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**LOWNDES COUNTY, MISSISSIPPI**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**SEPTEMBER 30, 2017**

# LOWNDES COUNTY, MISSISSIPPI

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## INDEPENDENT AUDITORS' REPORT

Board of Supervisors  
Lowndes County, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lowndes County, Mississippi ("the County"), as of and for the year ended September 30, 2017, and the related notes to 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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Board of Supervisors  
Lowndes County, Mississippi

An audit involves 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 auditors consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County 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 Management's Discussion and Analysis and Budgetary Comparison Schedules, Schedule of the County's Proportionate Share of the Net Pension Liability, Schedule of County Contributions, and Schedule of the County's Changes in Total Other Post-Employment Benefits Liability and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Supervisors  
Lowndes County, Mississippi

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. 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 October 12, 2018, on our consideration of Lowndes County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lowndes County, Mississippi's 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 Lowndes County, Mississippi's internal control over financial reporting and compliance.

*J. E. Pott & Company*

Columbus, Mississippi  
October 12, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## LOWNDES COUNTY, MISSISSIPPI

### MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

The following discussion and analysis by Lowndes County (the County) is designed to provide and assist the reader with (a) an overview of the County's financial activities for the year ended September 30, 2017, (b) any significant financial issues, (c) changes in the County's financial position, and to (d) identify any significant deviations from the County's financial plan (the original budget). This discussion and analysis by management is designed to focus on the fiscal year being audited. Readers also might wish to view the financial statements and the notes to these statements to gain a better understanding of the County's financial picture.

The management discussion and analysis is a requirement of the Governmental Accounting Standards Board which issues the standards for auditing county governments. This requirement for management to write a discussion and analysis is only a part of an overall change in accounting requirements from GASB Statement No. 34. The overall intent of the changes is to make government financial statements more like business financial statements, which show economic gain and loss.

#### *Using the Annual Report*

The primary focus of local government financial statements in the past has been on fund-type information. This is no longer the case. The new focus is the County as a whole (government-wide) and the major individual funds. The following discussion is intended to explain the County's basic financial statements which are comprised of 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

**Government-Wide Financial Statements** - The government-wide financial statements are designed to provide readers with a business-like overview of the County's financial activities.

The focus of the Statement of Net Position is designed to be similar to the bottom line for the County and its governmental and business-type activities. It presents financial information on all the County assets and liabilities with the difference being reported as net position. Over time, readers can use the increases and decreases in net position as a possible indicator of the financial health of the County. Is it improving, staying the same or deteriorating?

Component Units are other governmental units over which the County (the Board of Supervisors, as a group) can exercise influence and/or be obligated to provide financial assistance. These units are presented as a separate column in the government-wide statements and as individual activities in the Statement of Activities.



## LOWNDES COUNTY, MISSISSIPPI

### MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

The Statement of Activities is focused on the gross and net cost of various activities. These include activities of government, business-type and component units which are provided by the government's general tax and other revenues. This statement is intended to summarize and simplify the readers' analysis of the cost of various government services.

Governmental activities of the County include general government (basic services), public safety (sheriff, emergency management and fire protection), public works (roads and bridges), health and welfare, culture and recreation, conservation of natural resources, economic development and assistance, education, pension expense, other post-employment benefit expense, investment fees, interest on long-term debt, and debt issuance costs. Included in basic services (general government) are costs for running the government, collecting taxes, appraising property and personal taxes, building inspection, supervisors, circuit clerk, chancery clerk and running the courts.

**Fund Financial Statements.** The focus is on Major Funds rather than fund types. A fund is used to group related accounts for financial purposes or legal compliance. The funds of the County are divided into governmental, proprietary and fiduciary funds.

Governmental funds account for basically the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide statements, governmental funds financial statements focus on current sources and uses. This is the manner in which the County's financial plan or budget is typically developed. Governmental funds include general, special revenue, debt service and capital project funds.

Financial information for governmental funds is presented in the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds. Both of these reports are reconciled to provide a comparison between governmental funds and governmental activities.

**Proprietary Funds.** These are business-type funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statement. Examples of enterprise funds are solid waste, electric departments and water and waste systems. Internal service funds account for various internal county functions such as self-insured health plans. Lowndes County does not use an enterprise fund. It uses an internal service fund for a self-insured health plan.

**Fiduciary Funds.** These funds are used to account for trust responsibilities of the government. These assets are usually restricted in purpose and do not represent discretionary assets, so they are not presented as part of the government-wide financial statements.

**Notes to the Financial Statements.** Provides additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

# LOWNDES COUNTY, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

The County follows the Mississippi County Financial Accounting Manual to set up and maintain funds. The County adopts an annual operating budget for all governmental funds. As *required supplementary information*, this discussion and analysis includes a budgetary comparison statement for the General Fund and each major special revenue fund that can be found in the Budgetary Comparison Schedule starting on page 66.

### Government-Wide Financial Analysis

#### Statements of Net Position

The following statements reflect the condensed Statements of Net Position at September 30, 2017 and 2016:

#### Lowndes County Statements of Net Position Governmental Activities

	<u>2017</u>	<u>2016</u>
Non-Capital Assets	\$ 61,715,097	\$ 55,849,873
Capital Assets	<u>84,742,378</u>	<u>85,672,346</u>
Total Assets	<u>146,457,475</u>	<u>141,522,219</u>
Deferred Outflows of Resources	5,143,090	7,312,902
Current Liabilities	8,339,934	8,238,378
Long-Term Liabilities	<u>72,946,348</u>	<u>78,014,094</u>
Total Liabilities	<u>81,286,282</u>	<u>86,252,472</u>
Deferred Inflows of Resources	23,469,317	14,915,201
Net Position:		
Net Investment in Capital Assets	44,968,762	44,304,119
Restricted, expendable	34,829,623	31,610,813
Restricted, nonexpendable	547,282	195,000
Unrestricted	<u>(33,500,701)</u>	<u>(28,442,484)</u>
Total Net Position	<u>\$ 46,844,966</u>	<u>\$ 47,667,448</u>

## LOWNDES COUNTY, MISSISSIPPI

### MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions and post-employment benefits, management represents the following additional information:

Total unrestricted net position (deficit)	\$ (33,500,701)
Less unrestricted deficit in net position resulting from recognition of GASB 68 and 71	(28,812,461)
Less unrestricted deficit in net position resulting from recognition of GASB 75	<u>(461,159)</u>
Unrestricted net position, exclusive of the net pension liability and post-employment benefit liability effects	<u>\$ (4,227,081)</u>

There are usually seven basic normal financial transactions that will affect the Statement of Net Position.

Net Result of Activities - This will either increase/decrease current assets and unrestricted assets. During fiscal year ("FY") 2017, change in net position decreased approximately \$368,000 from FY 2016.

Borrowing for Capital/Refunding - This will increase current assets and long-term debt. During 2017, the County borrowed approximately \$723,000 for capital projects. Long-term debt decreased by \$2.7 million, net of principal repayments. Also, the County advance refunded \$4.2 million in debt by borrowing an additional \$4.9 million (approximate). This refunding saves the County \$335,220.

Spending Borrowed Proceeds on New Capital - This will reduce current assets and increase capital assets. This also will increase the amount invested in capital assets and related net debt which will not change the net investment in capital assets. In 2017, the County spent approximately \$723,000 of debt proceeds on capital projects.

Spending of Non-borrowed Current Assets on New Capital - This will reduce current assets, increase capital assets, reduce unrestricted assets, and increase net investment in capital assets. Lowndes spent approximately \$1.4 million of non-borrowed cash on new capital assets during 2017.

Principal Payment on Debt - This will reduce current assets, reduce long-term debt, reduce unrestricted net position, and increase net investment in capital assets. The County reduced principal on debt by approximately \$3.6 million in 2017.

Reduction of Capital Assets through Depreciation - This will reduce capital assets and net investment in capital assets. This is a non-cash expense. The County recorded depreciation of approximately \$2.9 million in FY 2017.



# LOWNDES COUNTY, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

GASB 68 was implemented in fiscal year 2015.

The implementation of GASB 68 and 71 resulted in the recognition of a net pension liability in the amount of \$28,592,238 for FY 2017, a decrease of approximately \$2.8 million from 2016.

The implementation of GASB 75 resulted in the recognition of another postretirement employment benefit liability in the amount of \$441,622.

### Changes in Net Position

Lowndes County's total revenues for the fiscal year ended September 30, 2017, were \$40.2 million, down \$1.2 million from the fiscal year ended September 30, 2016. The total cost for services provided by the County was \$40.6 million, as compared to \$43.1 million for the fiscal year ended September 30, 2016. The County had a decrease in change in net position from current year operations of approximately \$368,000.

The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2017 and 2016.

	2017	2016
<b>Revenues:</b>		
Program Revenues		
Charges for Services	\$ 8,325,075	\$ 8,362,639
Operating Grants	878,386	1,334,022
Capital Grants	1,256,471	1,525,787
General Revenues		
Property Taxes	16,455,220	17,040,135
In Lieu of Taxes	5,523,252	5,604,009
Road Bridge Privilege Taxes	742,529	745,986
Other Revenues	7,051,052	6,843,932
Total Revenues	<u>40,231,985</u>	<u>41,456,510</u>
<b>Expenses:</b>		
General Government	7,574,695	10,290,551
Public Safety	12,011,340	11,275,701
Public Works	10,149,825	10,302,774
Economic Development	2,116,373	3,137,077
Interest on Debt	1,172,796	2,162,565
Post-employment benefit expense	6,184	-
Pension Expense	4,394,445	3,490,432
Other Expenses	3,173,834	2,467,023
Total Expenses	<u>40,599,492</u>	<u>43,126,123</u>
<b>Change in Net Position</b>	<b>(367,507)</b>	<b>(1,669,613)</b>
Net position, beginning, as previously stated	47,667,448	49,337,061
Prior period adjustment	<u>(454,975)</u>	<u>-</u>
Net position, beginning, as restated	<u>47,212,473</u>	<u>49,337,061</u>
Net position, ending	<u>\$ 46,844,966</u>	<u>\$ 47,667,448</u>

## LOWNDES COUNTY, MISSISSIPPI

### MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

#### Governmental Activities:

The following table presents the cost of thirteen of the major services provided by the County. These are General Government, Public Safety, Public Works, Health and Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development and Assistance, Education, Interest on Long-Term Debt, Pension Expense, Other Post-Employment Benefit Expense, Investment Fees, and Debt Issuance Costs.

The table summarizes what some major services cost the taxpayers of Lowndes County during fiscal years 2017 and 2016:

	2017		
	Total Costs	Revenues	Net Costs
General Government	\$ 7,574,695	\$ 4,840,568	\$ 2,734,127
Public Safety	12,011,340	2,249,076	9,762,264
Public Works	10,149,825	3,091,568	7,058,257
Health and Welfare	383,176	2,225	380,951
Culture and Recreation	1,208,745	-	1,208,745
Conservation of Natural Resources	973,754	-	973,754
Economic Development and Assistance	2,116,373	276,495	1,839,878
Education	325,000	-	325,000
Interest on Long-Term Debt	1,172,796	-	1,172,796
Pension Expense	4,394,445	-	4,394,445
Post-employment benefits expense	6,184	-	6,184
Investment Fees	134,274	-	134,274
Debt Issuance Costs	148,885	-	148,885

	2016		
	Total Costs	Revenues	Net Costs
General Government	\$ 10,290,551	\$ 4,636,206	\$ 5,654,345
Public Safety	11,275,701	2,512,281	8,763,420
Public Works	10,302,774	3,381,205	6,921,569
Health and Welfare	400,977	12,000	388,977
Culture and Recreation	1,266,009	11,062	1,254,947
Conservation of Natural Resources	148,095	-	148,095
Economic Development and Assistance	3,137,077	669,694	2,467,383
Education	325,000	-	325,000
Interest on Long-Term Debt	2,162,565	-	2,162,565
Pension Expense	3,490,432	-	3,490,432
Investment Fees	150,442	-	150,442
Debt Issuance Costs	176,500	-	176,500

# LOWNDES COUNTY, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

### Financial Analysis of the County's Funds

#### Governmental Funds:

As of year-end, the governmental funds reported, as audited, a fund balance of \$37.0 million. This is a decrease of approximately \$0.2 million from the prior year's fund balance of \$37.2 million.

The General Fund, the County's principal operating fund, had an ending fund balance of \$34.7 million, a \$0.5 million decrease from the prior year.

### Capital Assets and Debt Administration

#### Capital Assets:

As of September 30, 2017, Lowndes County had a total of \$164.5 million invested in a variety of capital assets. The largest investments are in roads and bridges (infrastructure) with a total of \$88.2 million (54%). Roads and bridges and other infrastructure are included, as required by GASB 34, in the County's financial records. GASB 34 also requires depreciation, a non-cash expense, to now be recorded. Accumulated depreciation was \$79.8 million at September 30, 2017. The County's total capital assets, net of depreciation are \$84.7 million. Last year the County had \$85.7 million in net capital assets. (See capital assets discussion on page 41.)

#### Debt:

At the end of the year (September 30, 2017), the County had \$47.9 million in outstanding long-term debt. This includes General Obligations Bonds, loans, capital lease purchases, compensated absences and bond premium and discount. This is \$2.1 million less than the prior year. Of the outstanding debt, \$4.0 million is due within one year. (See debt discussion beginning on page 55.)

The State of Mississippi limits the amount of debt counties can issue to 15% of total assessed value. During this year, Lowndes County is at 8.0%, well below its current limit.

#### Long-Term Debt As of September 30, 2017

	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017
Governmental Activities:				
General Obligation Bonds	\$ 42,160,000	\$ 4,884,000	\$ (6,330,000)	\$ 40,714,000
Other Loans	7,017,980	223,220	(1,289,196)	5,952,004
Capital Leases	167,219	500,000	(166,889)	500,330
Compensated Absences	656,022	56,840	-	712,862
Bond Premiums	166,793	-	(23,838)	142,955
Bond Discounts	(149,830)	-	15,804	(134,026)
<b>Total Debt Payable</b>	<b>\$ 50,018,184</b>	<b>\$ 5,664,060</b>	<b>\$ (7,794,119)</b>	<b>\$ 47,888,125</b>



## LOWNDES COUNTY, MISSISSIPPI

### MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

#### Budget - Original vs. Final

The following is a review of the significant changes from the original budget to the final for the major governmental funds. The County's budget is a financial plan for the various departments and their managements to follow during the year. This plan is made in the summer before the fiscal year starts in October. These estimates and projections change as the year progresses. Some changes to the budget are made by budget amendment and the remainder is amended at the end of the year to reflect actual revenues received and expenditures made.

#### Budget Analysis Summary

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Between Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Between Final Budget and Actual</u>
<b>General Fund</b>					
Revenues	\$ 24,436,700	\$ 23,584,365	\$ (852,335)	\$ 23,584,365	\$ -
Expenditures	24,763,134	24,784,087	(20,953)	24,784,087	-
<b>Countywide Roads Fund</b>					
Revenues	5,572,000	5,628,559	56,559	5,628,559	-
Expenditures	5,650,416	6,330,677	(680,261)	6,330,677	-

General Fund revenues were consistent with budgeted expectations with revenues agreeing with the final budget. General Fund expenditures were consistent with budgeted expectations with expenditures agreeing with the final budget. The County spent approximately \$937,000 for capital equipment acquisitions. The Countywide Roads Fund expenditures are consistent with budgeted expectations with expenditures agreeing with the final budget.

#### Financial Contact

The County's financial statements and schedules are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the County's finances and to demonstrate the County's accountability and fiduciary responsibilities for the funds it receives and the services it provides. If you have questions about the report or need additional financial information, contact the County's Chief Financial Officer, Lloyd Price, on the second floor of the Tax/Administration Building, 1121 Main Street, P.O. Box 1364, Columbus, Mississippi 39703.

## **FINANCIAL STATEMENTS**



## LOWNDES COUNTY, MISSISSIPPI

Exhibit 1

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

	Primary Government	Component Units	
		Lowndes County Industrial Development Authority	Lowndes County Port Authority
<i>ASSETS</i>	Governmental Activities		
Cash	\$ 7,322,936	\$ 2,100,238	\$ 2,385,791
Investments	33,038,663	-	-
Property tax receivable	19,035,780	-	-
Fines receivable, net of allowance for uncollectibles of \$8,522,057	1,622,513	-	-
Loans receivable	135,000	-	-
Intergovernmental receivables	468,385	-	-
Other receivables	91,820	676,238	21,734
Capital assets:			
Land and construction in progress	15,196,959	2,837,608	1,050,920
Other capital assets, net	69,545,419	24,601,361	2,864,545
<b>Total Assets</b>	<b>\$ 146,457,475</b>	<b>\$ 30,215,445</b>	<b>\$ 6,322,990</b>
<i>DEFERRED OUTFLOWS OF RESOURCES</i>			
Deferred outflows related to pensions	\$ 4,193,777	\$ -	\$ -
Deferred amount on refunding	949,313	-	-
<b>Total deferred outflows of resources</b>	<b>\$ 5,143,090</b>	<b>\$ -</b>	<b>\$ -</b>
<i>LIABILITIES</i>			
Claims payable	\$ 1,398,898	\$ 19,506	\$ 10,338
Intergovernmental payables	1,781,579	-	-
Accrued interest payable	245,262	15,448	363
Amounts held in custody for others	468,292	-	-
Other payables	470,266	-	-
Long-term liabilities:			
Net pension liability	28,592,238	-	-
Total other postemployment benefits liability	441,622	-	-
Due within one year:			
Capital debt	3,401,000	434,776	11,815
Non-capital debt	574,637	-	-
Long-term liabilities:			
Due in more than one year:			
Capital debt	37,321,929	10,512,602	-
Non-capital debt	6,590,559	-	-
<b>Total Liabilities</b>	<b>\$ 81,286,282</b>	<b>\$ 10,982,332</b>	<b>\$ 22,516</b>
<i>DEFERRED INFLOWS OF RESOURCES</i>			
Deferred inflows related to pensions	\$ 4,414,000	\$ -	\$ -
Deferred inflows related to other postemployment benefits	19,537	-	-
Property tax for future reporting periods	19,035,780	-	-
<b>Total deferred inflows of resources</b>	<b>\$ 23,469,317</b>	<b>\$ -</b>	<b>\$ -</b>
<i>NET POSITION</i>			
Net investment in capital assets	\$ 44,968,762	\$ 16,491,591	\$ 3,903,650
Restricted:			
Expendable:			
General government	32,592,063	-	-
Public safety	668,598	-	-
Public works	1,065,273	-	-
Culture and recreation	503,689	-	-
Nonexpendable	547,282	-	-
Unrestricted	(33,500,701)	2,741,522	2,396,824
<b>Total Net Position</b>	<b>\$ 46,844,966</b>	<b>\$ 19,233,113</b>	<b>\$ 6,300,474</b>

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

# LOWNDES COUNTY, MISSISSIPPI

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Revenues				Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Lowndes County Industrial Development Authority	Lowndes County Port Authority	
<b>Governmental Activities:</b>								
General government	\$ 7,574,695	\$ 4,770,167	\$ 70,401	\$ -	\$ (2,734,127)	\$ -	\$ -	
Public safety	12,011,340	1,719,811	529,265	-	(9,762,264)	-	-	
Public works	10,149,825	1,835,097	-	1,256,471	(7,058,257)	-	-	
Health and welfare	383,176	-	2,225	-	(380,951)	-	-	
Culture and recreation	1,208,745	-	-	-	(1,208,745)	-	-	
Conservation of natural resources	973,754	-	-	-	(973,754)	-	-	
Economic development and assistance	2,116,373	-	276,495	-	(1,839,878)	-	-	
Education	325,000	-	-	-	(325,000)	-	-	
Interest on long-term debt	1,172,796	-	-	-	(1,172,796)	-	-	
Other postemployment benefit expense	6,184	-	-	-	(6,184)	-	-	
Pension expense	4,394,445	-	-	-	(4,394,445)	-	-	
Investment fees	134,274	-	-	-	(134,274)	-	-	
Debt issuance costs	148,885	-	-	-	(148,885)	-	-	
<b>Total Governmental Activities</b>	<b>40,599,492</b>	<b>8,325,075</b>	<b>878,386</b>	<b>1,256,471</b>	<b>(30,139,560)</b>	<b>-</b>	<b>-</b>	
<b>Component Units:</b>								
Lowndes County Industrial Development Authority	2,277,739	985,236	-	-	-	(1,292,503)	-	
Lowndes County Port Authority	537,064	807,029	95,020	-	-	-	364,985	
<b>Total Component Units</b>	<b>2,814,803</b>	<b>1,792,265</b>	<b>95,020</b>	<b>-</b>	<b>-</b>	<b>(1,292,503)</b>	<b>364,985</b>	
<b>General Revenues:</b>								
Property taxes					16,455,220	899,770	-	
Revenues in lieu of taxes					5,523,252	-	-	
Road and bridge privilege taxes					742,529	-	-	
Grants and contributions not restricted to specific programs					4,324,573	-	-	
Unrestricted investment income					1,904,325	1,763	5,259	
Loss on disposition of assets					(69,881)	-	-	
Miscellaneous					892,035	701,279	-	
Total General Revenues					29,772,053	1,602,812	5,259	
Changes in Net Position					(367,507)	310,309	370,244	
Net Position - Beginning, as previously reported					47,667,448	18,922,804	5,930,230	
Prior period adjustment					(454,975)	-	-	
Net Position - Beginning, as restated					47,212,473	18,922,804	5,930,230	
Net Position - Ending					\$ 46,844,966	\$ 19,233,113	\$ 6,300,474	

Exhibit 2

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

**LOWNDES COUNTY, MISSISSIPPI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**

**Exhibit 3**

<i><b>ASSETS</b></i>	General Fund	Countywide Roads	Other Governmental Funds	Total Governmental Funds
Cash	\$ 4,365,896	\$ 402,422	\$ 2,475,379	\$ 7,243,697
Investments	33,038,663	-	-	33,038,663
Property tax receivable	15,160,780	1,942,000	1,933,000	19,035,780
Fines receivable, net of allowance for uncollectibles of \$8,522,057	1,622,513	-	-	1,622,513
Loans receivable	-	-	135,000	135,000
Intergovernmental receivables	465,885	-	2,500	468,385
Other receivables	11,985	-	79,835	91,820
Advances to other funds	412,282	-	-	412,282
Due from other funds	-	134,450	66,248	200,698
<b>Total Assets</b>	<b>\$ 55,078,004</b>	<b>\$ 2,478,872</b>	<b>\$ 4,691,962</b>	<b>\$ 62,248,838</b>
<i><b>LIABILITIES</b></i>				
Liabilities:				
Claims payable	\$ 804,332	\$ 115,302	\$ 374,126	\$ 1,293,760
Intergovernmental payables	1,658,864	-	122,715	1,781,579
Advances from other funds	-	-	412,282	412,282
Due to other funds	200,698	-	-	200,698
Other payables	938,560	-	-	938,560
<b>Total Liabilities</b>	<b>3,602,454</b>	<b>115,302</b>	<b>909,123</b>	<b>4,626,879</b>
<i><b>DEFERRED INFLOWS OF RESOURCES</b></i>				
Unavailable revenue - property taxes	15,160,780	1,942,000	1,933,000	19,035,780
Unavailable revenue - fines	1,622,513	-	-	1,622,513
	16,783,293	1,942,000	1,933,000	20,658,293
Fund balances:				
Nonspendable:				
Advances	412,282	-	-	412,282
Economic development loans	-	-	135,000	135,000
Restricted:				
General government	32,498,050	-	94,013	32,592,063
Public safety	-	-	668,598	668,598
Public works	-	421,570	643,703	1,065,273
Culture and recreation	-	-	503,689	503,689
Economic development and assistance	-	-	(195,164)	(195,164)
Unassigned:	1,781,925	-	-	1,781,925
<b>Total Fund Balances</b>	<b>34,692,257</b>	<b>421,570</b>	<b>1,849,839</b>	<b>36,963,666</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 55,078,004</b>	<b>\$ 2,478,872</b>	<b>\$ 4,691,962</b>	<b>\$ 62,248,838</b>

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

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

**SEPTEMBER 30, 2017**

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 36,963,666
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$79,811,877.	84,742,378
Other long-term assets, such as fines receivable, are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,622,513
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(47,387,793)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(28,592,238)
Other postemployment benefit obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(441,622)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(245,262)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	(500,330)
Deferred amount on refunding.	949,313
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	4,193,777
Deferred inflows of resources related to pensions	(4,414,000)
Deferred inflows of resources related to other postemployment benefits	(19,537)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	<u>(25,899)</u>
Total Net Position - Governmental Activities	<u>\$ 46,844,966</u>

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



**LOWNDES COUNTY, MISSISSIPPI**

**Exhibit 4**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	General Fund	Countywide Roads	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 12,052,507	\$ 2,337,691	\$ 1,991,324	\$ 16,381,522
Revenues in lieu of taxes	3,568,450	1,928,000	100,500	5,596,950
Road and bridge privilege taxes	(1,692)	742,529	-	740,837
Licenses, commissions and other revenue	1,165,917	-	17,993	1,183,910
Fines and forfeitures	585,237	-	136,114	721,351
Intergovernmental revenues	4,061,443	629,378	1,910,318	6,601,139
Charges for services	528,756	-	2,462,905	2,991,661
Interest income	168,287	-	-	168,287
Investment income	1,736,039	-	-	1,736,039
Miscellaneous revenues	831,164	32,189	28,681	892,034
<b>Total Revenues</b>	<u>24,696,108</u>	<u>5,669,787</u>	<u>6,647,835</u>	<u>37,013,730</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	7,590,829	-	12,526	7,603,355
Public safety	9,666,230	-	1,670,622	11,336,852
Public works	121,639	5,006,978	3,976,020	9,104,637
Health and welfare	380,951	-	2,225	383,176
Culture and recreation	1,085,569	-	123,176	1,208,745
Conservation of natural resources	176,429	-	778,975	955,404
Economic development and assistance	1,257,574	-	858,799	2,116,373
Education	325,000	-	-	325,000
<b>Debt service:</b>				
Principal	3,436,831	126,132	15,000	3,577,963
Interest	1,339,649	5,862	-	1,345,511
Bond issue costs	148,885	-	-	148,885
<b>Total Expenditures</b>	<u>25,529,586</u>	<u>5,138,972</u>	<u>7,437,343</u>	<u>38,105,901</u>
<b>Expenditures (over) under Revenues</b>	<u>(833,478)</u>	<u>530,815</u>	<u>(789,508)</u>	<u>(1,092,171)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term capital debt issued	-	500,000	223,220	723,220
Proceeds from refunding bonds	4,884,000	-	-	4,884,000
Payment to refunded bond escrow agent	(4,735,115)	-	-	(4,735,115)
Proceeds from sale of capital asset	-	10,000	-	10,000
Transfers in	192,984	-	-	192,984
Transfers out	(45,953)	(71,117)	(121,867)	(238,937)
<b>Total Other Financing Sources and Uses</b>	<u>295,916</u>	<u>438,883</u>	<u>101,353</u>	<u>836,152</u>
<b>Net change in fund balances</b>	<u>(537,562)</u>	<u>969,698</u>	<u>(688,155)</u>	<u>(256,019)</u>
<b>Fund Balances - Beginning</b>	<u>35,229,819</u>	<u>(548,128)</u>	<u>2,537,994</u>	<u>37,219,685</u>
<b>Fund Balances - Ending</b>	<u>\$ 34,692,257</u>	<u>\$ 421,570</u>	<u>\$ 1,849,839</u>	<u>\$ 36,963,666</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Net Changes in Fund Balances - Governmental Funds \$ (256,019)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$2,099,300 is exceeded by depreciation of \$2,939,306 in the current period. (840,006)

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$89,962 in the current period. (89,962)

Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting. 887,163

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$7,786,085 are exceeded by proceeds of \$5,607,220, net of gains of \$526,993 from refunded bonds. 2,705,858

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus the change in net position differs from the change in fund balances by a combination of the following items:

The amount of increase in compensated absences	(56,840)
The amount of decrease in accrued interest payable, net of the accretion of bond discounts and premiums	164,683
The accretion of bond discounts and premiums	8,034

Some items reported in the Statement of Activities relating to the implementation of GASB 68 and GASB 75 are not reported in the governmental funds. These activities include:

Recording of other postemployment benefits expense for the current period	(6,184)
Recording of pension expense for the current period	(4,394,445)
Recording of contributions made during the year	1,742,814

An internal service fund is used by management to charge the cost of insurance to individual funds. The net expense is reported within governmental activities. (232,603)

Change in Net Position of Governmental Activities \$ (367,507)

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

**LOWNDES COUNTY, MISSISSIPPI****Exhibit 5****STATEMENT OF NET POSITION - PROPRIETARY FUND****SEPTEMBER 30, 2017**

	<u>Governmental Activities Internal Service Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ <u>79,239</u>
<b>Total Assets</b>	<u>79,239</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	<u>105,138</u>
<b>Total Liabilities</b>	<u>105,138</u>
<b>NET POSITION</b>	
Unrestricted	<u>(25,899)</u>
<b>Total Net Position</b>	<u>\$ (25,899)</u>

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

**LOWNDES COUNTY, MISSISSIPPI****Exhibit 6****STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION -  
PROPRIETARY FUND****FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Governmental Activities
	<u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
Premium income	\$ 2,380,848
Miscellaneous revenues	<u>20,122</u>
<b>Total Operating Revenues</b>	<u>2,400,970</u>
<b>OPERATING EXPENSES</b>	
Claims payments	2,243,080
Administrative	<u>436,446</u>
<b>Total Operating Expenses</b>	<u>2,679,526</u>
<b>Operating Loss</b>	<u>(278,556)</u>
Transfers in	<u>45,953</u>
<b>Change in Net Position</b>	(232,603)
<b>Net Position - Beginning</b>	<u>206,704</u>
<b>Net Position - Ending</b>	<u><u>\$ (25,899)</u></u>

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



## LOWNDES COUNTY, MISSISSIPPI

Exhibit 7

## STATEMENT OF CASH FLOWS - PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Governmental Activities
	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts for premiums	\$ 2,655,231
Payments for claims	(2,239,526)
Payments to administrator for services	<u>(436,446)</u>
<b>Net Cash Used in Operating Activities</b>	<u>(20,741)</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Cash received from other funds:	
Operating transfers in	45,953
Cash paid to other funds:	
Operating transfers out	<u>-</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>45,953</u>
<b>Net Increase in Cash and Cash Equivalents</b>	25,212
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>54,027</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 79,239</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</b>	
Operating Loss	\$ (278,556)
Changes in assets and liabilities:	
Decrease in accounts receivable	254,261
Increase in accounts payable	<u>3,554</u>
Total Adjustments	<u>257,815</u>
<b>Net Cash Used in Operating Activities</b>	<u><u>\$ (20,741)</u></u>

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

LOWNDES COUNTY, MISSISSIPPI

Exhibit 8

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

SEPTEMBER 30, 2017

	Agency Funds
<b>ASSETS</b>	
Cash and investments	\$ 308,108
Intergovernmental receivables	<u>73,780</u>
<b>Total Assets</b>	<u><u>\$ 381,888</u></u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 53,518
Intergovernmental payables	<u>328,370</u>
<b>Total Liabilities</b>	<u><u>\$ 381,888</u></u>

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

## **LOWNDES COUNTY, MISSISSIPPI**

### **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

#### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **(a) Financial Reporting Entity**

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

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

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

##### **(b) Individual Component Unit Disclosure – Discretely Presented Component Units**

The component units' columns in the financial statements include the financial data of the following component units of the County. They are reported in separate columns to emphasize that they are legally separate from the County. A majority of the members of the governing bodies of these component units are appointed by the County's Board of Supervisors.

- Lowndes County Port Authority
- Lowndes County Industrial Development Authority

**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the financial condition of the governmental activities of the County and its component units 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 component units. 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 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 a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred inflows of resources, liabilities, deferred outflows of resources, fund balances, revenues and expenditures. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column as Other Governmental Funds.



**LOWNDES COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Measurement Focus and Basis of Accounting**

The Government-wide and Proprietary 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 Proprietary Funds are classified as operating or non-operating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as 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 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 liability is 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.

**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Measurement Focus and Basis of Accounting (Continued)**

The County reports the following major governmental funds:

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

Countywide Roads Fund - This fund is used to account for revenues from specific revenue sources that are restricted for construction and maintenance of County roads.

The County reports the following major proprietary fund:

Self-Insurance Fund - This fund is used to account for premiums and claims related to employees' medical benefits. In 2017, this included premiums and claims for primary health coverage, as well as a bridge plan.

Additionally, the County reports the following fund types:

***Governmental Fund Type***

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. Its revenues are primarily derived from property and other local taxes, charges for services and interest income. Its expenditures primarily relate to the operation and maintenance of the County.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt services or capital projects. Special revenue funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Measurement Focus and Basis of Accounting (Continued)**

***Proprietary Fund Type***

Internal Service Funds - These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The County's internal service fund reports on self-insured programs for employee medical benefits.

***Fiduciary Fund Type***

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

**(e) Account Classifications**

The account classifications used in the financial statements conform to the 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. Any governmental securities the County invests in will be included in those investments referenced in Note 2.

**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

**(h) Receivables**

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

**(i) Inter-fund Transactions and Balances**

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources. Inter-fund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

**(j) Restricted Assets**

Certain proceeds of the County's capital projects fund general obligation bonds are restricted for capital project expenditures and repayment of the bonds during the construction period. Certain assets in other funds are restricted by state law for specified uses.



**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(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 governmental 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 asset costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all depreciable assets. 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>Description</u>	<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 useful life will correspond with the amounts for the asset classification, as listed above.

**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(I) Deferred Outflows/Inflows of Resources**

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

Deferred amount on refunding - For current refundings and advance refundings 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.

Deferred outflows related to post-employment benefits - This amount represents the deferred outflows of resources reported by the County's post-employment benefit plan. See Note 9 for additional details.

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

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

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

**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Deferred Outflows/Inflows of Resources (Continued)**

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

Deferred inflows related to post-employment benefits - This amount represents the deferred inflows of resources reported by the County's post-employment benefit plan. See Note 9 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-related expenses, 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, benefits 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) Other Post-Employment Benefits**

For purposes of measuring total other post-employment benefits liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, and other post-employment benefit expenses, information is determined by an actuary. Other post-employment benefit expenses and benefit payments are recognized when due and payable in accordance with benefit terms. See Note 9 for additional details.

**(o) Long-Term Liabilities**

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

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



**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Long-Term Liabilities (Continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**(p) Equity Classifications**

**Government-wide Financial Statements:**

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

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

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

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

Net position flow assumption

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

**Fund Financial Statements:**

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



**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(p) Equity Classifications (Continued)**

**Fund Financial Statements (Continued)**

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

*Non-spendable 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.

*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 non-spendable and is neither restricted nor committed.

*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.

**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(q) 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 that resulted from the assessments of the previous year.

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

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

**(r) 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.

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Compensated Absences

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

(t) Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current year:

GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*. 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 in these standards have been incorporated into the financial statements and notes.

(u) Prior Period Adjustment

The significant fund balance adjustment is as follows:

Exhibit 2 - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Restatement due to change in accounting standards related to recognition of post-employment benefits related expenses and liabilities (GASB 75)	\$ 454,975
Total prior period adjustment	\$ 454,975



LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

(2) DEPOSITS AND INVESTMENTS

The carrying amount of the County's total deposits, not including component units, with financial institutions at September 30, 2017, was \$7,322,936 and the bank balance was \$8,992,715. 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 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.

In April 2013, Senate Bill 2702 was passed by the Mississippi Legislature authorizing the Board of Supervisors to establish a reserve and trust fund. House Bill 1508 was subsequently passed in 2014, which governs the nature and use of such investments. The proceeds received by the County as a result of the sale of hospital facilities owned by the County were allowed to be deposited into the fund to provide for the establishment of the reserve and trust fund. The proceeds were to provide for the investment of the assets of the trust fund and that the fund will be divided into a corpus component and an earning component. The corpus component is to remain inviolate except as otherwise provided in the bill. The earnings component is allowed to be transferred from the trust fund to the general fund of the County and shall be available for appropriation and spending by the Board of Supervisors of the County. The money from the corpus of the trust can be expended by the County only under certain circumstances as defined by the bill. The investment balances at September 30, 2017, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>
Cash and equivalents	\$ 1,709,308	5%
Equities	13,073,953	40%
Fixed income	18,255,402	55%
		<u>100%</u>



# LOWNDES COUNTY, MISSISSIPPI

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

### (2) DEPOSITS AND INVESTMENTS (Continued)

A fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

*Level 1* - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

*Level 2* - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

*Level 3* - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following is a summary of the levels within the fair value hierarchy as of September 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>\$14,783,261</u>	<u>\$18,255,402</u>	<u>\$ -</u>	<u>\$33,038,663</u>

For the year ended September 30, 2017, the change in the investments of the County was as follows:

Interest	\$ 114,115
Dividends	337,649
Net increase in the fair value of investments	1,364,912
Withdrawals	(975,470)
Investment fees/expenses	(134,274)
Other investment income	<u>33,478</u>
	<u>\$ 740,410</u>

Interest Rate Risk. The County has approved an investment policy that is in accordance with that allowed by state law. Section 19-9-29, Miss. Code Ann. (1972) and House Bill 1508 define restrictions, if any, that exist with the County's current investments.

**LOWNDES COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(2) DEPOSITS AND INVESTMENTS (Continued)**

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972), except as allowed by the previously-mentioned legislation. The County does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. Of the County's investments, \$ -0- of underlying securities were held by the investment counterparty on behalf of the County, not in the name of the County.

**(3) INTER-FUND TRANSACTIONS AND BALANCES**

A summary of inter-fund balances at September 30, 2017, follows:

**(a) Due From/To Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other governmental funds	General fund	\$ 66,248
Countywide roads fund	General fund	134,450
		<u>\$ 200,698</u>

The receivables represent the tax revenue collected in September 2017, but not settled until October 2017. All inter-fund 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	\$ 412,282

The receivable represents loans to the fire department funds to purchase fire trucks and fire stations.

**LOWNDES COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(3) INTER-FUND TRANSACTIONS AND BALANCES (Continued)**

**(c) Transfers In/Out:**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	Countywide roads fund	\$ 71,117
General fund	Other governmental funds	121,867
Self-insurance fund	General fund	<u>45,953</u>
Total		<u>\$ 238,937</u>

The principal purpose of interfund transfers is to provide funds for grant matching contributions or to pay for capital and operating needs. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**(4) INTERGOVERNMENTAL RECEIVABLES**

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

<u>Description</u>	<u>Amount</u>
Primary Government:	
State legislative tax credit	\$ 329,829
Other state receivables	32,472
Receivables from local governments	<u>106,084</u>
Total intergovernmental receivables	<u>\$ 468,385</u>
Fiduciary Fund:	
Other state receivables	\$ 37,341
Other local receivables	<u>36,439</u>
Total intergovernmental fiduciary receivables	<u>\$ 73,780</u>

**(5) LOANS RECEIVABLE**

Loans receivable at September 30, 2017, consisted of the following:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Balance Receivable</u>
Mississippi Steel Processing	06-15-11	0.0	10-01-26	<u>\$ 135,000</u>

**LOWNDES COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(6) CAPITAL ASSETS**

A summary of governmental activities capital assets activity for the year ended September 30, 2017, follows:

	Balance October 1, 2016	Additions	Deletions	Transfers*	Balance September 30, 2017
Nondepreciable capital assets:					
Land	\$ 15,111,500	\$ -	\$ -	\$ -	\$ 15,111,500
Construction in progress	<u>2,001,453</u>	<u>921,139</u>	<u>-</u>	<u>(2,837,133)</u>	<u>85,459</u>
Total nondepreciable capital assets	17,112,953	921,139	-	(2,837,133)	15,196,959
Depreciable capital assets:					
Infrastructure	88,195,685	-	-	-	88,195,685
Buildings	34,658,234	-	-	2,837,133	37,495,367
Improvements other than buildings	4,411,965	-	-	-	4,411,965
Mobile equipment	14,474,769	1,076,170	(402,768)	-	15,148,171
Other equipment	3,707,313	101,991	(396,042)	-	3,413,262
Leased property under capital leases	<u>692,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>692,846</u>
Total depreciable capital assets	<u>146,140,812</u>	<u>1,178,161</u>	<u>(798,810)</u>	<u>2,837,133</u>	<u>149,357,296</u>
<b>Less accumulated depreciation for:</b>					
Infrastructure	53,138,767	856,776	-	-	53,995,543
Buildings	10,428,816	685,715	-	-	11,114,531
Improvements other than buildings	705,924	176,481	-	-	882,405
Mobile equipment	10,184,865	848,594	(352,409)	-	10,681,050
Other equipment	2,889,517	292,760	(356,439)	-	2,825,838
Leased property under capital leases	<u>233,530</u>	<u>78,980</u>	<u>-</u>	<u>-</u>	<u>312,510</u>
Total accumulated depreciation	<u>77,581,419</u>	<u>2,939,306</u>	<u>(708,848)</u>	<u>-</u>	<u>79,811,877</u>
Total depreciable capital assets, net	<u>68,559,393</u>	<u>(1,761,145)</u>	<u>(89,962)</u>	<u>2,837,133</u>	<u>69,545,419</u>
Net capital assets - governmental activities	<u>\$ 85,672,346</u>	<u>\$ (840,006)</u>	<u>\$ (89,962)</u>	<u>\$ -</u>	<u>\$ 84,742,378</u>

\* Transfers represent construction-in-progress costs placed in service due to project completion during the year ended September 30, 2017.



**LOWNDES COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(6) CAPITAL ASSETS (Continued)**

Depreciation expense was charged to the following functions:

<u>Description</u>	<u>Amount</u>
Governmental activities:	
General government	\$ 535,174
Public safety	1,055,239
Public works	1,332,713
Construction and natural resources	<u>16,180</u>
Total governmental activities depreciation expense	<u>\$ 2,939,306</u>

A summary of Lowndes County Port Authority's capital assets activity for the year ended September 30, 2017, follows:

	<u>Balance October 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Balance September 30, 2017</u>
<b><i>Nondepreciable capital assets:</i></b>					
Land	\$ 1,013,844	\$ -	\$ -	\$ -	\$ 1,013,844
Construction in progress	<u>79,910</u>	<u>37,076</u>	<u>-</u>	<u>(79,910)</u>	<u>37,076</u>
Total nondepreciable capital assets	1,093,754	37,076	-	(79,910)	1,050,920
<b><i>Depreciable capital assets:</i></b>					
Port facilities	7,581,007	174,260	-	79,910	7,835,177
Improvements other than buildings	3,134,933	-	-	-	3,134,933
Port equipment	<u>1,309,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,309,646</u>
Total depreciable capital assets	12,025,586	174,260	-	79,910	12,279,756
<b><i>Less accumulated depreciation for:</i></b>					
Port facilities	6,876,745	73,908	-	-	6,950,653
Improvements other than buildings	1,191,748	128,150	-	-	1,319,898
Port equipment	<u>1,022,918</u>	<u>121,742</u>	<u>-</u>	<u>-</u>	<u>1,144,660</u>
Total accumulated depreciation	<u>9,091,411</u>	<u>323,800</u>	<u>-</u>	<u>-</u>	<u>9,415,211</u>
Total depreciable capital assets, net	<u>2,934,175</u>	<u>(149,540)</u>	<u>-</u>	<u>79,910</u>	<u>2,864,545</u>
Governmental activities capital assets, net	<u>\$4,027,929</u>	<u>\$ (112,464)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,915,465</u>

**LOWNDES COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(6) CAPITAL ASSETS (Continued)**

The following is a summary of Lowndes County Industrial Development Authority's capital assets activity for the year ended September 30, 2017:

	Balance October 1, 2016	Additions	Retirements	Completed Construction	Adjustments	Balance September 30, 2017
<b><i>Non-depreciable capital assets:</i></b>						
Land	\$ 1,442,728	\$ -	\$ -	\$ -	\$ -	\$ 1,442,728
Construction in progress	<u>553,519</u>	<u>1,499,085</u>	<u>-</u>	<u>(657,724)</u>	<u>-</u>	<u>1,394,880</u>
Total non- depreciable capital assets	1,996,247	1,499,085	-	(657,724)	-	2,837,608
<b><i>Depreciable capital assets:</i></b>						
Buildings and improvements	166,807	-	-	-	-	166,807
Water and sewer utility system	29,566,293	-	-	657,724	-	30,224,017
Infrastructure	1,094,849	-	-	-	-	1,094,849
Equipment	<u>9,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,393</u>
Total depreciable capital assets	30,837,342	-	-	657,724	-	31,495,066
<b><i>Less accumulated depreciation for:</i></b>						
Buildings and improvements	55,628	3,336	-	-	-	58,964
Water and sewer utility system	5,270,861	788,091	-	-	-	6,058,952
Infrastructure	766,396	-	-	-	-	766,396
Equipment	<u>9,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,393</u>
Total accumulated depreciation	<u>6,102,278</u>	<u>791,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,893,705</u>
Total depreciable capital assets, net	<u>24,735,064</u>	<u>(791,427)</u>	<u>-</u>	<u>657,724</u>	<u>-</u>	<u>24,601,361</u>
Governmental activities capital assets, net	<u>\$26,731,311</u>	<u>\$ 707,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$27,438,969</u>

# LOWNDES COUNTY, MISSISSIPPI

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

### (7) CLAIMS AND JUDGMENTS

The County is exposed to risk of loss relating to employee health coverage. Beginning in January 2014, and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the County established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss.

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. The County pays the premium on a single coverage policy for its employees. Employees desiring lower and/or dependent coverage pay the additional \$2,500 annual premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The county has minimum uninsured risk retention for the County, to the extent that actual claims submitted exceed the predetermined premium. The County has implemented the following plans to minimize this potential loss:

The County has purchased coinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$125,000, and the aggregate policy covers all submitted claims in excess of \$2,758,787.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2017, the amount of these liabilities was \$105,138. An analysis of claims activities is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2016	\$ 107,462	\$ 2,050,913	\$ 2,056,791	\$ 101,584
2017	101,584	2,108,725	2,105,171	105,138

The primary health insurance plan provided by the County requires each employee to meet a \$2,500 annual deductible. This policy covers the \$2,500 deductible, plus the 20% coinsurance required by the primary health insurance plan, up to an annual \$4,000 maximum. The County Board of Supervisors has extended this coverage to the employees of the following public entities:

- Lowndes County Port Authority
- Lowndes County District Attorney's Office
- Lowndes County Soil and Conservation District

**LOWNDES COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(8) CAPITAL LEASES**

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

Mobile equipment	\$ 692,847
Less accumulated depreciation	<u>(312,510)</u>
Leased property under capital leases	<u>\$ 380,337</u>

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

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 215,413	\$ 8,004
2019	218,443	3,871
2020	<u>66,474</u>	<u>612</u>
Total	<u>\$ 500,330</u>	<u>\$ 12,487</u>

**(9) OTHER POST-EMPLOYMENT BENEFITS**

The County's Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the County's Board of Supervisors. As discussed in Note 7, the County self-insures a portion of this risk and purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan ("the Plan"). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a post-employment healthcare benefit reportable under GASB Statement No. 75 as a single employer defined benefit healthcare plan. GASB Statement No. 75 requires reporting on an accrual basis the liability associated with other post-employment benefits.

*Funding Policy*

Employees' premiums are funded by the County with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-you-go basis and has no assets in a trust established solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the Plan. The Board of Supervisors, acting in conjunction with the commercial insurance company, has the sole authority for setting health insurance premiums for the County's health insurance plan.



**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(9) OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Per Section 25-15-103, Mississippi Code Ann. (1972), any retired employee electing to purchase retiree health insurance must pay the full cost of the insurance premium monthly to the County. For the year ended September 30, 2017, retiree premiums were \$718 per month. At September 30, 2017, the County had 214 active participants that were not receiving benefits, and five retired participants that were receiving benefits.

*Post-Employment Liabilities, Benefit Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Post-Employment Benefits*

At September 30, 2017, the County reported a liability of \$441,622 for its total post-employment benefits liability (TOL). The TOL was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

For the year ended September 30, 2017, the County recognized post-employment benefit expense of \$6,184. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to post-employment benefits from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of assumptions	\$ -	\$ 19,537

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to post-employment benefits will be recognized in post-employment benefits expense as follows:

Year Ending September 30:

2018	\$ 4,157
2019	4,157
2020	4,157
2021	4,157
2022	2,909
Thereafter	-

**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(9) OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Actuarial Assumptions. The total post-employment benefit liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Discount rate	3.56 percent
Inflation	3.00 percent
Salary increases	3.75 - 18.50 percent, including inflation
Investment rate of return	3.56 percent, net of investment expense
Healthcare cost trends pre-65	7.25 percent, decreasing to an ultimate rate of 5.25 percent by 2022

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Both pre-retirement and post-retirement 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 and adjusted by 106% for males at all ages, and females adjusted to 90 percent for ages less than 76, 95 percent for age 76, 105 percent for age 78, and 110 percent for ages 79 and greater.

Post-disability mortality rates were based on the RP2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

LOWNDES COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

(9) OTHER POST-EMPLOYMENT BENEFITS (Continued)

Turnover, retirement and disability rates are based on the Mississippi Public Employees' Retirement Association demographic actuarial assumptions. Plan participation is based upon the enrollment experience of recent retirees, and 20 percent of future eligible retirees; 20 percent of future eligible retirees are assumed to elect coverage. No spouses are assumed to be covered.

The following chart details the retiree healthcare costs and contributions per capita assumptions. The average costs shown are normalized to age 65, and then age adjusted in calculating liabilities.

<u>Plan</u>	<u>Annual Costs</u>	<u>Annual Contributions</u>
Current	\$ 14,310	\$ 8,614

Healthcare cost trend rates are as follows:

2017	7.25%
2018	7.00%
2019	6.50%
2020	6.00%
2021	5.50%
2022	5.25%
2023	5.25%
2024 and beyond	5.25%

Age-related morbidity per capita costs are adjusted to reflect expected cost changes related to age. The increase to the net incurred claims is assumed to be:

<u>Participant Age</u>	<u>Annual Increase</u>
< 30	0.00%
30 - 34	1.00%
35 - 39	1.50%
40 - 44	2.00%
45 - 49	2.60%
50 - 54	3.30%
55 - 59	3.60%
60 - 64	4.20%
65 - 69 *	3.00%
70 - 74 *	2.50%
75 - 79 *	2.00%
80 - 84 *	1.00%
84 - 89 *	0.50%
90 and older *	0.00%

\* These active employees over age 65 were not valued, but, where appropriate, were used in the development of claims' costs.



# LOWNDES COUNTY, MISSISSIPPI

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

### (9) OTHER POST-EMPLOYMENT BENEFITS (Continued)

Sensitivity to the County's Total Other Post-Employment Benefits Liability (TOL) to Changes in the Discount Rate. The following presents the County's TOL calculated using the discount rate of 3.56 percent, as well as what the County's TOL would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
County's TOL current	\$ 397,374	\$ 441,622	\$ 493,110

On the prior period measurement date, a discount rate of 3.01 percent was used.

Sensitivity to the County's Total Other Post-Employment Benefits Liability (TOL) to Changes in the Healthcare Cost Trends. The following presents the County's TOL calculated using the healthcare cost trends rate of 7.25 percent, as well as what the County's TOL would be if it were calculated using a healthcare cost trends rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25% decreasing to 4.25%)	Healthcare Cost Trend Rates (7.25% decreasing to 5.25%)	1% Increase (8.25% decreasing to 6.25%)
County's TOL, current	\$ 402,437	\$ 441,622	\$ 485,920

### (10) DEFINED BENEFIT PENSION PLAN

#### *General Information about the Pension Plan*

Plan Description. Lowndes 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.



**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(10) DEFINED BENEFIT PENSION PLAN (Continued)**

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

Contributions. At September 30, 2017, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 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 years ending September 30, 2017, 2016 and 2015, were \$1,742,814 and \$1,745,792 and \$1,749,141, respectively, equal to the required contributions for each year.

**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(10) DEFINED BENEFIT PENSION PLAN (Continued)**

*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 \$28,592,238 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 0.172 percent, which was a decrease of 0.004 from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the County recognized pension expense of \$4,394,445. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 421,591	\$ 208,629
Net difference between projected and actual earnings on pension plan investments	2,668,163	2,209,191
Changes of assumptions	656,646	49,855
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	2,937	1,946,325
County contributions subsequent to the measurement date	<u>444,440</u>	<u>-</u>
Total	<u>\$ 4,193,777</u>	<u>\$ 4,414,000</u>

**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(10) DEFINED BENEFIT PENSION PLAN (Continued)**

\$444,440 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	\$ 1,287,644
2019	(723,567)
2020	(232,002)
2021	(552,298)
2022	-
Thereafter	-

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 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 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 and by adding expected inflation.



# LOWNDES COUNTY, MISSISSIPPI

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2017

#### (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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%	2.25%
Cash	1.00%	-
Total	<u>100.00%</u>	

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

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

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
County's proportionate share of the net pension liability	\$ 37,500,629	\$ 28,592,238	\$ 21,196,337

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



**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(11) LONG-TERM DEBT**

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates (%)</u>	<u>Final Maturity Date</u>
Governmental Activities:			
(a) <u>General Obligation Debt:</u>			
2011 capital projects	\$ 1,875,000	2.00 - 5.13	12/2028
FNB Clarksdale Series 2013 refunding	6,270,000	2.75 - 4.00	7/2025
FNB Clarksdale Series 2014 refunding	8,765,000	2.50 - 2.75	7/2027
FNB Clarksdale Series 2015 refunding	6,480,000	2.00	9/2022
Trustmark Series 2015B refunding	2,825,000	1.12 - 3.07	9/2030
Trustmark Series 2016 refunding	9,615,000	2.64	1/2031
Bank Plus Series 2017 refunding	4,641,000	1.00 - 2.05	9/2028
Bank Plus Series 2017 - term	<u>243,000</u>	1.00	12/2018
Total general obligation bonds	<u>\$ 40,714,000</u>		
(b) <u>Other Loans:</u>			
MDA Capital Improvement Loan	\$ 4,798,158	3.00	11/2034
MDA Capital Improvement Loan - 2017	61,760	2.18	8/2033
MDA Rail loan	135,000	3.50	9/2026
MDA Rail loan - 2016	<u>957,086</u>	2.57	5/2031
Total other loans	<u>\$ 5,952,004</u>		
(c) <u>Capital Lease - Teletec</u>	\$ 126,462	2.57	8/2020
Capital Lease - Trustmark	<u>373,868</u>	1.76	12/2019
	<u>\$ 500,330</u>		

**LOWNDES COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(11) LONG-TERM DEBT (Continued)**

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

**Governmental Activities:**

Year Ending September 30,	General Obligation Debt		Other Loans	
	Principal	Interest	Principal	Interest
2018	\$ 3,401,000	\$ 1,038,390	\$ 359,224	\$ 140,929
2019	3,492,000	958,456	304,103	134,291
2020	3,589,000	873,177	310,943	127,447
2021	3,685,000	781,966	317,993	120,397
2022	3,754,000	493,706	385,259	113,134
2023 - 2027	18,474,000	2,204,332	1,646,487	440,379
2028 - 2032	4,319,000	301,685	1,880,792	230,961
2033 - 2037	-	-	747,203	23,709
Total	<u>\$ 40,714,000</u>	<u>\$ 6,651,712</u>	<u>\$ 5,952,004</u>	<u>\$ 1,331,247</u>

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt, which can be incurred by the County, is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a County issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2017, the amount of outstanding debt was equal to 8.0% of the latest property assessments.

A summary of changes in long-term liabilities and obligations for the year ended September 30, 2017, follows:

	Balance 10/1/2016	Additions	Reductions	Adjustments	Balance 9/30/2017	Due Within One Year
Governmental Activities:						
Compensated absences	\$ 656,022	\$ 56,840	\$ -	\$ -	\$ 712,862	\$ -
General obligation debt	42,160,000	4,884,000	(6,330,000)	-	40,714,000	3,401,000
Other loans	7,017,980	223,220	(1,289,196)	-	5,952,004	359,224
Capital leases	167,219	500,000	(166,889)	-	500,330	215,413
Bond premium	166,793	-	(23,838)	-	142,955	-
Bond discount	(149,830)	-	15,804	-	(134,026)	-
Total	<u>\$ 50,018,184</u>	<u>\$ 5,664,060</u>	<u>\$ (7,794,119)</u>	<u>\$ -</u>	<u>\$ 47,888,125</u>	<u>\$ 3,975,637</u>

Compensated absences will be paid from the General and Countywide Road Funds.

# LOWNDES COUNTY, MISSISSIPPI

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

### (11) LONG-TERM DEBT (Continued)

**Advance Refunding** - On January 5, 2017, the County issued \$4,884,000 in general obligation refunding bonds with an interest rate of 1.74% to advance refund \$4,210,000 of the following outstanding note issue:

<u>Issue</u>	<u>Average Interest Rate</u>	<u>Outstanding Amount Refunded</u>
Mississippi Development Bank Special Obligation Bonds, Series 2011	4.43%	\$ 4,210,000

The Mississippi Development Bank 2011 Series General Obligation Bond issue had an outstanding balance of \$6,085,000 at the time of refunding, but only \$4,210,000 of the bond was refunded, leaving a remaining principal balance of \$1,875,000.

The net proceeds of \$4,735,115 (after payment of \$148,885 in underwriting fees and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The County advance refunded the above bonds to reduce its total debt service payments over the next 11 years by \$395,563 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$335,220.

**Prior Year Defeasance of Debt** - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2017, \$7,800,000 of bonds outstanding were considered defeased.

Debt outstanding for Lowndes County Industrial Development Authority as of September 30, 2017, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
USDA Rural Development Revenue Bond	\$ 8,027,235	2.125%	9/20/2043
USDA Rural Development Revenue Bond	266,805	4.000%	9/24/2025
USDA Rural Development Revenue Bond	<u>1,561,714</u>	2.500%	8/10/2041
Total General Obligation Bonds	<u>\$ 9,855,754</u>		

**LOWNDES COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(11) LONG-TERM DEBT (Continued)**

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
B. Other Loans:			
USDA Rural Development Note Payable	\$ 37,378	4.500%	7/01/2018
USDA Rural Development Note Payable	56,171	4.250%	2/12/2019
USDA Rural Development Note Payable	283,277	4.125%	6/22/2037
Lowndes County Farms	<u>714,798</u>	5.000%	4/01/2019
Total Other Loans	<u>\$ 1,091,624</u>		

The following is a schedule by years of the total payments due on this debt:

<u>Years Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 312,720	\$ 220,148	\$ 122,056	\$ 50,948
2019	320,146	212,723	705,524	29,129
2020	327,758	205,111	10,215	10,924
2021	335,562	197,307	10,637	10,502
2022	343,563	189,306	11,076	10,063
2023 - 2027	1,749,752	824,163	62,620	43,076
2028 - 2032	1,834,834	630,720	76,645	29,051
2033 - 2037	2,045,441	420,112	92,851	11,884
2038 - 2042	2,192,015	184,826	-	-
2043 - 2044	<u>393,963</u>	<u>8,360</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,855,754</u>	<u>\$ 3,092,776</u>	<u>\$ 1,091,624</u>	<u>\$ 195,577</u>

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

	<u>Balance October 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance September 30, 2017</u>	<u>Amount Due Within One Year</u>
Governmental						
Activities:						
General						
Obligation						
bonds	\$ 10,161,136	\$ -	\$ (305,382)	\$ -	\$ 9,855,754	\$ 312,720
Other loans	<u>1,199,714</u>	<u>-</u>	<u>(108,090)</u>	<u>-</u>	<u>1,091,624</u>	<u>122,056</u>
	<u>\$ 11,360,850</u>	<u>\$ -</u>	<u>\$ (413,472)</u>	<u>\$ -</u>	<u>\$ 10,947,378</u>	<u>\$ 434,776</u>



**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(11) LONG-TERM DEBT (Continued)**

Debt outstanding for Lowndes County Port Authority as of September 30, 2017, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
MDA Port Revitalization Loan PL-024	\$ 11,815	3.000%	7/2018

The following is a schedule by years of the total payments due on this debt:

<u>Years Ending September 30</u>	<u>Other Bonds Principal</u>	<u>Interest</u>
2018	\$ 11,815	\$ 756

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	<u>Balance October 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance September 30, 2017</u>	<u>Amount Due Within One Year</u>
MDA Port Revitalization Loan PL-022	\$ 27,682	\$ -	\$ (27,682)	\$ -	\$ -	\$ -
MDA Port Revitalization Loan PL-024	25,199	-	(13,384)	-	11,815	11,815
	<u>\$ 52,881</u>	<u>\$ -</u>	<u>\$ (41,066)</u>	<u>\$ -</u>	<u>\$ 11,815</u>	<u>\$ 11,815</u>

**LOWNDES COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(12) DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS**

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

<u>Fund</u>	<u>Fund Balance</u>
Special revenue funds:	
ARC Grant Fund	\$ (220,375)
Pass-through ED Loans Fund	(161,460)
Economic Development Loan Fund	(61,760)
Capital Projects Fund	(135,156)
State Aid Road Projects Fund	(25,984)
Countywide Roads and Bridges	(548,128)
Self-Fund Health Insurance Fund	(25,899)

These deficits are the result of claims payable accruals or amounts due to other funds and are not cash basis deficit fund balances.

**(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 the 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.

**Revenue Bond and Note Contingencies** - The County issues revenue bonds and notes to provide funds for constructing and improving capital facilities of the Lowndes County Port Authority and the Lowndes County Industrial Development Authority. Revenue bonds and notes are reported as liabilities of these entities because such debt is payable primarily from their pledged revenues. However, the County remains contingently liable for the retirement of these bonds and notes because the full faith, credit and taxing power of the County is secondarily pledged in case of default. The principal amount of such debt outstanding at September 30, 2017, consisted of the following:

<u>Description</u>	<u>Balance at September 30, 2017</u>
Lowndes County Industrial Development Authority	\$ 9,855,754
Lowndes County Port Authority	11,815

# LOWNDES COUNTY, MISSISSIPPI

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

### (14) COMMITMENTS

In August 2017, Lowndes County entered into an agreement with East Mississippi Community College (EMCC) in order to assist EMCC with its debt service of project bonds. The County has committed to the following payments:

2018	\$ 1,267,733
2019	1,269,310
2020	1,269,014
2021	1,268,569
2022	1,267,977
Thereafter	<u>6,617,552</u>
	<u>\$ 12,960,155</u>

In December 2008, the Lowndes County Industrial Development Authority incurred \$1,034,560 in debt to finance the purchase of land. The County has committed to grant the Industrial Development Authority funds to repay the debt. In 2017, the County provided grants totaling \$82,130 to the Industrial Authority for these bonds. Future payments to be granted by the County, including interest, are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2018	\$ 82,130
2019	<u>632,668</u>
Total	<u>\$ 714,798</u>

### (15) EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The governmental activities' unrestricted net position amount of \$(33,500,701) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$444,440 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The \$3,749,337 remaining balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 2.48 - 5.00 years. The \$4,414,000, deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next 3.37 - 5.00 years. The \$19,537 deferred inflow of resources related to post-employment benefits at September 30, 2017, will be recognized in post-employment benefits expense over the next 5.73 years.

The governmental activities' net investment in capital assets net position of \$44,968,762 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$949,313 of the \$5,143,090 balance of deferred outflows of resources at September 30, 2017, will be recognized as an expense and will decrease the net investment in capital assets net position over the next 6 years.



**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(16) JOINT VENTURES**

The County participates in the following joint ventures:

The County is a participant with the City of Columbus in a joint venture, authorized by Section 61-3-5, Mississippi Code Ann. (1972), to operate Columbus/Lowndes Airport. The joint venture was created to provide airport facilities. The joint venture is governed by a seven-member Board of Commissioners. The County appropriated \$19,442 for airport maintenance in 2017.

The County is a participant with the City of Columbus in a joint venture, authorized by Section 55-9-27, Mississippi Code Ann. (1972), to operate the Columbus/Lowndes Recreation Authority. The joint venture was created to provide recreation facilities. The joint venture is governed by a five-member board. Each entity appoints two of the five board members, with the fifth member being appointed by both. The County's appropriation from the General Fund to the joint venture was \$704,891 in 2017. Complete financial statements for the Columbus/Lowndes Recreation Authority can be obtained from Post Office Box 2245, Columbus, Mississippi 39704.

The County is a participant with the Counties of Choctaw, Clay, Noxubee, Oktibbeha and Webster and the Cities of Ackerman, Columbus, Eupora, Louisville, Macon, Starkville and West Point in a joint venture, authorized by Section 17-17-307, Mississippi Code Ann. (1972), to operate the Golden Triangle Regional Solid Waste Management Authority. The joint venture was created to provide a regional disposal site for solid waste. The County appoints 6 of the 38 members of the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from Post Office Box DN, Mississippi State, Mississippi 39762.

The County is a participant with the City of Columbus in a joint venture, authorized by Section 39-3-8, Mississippi Code Ann. (1972), to operate the Lowndes County Library System. The joint venture was created to provide library services. Each member appoints five of the ten board members. The County's appropriation to the joint venture was \$356,907 in 2017. Complete financial statements for the Lowndes County Library System can be obtained from 314 North Seventh Street, Columbus, Mississippi 39701.

**(17) JOINTLY GOVERNED ORGANIZATIONS**

The County participates in the following jointly governed organizations:

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The County appoints one of the seven members of the Board of Commissioners. The County appropriated \$81,717 for support of the agency in 2017.



**LOWNDES COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(17) JOINTLY GOVERNED ORGANIZATIONS (Continued)**

East Mississippi Community College operates in a district composed of the counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee and Oktibbeha. The County appoints two of the twelve members of the College Board of Trustees. The County appropriated \$325,000 for maintenance and support of the college in 2017.

Golden Triangle Planning and Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The County appoints four of the 28 members of the Board of Directors. The County contributes a small percentage of the district's total revenue. The County appropriated \$90,000 to the district in 2017.

Golden Triangle Regional Airport Authority operates in a district composed of the Counties of Lowndes and Oktibbeha and the Cities of Columbus, Starkville and West Point. The County appoints one of the five members of the Board of Commissioners. The County did not provide any financial support to the Authority in 2017.

Columbus-Lowndes Convention and Visitors Bureau operates in the City of Columbus and the surrounding areas in Lowndes County. The County appoints four members of the board of the Bureau. The County did not provide any support to the Bureau in 2017.

Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The County appoints one of the nine board members. The County generally provides no financial support to the organization.

**(18) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 12, 2018, the date the financial statements were available for distribution.

# LOWNDES COUNTY, MISSISSIPPI

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

### (19) TAX ABATEMENTS

The following tables include information about taxes forgone or abated, whether in accordance with Mississippi state law or an agreement entered into with a specified entity.

Lowndes County Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards Board	Ad valorem taxes – general exemptions	Ad valorem taxes – general exemptions
<b>Purpose of abatement</b>	Encourage Lowndes County economic development	Encourage Lowndes County economic development
<b>Tax being abated</b>	Real property tax	Personal property tax
<b>Authority under which abatement agreements are entered into</b>	MS §27-31-101 MS §27-31-105	MS §27-31-101 MS §27-31-105
<b>Criteria to be eligible to receive abatement</b>	§27-31-101: Meet industry type criteria set by state law. §27-31-105: Additions to or expansions of facilities or properties or replacement of equipment used in connection with certain enterprises.	§27-31-101: Meet industry type criteria set by state law. §27-31-105: Additions to or expansions of facilities or properties or replacement of equipment used in connection with certain enterprises.
<b>How recipients' taxes are reduced</b>	Through a reduction in the property's assessed value	Through a reduction in the property's assessed value
<b>How amount of abatement is determined</b>	100% reduction of the county portion of the property tax.	100% reduction of the county portion of the property tax.
<b>Gross dollar amount, on accrual basis, by which the County's tax revenues were reduced as a result of abatement.</b>	\$ 478,197	\$ 803,902

Lowndes County Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards Board	Ad valorem taxes – fee in lieu	Ad valorem taxes – fee in lieu
<b>Purpose of abatement</b>	Encourage Lowndes County economic development	Encourage Lowndes County economic development
<b>Tax being abated</b>	Real property tax	Personal property tax
<b>Authority under which abatement agreements are entered into</b>	MS §27-31-104	MS §27-31-104
<b>Criteria to be eligible to receive abatement</b>	§27-31-104: A private business minimum capital investment of One Hundred Million Dollars, or a qualified business meeting minimum criterion established by Mississippi Development Authority.	§27-31-104: A private business minimum capital investment of One Hundred Million Dollars, or a qualified business meeting minimum criterion established by Mississippi Development Authority.
<b>How recipients' taxes are reduced</b>	Through a reduction in the property's assessed value	Through a reduction in the property's assessed value
<b>How amount of abatement is determined</b>	Reduction of total assessed value by two-thirds.	Reduction of total assessed value by two-thirds.
<b>Gross dollar amount, on accrual basis, by which the County's tax revenues were reduced as a result of abatement.</b>	\$ 6,065,383	\$ 453,839

## **REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE**



**LOWNDES COUNTY, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL (NON-GAAP BASIS)**

**GENERAL FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 12,024,300	\$ 11,790,542	\$ 11,790,542	\$ -
Revenues in lieu of taxes	3,557,500	3,568,450	3,568,450	-
Licenses, commissions and other revenue	1,020,000	1,196,638	1,196,638	-
Fines and forfeitures	690,000	593,909	593,909	-
Intergovernmental revenues	4,714,600	4,045,668	4,045,668	-
Charges for services	675,000	517,920	517,920	-
Interest income	973,000	1,029,642	1,029,642	-
Miscellaneous revenues	782,300	841,596	841,596	-
<b>Total revenues</b>	<u>24,436,700</u>	<u>23,584,365</u>	<u>23,584,365</u>	<u>-</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	7,163,067	7,374,771	7,374,771	-
Public safety	9,396,282	9,741,601	9,741,601	-
Public works	195,300	116,817	116,817	-
Health and welfare	380,717	380,951	380,951	-
Culture and recreation	1,107,400	1,085,169	1,085,169	-
Education	325,000	325,000	325,000	-
Conservation of natural resources	164,168	176,429	176,429	-
Economic development and assistance	1,220,000	806,869	806,869	-
<b>Debt service:</b>				
Principal	3,386,400	3,436,831	3,436,831	-
Interest	1,424,800	1,339,649	1,339,649	-
<b>Total expenditures</b>	<u>24,763,134</u>	<u>24,784,087</u>	<u>24,784,087</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	<u>\$ (326,434)</u>	<u>\$ (1,199,722)</u>	<u>\$ (1,199,722)</u>	<u>\$ -</u>

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

**LOWNDES COUNTY, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL (NON-GAAP BASIS)**

**GENERAL FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues over (under)</b>				
<b>expenditures</b> (brought forward)	\$ (326,434)	\$ (1,199,722)	\$ (1,199,722)	\$ -
<b>OTHER FINANCING SOURCES</b>				
<b>(USES)</b>				
Proceeds from refunding bonds	-	-	4,884,000	4,884,000
Payments to refunded bond escrow	-	-	(4,735,115)	(4,735,115)
Proceeds from sale of capital assets	5,000	-	-	-
Transfers in	1,897,200	1,504,726	320,028	(1,184,698)
Transfers out	(2,104,882)	(1,589,820)	(540,279)	1,049,541
<b>Total other financing sources and uses</b>	<u>(202,682)</u>	<u>(85,094)</u>	<u>(71,366)</u>	<u>13,728</u>
<b>Net Change in Fund Balance</b>	(529,116)	(1,284,816)	(1,271,088)	13,728
<b>Fund Balances - Beginning</b>	<u>32,626,877</u>	<u>33,102,106</u>	<u>33,904,419</u>	<u>802,313</u>
<b>Fund Balances - Ending</b>	<u>\$ 32,097,761</u>	<u>\$ 31,817,290</u>	<u>\$ 32,633,331</u>	<u>\$ 816,041</u>

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

**LOWNDES COUNTY, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL (NON-GAAP BASIS)**

**COUNTYWIDE ROADS FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,300,000	\$ 2,295,449	\$ 2,295,449	\$ -
Revenues in lieu of taxes	1,928,000	1,928,000	1,928,000	-
Road and bridge privilege taxes	720,000	743,543	743,543	-
Intergovernmental revenues	609,000	629,378	629,378	-
Miscellaneous revenues	15,000	32,189	32,189	-
<b>Total revenues</b>	<u>5,572,000</u>	<u>5,628,559</u>	<u>5,628,559</u>	<u>-</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	421,790	342,285	342,285	-
Public works	5,104,626	5,856,398	5,856,398	-
<b>Debt service:</b>				
Principal	118,138	126,132	126,132	-
Interest	5,862	5,862	5,862	-
<b>Total Expenditures</b>	<u>5,650,416</u>	<u>6,330,677</u>	<u>6,330,677</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	(78,416)	(702,118)	(702,118)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	-	500,000	500,000	-
Proceeds from sale of capital assets	-	10,000	10,000	-
Transfers out	-	(71,117)	(71,117)	-
<b>Total Other Financing Sources and uses</b>	<u>-</u>	<u>438,883</u>	<u>438,883</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(78,416)	(263,235)	(263,235)	-
<b>Fund Balances - Beginning</b>	<u>(146,695)</u>	<u>383,816</u>	<u>383,816</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ (225,111)</u>	<u>\$ 120,581</u>	<u>\$ 120,581</u>	<u>\$ -</u>

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

**LOWNDES 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, 2015 AND 2014**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	\$ 28,592,238	\$ 31,437,995	\$ 27,515,290	\$ 21,650,609
County's proportionate share of the net pension liability (asset)	0.172000%	0.176000%	0.178000%	0.178400%
County's covered payroll	\$ 11,065,486	\$ 11,084,394	\$ 11,105,654	\$ 10,833,591
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	258.391200%	283.623900%	247.759300%	199.847000%
Plan fiduciary net position as a percentage of the total pension liability	61.490000%	57.467700%	61.704000%	67.207700%

\* 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 Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

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



**LOWNDES COUNTY, MISSISSIPPI**

**SCHEDULE OF COUNTY CONTRIBUTIONS**

**LAST 10 FISCAL YEARS \***

**FOR THE YEARS ENDED SEPTEMBER 30, 2017, 2016, 2015 AND 2014**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,742,814	\$ 1,745,792	\$ 1,749,141	\$ 1,706,291
Contributions in relation to the contractually required contribution	<u>1,742,814</u>	<u>1,745,792</u>	<u>1,749,141</u>	<u>1,706,291</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 11,065,486	\$ 11,084,394	\$ 11,105,654	\$ 10,833,591
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 Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

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

**LOWNDES COUNTY, MISSISSIPPI**

**SCHEDULE OF THE COUNTY'S CHANGES IN  
TOTAL OTHER POST-EMPLOYMENT BENEFITS LIABILITY**

**LAST 10 FISCAL YEARS \***

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Service Cost at end of year	\$ 12,538
Interest	13,459
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	(23,694)
Benefit payments	<u>(15,656)</u>
Net Change in Total OPEB Liability	(13,353)
Total OPEB Liability - Beginning	<u>454,975</u>
Total OPEB Liability - Ending	<u>\$ 441,622</u>
Covered payroll	\$ 8,486,922
Total OPEB liability as a percentage of covered payroll	5.20%

\* 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 Statement No. 75 was implemented for the fiscal year ended September 30, 2017, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

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

## **LOWNDES COUNTY, MISSISSIPPI**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2017**

#### **(A) Budgetary Information**

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

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

#### **(B) Basis of Presentation**

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

#### **(C) Budget/GAAP Reconciliation**

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

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

# LOWNDES COUNTY, MISSISSIPPI

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2017

### (C) Budget/GAAP Reconciliation (Continued)

The following schedule reconciles the net change in fund balance on budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

	<u>General</u>	<u>Countywide Roads</u>
<b>Budget (cash basis)</b>	<b>\$ (1,271,088)</b>	<b>\$ (263,235)</b>
Increase (decrease):		
Net adjustment for revenue accruals	1,111,743	41,238
Net adjustment for expenditure accruals	(745,499)	1,191,695
Net adjustment for other financing sources and uses accruals	<u>367,282</u>	<u>-</u>
<b>GAAP Basis</b>	<b><u>\$ (537,562)</u></b>	<b><u>\$ 969,698</u></b>

### (D) Pension Schedules

Changes of assumptions:

- 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 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%.
- 2016
  - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- 2015
  - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
  - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.



**LOWNDES COUNTY, MISSISSIPPI**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2017**

**(D) Pension Schedules (Continued)**

- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Changes in benefit provisions:

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

**(E) Other Post-Employment Benefits**

The County does not have a special funding situation related to other post-employment benefits. No assets are accumulated in a trust, nor does the plan provide pay-related benefits.

## **OTHER INFORMATION**

**LOWNDES COUNTY, MISSISSIPPI**

**SCHEDULE OF SURETY BONDS FOR COUNTY OFFICIALS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(Unaudited)**

<u>Position</u>	<u>Company</u>	<u>Bond</u>
Supervisor District 1	Hopkins Insurance Company	\$ 100,000
Supervisor District 2	Hopkins Insurance Company	100,000
Supervisor District 3	Hopkins Insurance Company	100,000
Supervisor District 4	Hopkins Insurance Company	100,000
Supervisor District 5	Hopkins Insurance Company	100,000
County Administrator	Hopkins Insurance Company	100,000
Chief Financial Officer	Hopkins Insurance Company	100,000
Chancery Clerk	Hopkins Insurance Company	100,000
Deputy Chancery Clerks (each)	Hopkins Insurance Company	25,000
Purchase Clerk	Hopkins Insurance Company	75,000
Assistant Purchase Clerk	Hopkins Insurance Company	50,000
Receiving Clerk	Hopkins Insurance Company	75,000
Assistant Receiving Clerk	Hopkins Insurance Company	50,000
Inventory Control Clerk	Hopkins Insurance Company	75,000
Accounting Clerks (each)	Hopkins Insurance Company	25,000
Road Manager	Hopkins Insurance Company	50,000
Constables (each)	Hopkins Insurance Company	50,000
Circuit Clerk	Hopkins Insurance Company	100,000
Deputy Circuit Clerks (each)	Hopkins Insurance Company	100,000
Sheriff	Hopkins Insurance Company	100,000
Sheriff's Deputies (each)	Hopkins Insurance Company	50,000
Justice Court Judges (each)	Hopkins Insurance Company	50,000
Justice Court Clerk	Hopkins Insurance Company	50,000
Deputy Justice Court Clerks (each)	Hopkins Insurance Company	50,000
Tax Collector-Assessor	Hopkins Insurance Company	100,000
Deputy Tax Collectors (each)	Hopkins Insurance Company	50,000

## **SPECIAL REPORTS**





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## 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*

Members of the Board of Supervisors  
Lowndes County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lowndes County, Mississippi, as of and for the year ended September 30, 2017, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 12, 2018.

### Internal Control Over Financial Reporting

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

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

Members of the Board of Supervisors  
Lowndes County, Mississippi

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

### **Compliance and Other Matters**

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

### **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.

*J. E. Pott & Company*

Columbus, Mississippi  
October 12, 2018



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

Members of the Board of Supervisors  
Lowndes County, Mississippi

We have examined Lowndes County, Mississippi's ("the County") compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2017. The Board of Supervisors of the County 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.

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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 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 the County has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Lowndes County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2017.

Members of the Board of Supervisors  
Lowndes County, Mississippi

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 evaluation and, in our opinion, is fairly presented in relation to that examination.

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

*J. E. Sott & Company*

Columbus, Mississippi  
October 12, 2018



**LOWNDES COUNTY, MISSISSIPPI****Schedule 1****SCHEDULE OF PURCHASES NOT MADE FROM THE LOWEST BIDDER****SEPTEMBER 30, 2017**

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reasons for Accepting Other than the Lowest Bid</u>
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Our tests did not identify any purchases not made from the lowest bidder for fiscal year 2017.

**LOWNDES COUNTY, MISSISSIPPI****Schedule 2****SCHEDULE OF EMERGENCY PURCHASES****SEPTEMBER 30, 2017**

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reasons for Emergency Purchase</u>
5/30/2017	Medical services	\$ 623	North Atlantic Security	Emergency surgery on inmate

LOWNDES COUNTY, MISSISSIPPI

Schedule 3

**SCHEDULE OF PURCHASES MADE NONCOMPETITIVELY  
FROM A SOLE SOURCE**

**SEPTEMBER 30, 2017**

<u>Date</u>	<u>Items Purchased</u>	<u>Vendor</u>	<u>Amount</u>
11/21/2016	Software	Delta Computer Systems	\$ 5,250

**LIMITED INTERNAL CONTROL AND  
COMPLIANCE REVIEW MANAGEMENT REPORT**





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## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

### Members of the Board of Supervisors Lowndes County, Mississippi

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

In addition, for areas not considered material to Lowndes 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 October 12, 2018, on the financial statements of Lowndes County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the 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.

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.

*T. E. Lott & Company*

Columbus, Mississippi  
 October 12, 2018

**LOWNDES COUNTY, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SEPTEMBER 30, 2017**

**SECTION 1: SUMMARY OF AUDIT RESULTS**

**Financial Statements:**

1. Type of auditors' report issued:
  - a. Governmental activities Unmodified
  - b. Aggregate discretely presented component units Unmodified
  - c. General fund Unmodified
  - d. Countywide roads fund Unmodified
  - e. Aggregate remaining fund information Unmodified
2. Internal control over financial reporting:
  - a. Material weaknesses identified No
  - b. Significant deficiencies identified that are not considered to be material weaknesses None reported
3. Noncompliance material to the financial statements noted No

**SECTION 2: FINANCIAL STATEMENT FINDINGS**

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