFIED PUBLIC
ACCOUNTANTS

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

To the Members of the Board of Supervisors
Lauderdale County, Mississippi

We have examined Lauderdale County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control 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, 2017. The Board of Supervisors of Lauderdale County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

In our opinion, Lauderdale County, Mississippi complied in all material respects with state laws governing central purchasing, inventory and bid requirements.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in

accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

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

A handwritten signature in cursive script that reads "Rea, Shaw, Giffin & Stuart". The signature is written in black ink and is positioned above the firm's name.

REA, SHAW, GIFFIN & STUART, LLP

LAUDERDALE COUNTY, MISSISSIPPI

SCHEDULE OF PURCHASES NOT MADE FROM THE LOWEST BIDDER

For the Year Ended September 30, 2017

Schedule 1

The following were purchases not made from the lowest bidder.

| <u>Date</u> | <u>Item purchased</u> | <u>Amount paid</u> | <u>Vendor</u> |
|-------------|---------------------------------|--------------------|------------------|
| 5/16/2017 | Roof repairs - Tower Automotive | \$ 6,400 | Standard Roofing |
| 9/5/2017 | Duramax p5 Spray | \$ 186,500 | Duraco, Inc. |

LAUDERDALE COUNTY, MISSISSIPPI
SCHEDULE OF EMERGENCY PURCHASES
For the Year Ended September 30, 2017

Schedule 2

Our test results did not identify any emergency purchases.

LAUDERDALE COUNTY, MISSISSIPPI

SCHEDULE OF PURCHASES MADE NONCOMPETITELY FROM A SOLE SOURCE

For the Year Ended September 30, 2017

Schedule 3

The following purchases were each made noncompetitively from a sole source:

| <u>Date</u> | <u>Item purchased</u> | <u>Amount Paid</u> | <u>Vendor</u> |
|-------------|--------------------------------|--------------------|---------------------------------|
| 11/4/2016 | SDMS-AS Power Software | \$ 8,650 | Power DMS, Inc. |
| 11/22/2016 | Badgepass Access Device System | \$ 31,420 | Badgepass, Inc. |
| 2/6/2017 | Luminex writer | \$ 5,428 | Stenograph, LLC. |
| 2/14/2017 | E-911 Software upgrade | \$ 1,165,415 | Naviline: SunGard Public Sector |
| 3/22/2017 | Hurst Cobi Rescue Tool | \$ 10,200 | Municipal Emergency Svc Inc. |
| 7/17/2017 | Locking system for cell doors | \$ 61,623 | Cornerstone Detention Products |



REA, SHAW, GIFFIN & STUART, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
AMERICAN INSTITUTE
OF
CERTIFIED PUBLIC
ACCOUNTANTS

POST OFFICE BOX 2090
MERIDIAN MS 39302
TELEPHONE 601-693-2841
FAX 601-693-2851

POST OFFICE BOX 562
WAYNESBORO MS 39367
TELEPHONE 601-735-2317
FAX 601-735-0585

POST OFFICE BOX 606
PHILADELPHIA MS 39360
TELEPHONE 601-658-2742
FAX 601-658-2760

MEMBER
MISSISSIPPI SOCIETY
OF
CERTIFIED PUBLIC
ACCOUNTANTS

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

To the Members of the Board of Supervisors
Lauderdale County, Mississippi

In planning and performing our audit of the financial statements of Lauderdale County, Mississippi for the year ended September 30, 2017, we considered Lauderdale County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lauderdale County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the office of the state auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated February 15, 2019, on the financial statements of Lauderdale County, Mississippi.

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

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

Board of Supervisors

1. Finding

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

Recommendation

The assistant receiving clerks' blanket bond should be cancelled, and a new bond should be issued for each clerk.

Board of Supervisors Response

The county administrator will consider this recommendation for FY2018.

2. Finding

Section 65-17-1(3), Miss Code Ann. (1972), requires the road manager to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. The road manager has a bond that is written as "indefinite" and is not adequately bonded for the fiscal year 2017. Failure to comply with statutes would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

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

Board of Supervisors Response

The "indefinite" will be corrected for FY2018. The county administrator will review the bond before forwarding to the chancery clerk/clerk of the Board.

3. Finding

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

Recommendation

The deputy circuit clerks' blanket bond should be cancelled, and a new bond should be issued for each clerk.

Board of Supervisors Response

The county administrator will consider this recommendation for FY2018.

4. Finding

Section 9-11-29(2), Miss Code Ann. (1972), requires every person appointed as clerk and deputy clerk of the Justice Court to execute a bond for \$50,000 to be payable. As

reported in the prior year's audit report, the Deputy Justice Court Clerks were issued under a blanket bond rather than individual bonds. Failure to issue individual bonds for each Deputy Justice Court Clerk could result in the loss or misappropriation of public funds.

Recommendation

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

Board of Supervisors Response

The County Administrator will consider this recommendation for FY2018.

5. Finding

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

Recommendation

The deputy tax collectors' blanket bond should be cancelled, and a new bond should be issued for each clerk.

Board of Supervisors Response

The county administrator will consider this recommendation for FY2018.

6. Finding

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

Recommendation

The deputy tax assessors' blanket bond should be cancelled, and a new bond should be issued for each clerk.

Board of Supervisors Response

The county administrator will consider this recommendation for FY2018.

7. Finding

As reported in the prior year's audit report, factors were noted during the Information Technology General Control (ITGC) assessment at the County indicated that a network assessment was warranted.

Recommendation

It is recommended that the County perform a network security assessment as soon as possible. All factors that might increase the risk of unauthorized access to an entity's data assets should be considered when determining the exact scope of the network review to be performed.

Board of Supervisors Response

We are in the process of selecting a third party to perform a security audit for our network.

8. Finding

As reported in the prior year audit report, it was determined that the County was not utilizing an off-site facility for the back-up processes. It was also noted that the County had not established a disaster recovery process.

Recommendation

It is recommended that the County implement a plan to insure that all back-up files are taken off-site on a regular basis and stored in a safe and secure location. It is also recommended that the County develop and implement a disaster recovery plan.

Board of Supervisors Response

We are in the process of obtaining quotes from vendors for the off-site back-up facility as well as the disaster recovery plan.

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.



REA, SHAW, GIFFIN & STUART, LLP

LAUDERDALE COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS

LAUDERDALE COUNTY, MISSISSIPPI

SCHEDULE OF FINDINGS

For The Year Ended September 30, 2017

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

a. material weakness(es) identified? No

b. significant deficiencies identified that are not considered
material weaknesses None reported

Noncompliance material to the financial statements noted? No

SECTION II: FINANCIAL STATEMENT FINDINGS

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