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Lafayette County, Mississippi
Audited Financial Statements
and Special Reports
For the Year Ended
September 30, 2018

Fortenberry & Ballard, PC
Certified Public Accountants

Lafayette County, Mississippi
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Lafayette County Location in Mississippi



Lafayette County was formed in 1836 and was named for General Marquis de LaFayette, a French military hero and American General who fought during the American Revolutionary War. It has an area of 679.1 square miles and a population of 47,351 according to the 2010 census. It is located in the rolling hills of North Mississippi and it is home to Ole Miss and many other sites such as Oxford, Taylor and Abbeville, Faulkner's Rowan Oak and miles of scenic landscape.

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FINANCIAL REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Lafayette County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lafayette County, Mississippi (the County) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 business-type activities, each major fund, and the aggregate remaining fund information of Lafayette County, Mississippi, as of September 30, 2018, 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, the Budgetary Comparison Schedules, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of the County's Contributions and the 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.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019 on our consideration of Lafayette 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 solely to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lafayette 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 Lafayette County, Mississippi's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 9, 2019

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lafayette County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2018

INTRODUCTION

The following discussion and analysis of Lafayette County, Mississippi's financial performance provides an overview of the County's financial activities for the year ended September 30, 2018. The intent of this discussion and analysis is to look at the County's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the County's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2018 increased \$7,427,452 including a prior period adjustment of (\$3,274,203), which represents a 9% increase from 2017. Total net position for 2017 increased \$2,874,842, inclusive of a prior period adjustment of \$515,004, which represents a 4% increase from 2016.
- The County had \$38,245,326 in total revenues for 2018. Tax revenues account for \$20,075,621 or 52% of total revenues for 2018. Charges for services account for \$6,610,949 or 17% for 2018. The County had \$30,033,490 in total revenues for 2017. Tax revenues account for \$17,319,538 or 58% of total revenues for 2017. Charges for services account for \$7,404,034 or 25% for 2017.
- For 2018, the County had \$27,543,671 in total expenses. Expenses in the amount of \$14,563,194 were offset by charges for services, grants, or outside contributions. General revenues of \$23,682,132 were adequate to provide for the remainder of the expenses. For 2017, the County had \$27,673,652 in total expenses. Expenses in the amount of \$7,733,095 were offset by charges for services, grants, or outside contributions. General revenues of \$20,584,253 were adequate to provide for the remainder of the expenses.
- Among major funds, the General Fund had \$16,805,453 in revenues and \$14,260,520 in expenditures. The General Fund's fund balance increased \$104,279 over the prior year. For 2017, the General Fund had revenues of \$15,904,379, and expenditures in the amount of \$12,742,829. Its fund balance increased \$1,190,186 over the prior year.
- Among major funds, the Bridge and Culvert Fund had \$2,725,135 in revenues, and \$3,053,127 in expenditures. The Bridge and Culvert Fund's fund balance increased \$218,651 from 2017. In the prior year, the Bridge and Culvert Fund had \$2,440,553 in revenues, and \$2,858,821 in expenditures. The Bridge and Culvert Fund's fund balance increased \$241,454 over the prior year.
- Capital assets, net of accumulated depreciation, in the governmental activities increased by \$16,699,770 primarily due to additions to construction in progress, infrastructure, mobile equipment and furniture and equipment coupled with the accumulated depreciation. In 2017, capital assets, net of accumulated depreciation, in the governmental activities increased by \$2,780,820 primarily due to additions to

Lafayette County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2018

construction in progress, mobile equipment and furniture and equipment coupled with the accumulated depreciation.

- In the business-type activities, capital assets, net of accumulated depreciation, increased by \$504,903 mainly due to the additions of mobile equipment coupled with the accumulated depreciation. In 2017, capital assets, net of accumulated depreciation, decreased \$3,721 mainly due to the recording of depreciation expense coupled with fewer mobile equipment additions.
- Long-term debt decreased by \$1,244,818 in the governmental activities due to principal payments, and decreased \$14,107 in the business-type activities. In 2017, long-term debt increased by \$20,655,325 in the governmental activities and increased \$13,177 in the business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 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.

Figure 1 – Required Components of the County's Annual Report

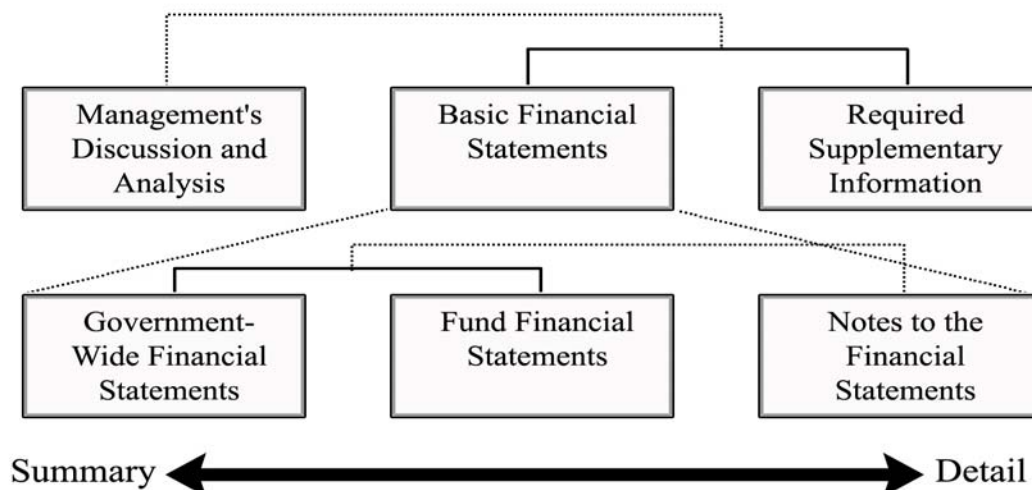


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

The next page summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and

Lafayette County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2018

content of each of the statements.

The next page also shows the Major Features of the County's Government-Wide and Fund Financial Statements.

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds)	All activities of the County that are not business-type or fiduciary in nature	All activities of the County that are business-type in nature	The County is the trustee or agent for someone else's resources
Required Financial Statements	* Statement of Net Position * Statement of Activities	* Balance Sheet * Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Cash Flows	* Statement of Fiduciary Assets and Liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset, deferred outflow of resources, liability and deferred inflow of resources information	All assets, deferred outflows of resources, liabilities, deferred inflow of resources both financial and capital and short and long term	Only assets expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included	All assets, deferred outflows of resources and liabilities, deferred inflows of resources both short and long term	All assets, liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when the cash is received or paid	N/A

Lafayette County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2018

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as "net position." Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the County that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government, public safety, public works, health and welfare, culture and recreation, conservation of natural resources, economic development and assistance, pension expense and interest on long-term debt. The business-type activities of the County include solid waste collection and pension expense.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds - Most of the County's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the County's near term financing requirements.

Lafayette County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2018

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may gain a better understanding of the long-term impact of the County's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. These funds are reported using the accrual basis of accounting. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and notes proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Lafayette County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2018

A net pension liability results in a liability on the government-wide financial statements but is not reported on governmental funds financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board. Additionally, the Schedule of the County's Proportionate Share of the Net Pension Liability and the Schedule of the County's Contributions are included in this Section.

Other Information

Although not a required part of the basic financial statements, the Schedule of Surety Bonds for County Officials is presented for purposes of additional analysis.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net position may serve over time as a useful indicator of the County's financial position. In the case of Lafayette County, total assets and total deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$92,144,534 as of September 30, 2018.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Lafayette County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2018

Table 1 A presents a summary of the County's net position for the governmental activities at September 30, 2018 and September 30, 2017.

Table 1 A
Condensed Statement of Net Position

	09/30/18	09/30/17	% Change
Assets:			
Current assets	\$ 79,148,291	84,722,077	-7%
Capital assets, net	79,647,232	62,947,462	27%
Total Assets	<u>158,795,523</u>	<u>147,669,539</u>	<u>8%</u>
Deferred outflows of resources	<u>2,305,802</u>	<u>3,858,036</u>	<u>-40%</u>
Liabilities:			
Current liabilities	4,675,436	2,776,693	68%
Long-term debt outstanding	25,854,960	27,099,778	-5%
Net pension liability	22,040,058	20,487,507	8%
Total Liabilities	<u>52,570,454</u>	<u>50,363,978</u>	<u>4%</u>
Deferred inflows of resources	<u>17,161,701</u>	<u>17,570,241</u>	<u>-2%</u>
Net Position:			
Net investment in capital assets	54,441,827	57,452,797	-5%
Restricted	41,304,606	28,693,228	44%
Unrestricted	(4,375,975)	(2,552,669)	-71%
Total Net Position	<u>\$ 91,370,458</u>	<u>83,593,356</u>	<u>9%</u>

The following are significant current year transactions in the governmental activities that had an impact on the Statement of Net Position.

- Addition to construction in progress in the amount of \$14,121,748 to capital assets.

Lafayette County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2018

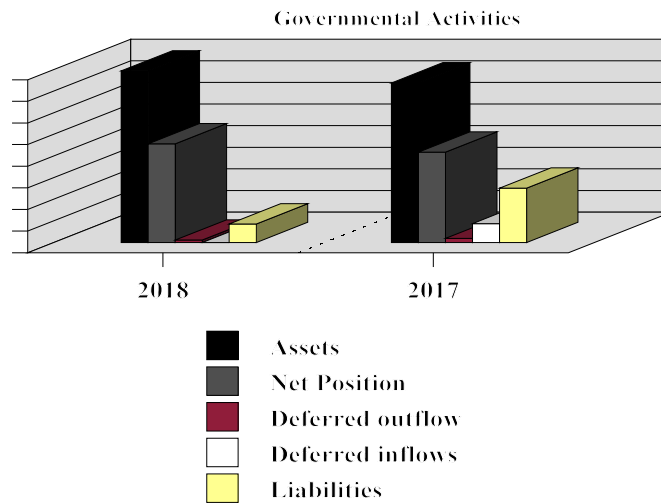


Table 1 B presents a summary of the County's net position for the business-type activities at September 30, 2018 and September 30, 2017.

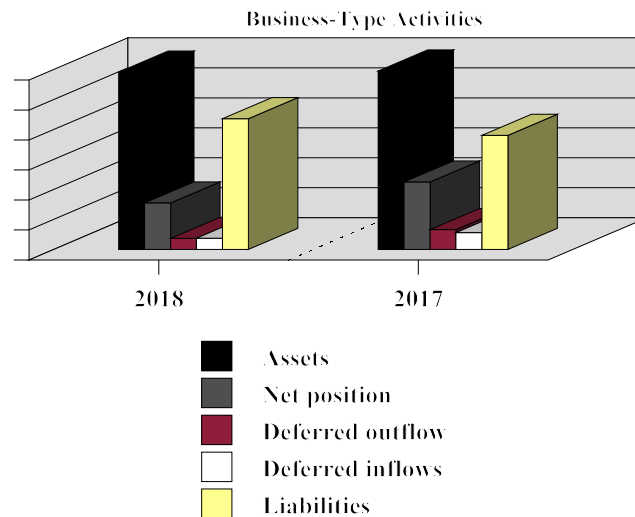
Table 1 B
Condensed Statement of Net Position

	09/30/18	09/30/17	% Change
Assets:			
Current assets	\$ 1,824,476	2,349,472	-22%
Capital assets, net	1,131,010	626,107	81%
Total Assets	<u>2,955,486</u>	<u>2,975,579</u>	-1%
Deferred outflows of resources	<u>184,631</u>	<u>330,003</u>	-44%
Liabilities:			
Current liabilities	193,650	67,131	188%
Long-term debt outstanding	68,066	82,173	-17%
Net pension liability	1,918,406	1,752,433	9%
Total Liabilities	<u>2,180,122</u>	<u>1,901,737</u>	15%
Deferred inflows of resources	<u>185,919</u>	<u>280,119</u>	-34%
Net Position:			
Net investment in capital assets	1,131,010	626,107	81%
Restricted		497,619	-100%
Unrestricted	(356,934)		N/A
Total Net Position	<u>\$ 774,076</u>	<u>1,123,726</u>	-31%

Lafayette County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2018

The following are significant current year transactions in the business-type activities that had an impact on the Statement of Net Position.

- Capital assets, net of accumulated depreciation, increased by \$504,903 primarily due to additions to mobile equipment coupled with the accumulated depreciation.



Additional information on unrestricted net position:

In connection with the application of standards on accounting and financial reporting for pensions, management presents the following additional information:

	Governmental Activities	Business-type Activities
Total unrestricted net position (deficit)	\$ (4,375,975)	(356,934)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	20,575,129	1,790,896
Unrestricted net position, exclusive of the net pension liability effect	\$ <u>16,199,154</u>	<u>1,433,962</u>

Lafayette County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2018

Changes in Net Position

Lafayette County's total revenues for the fiscal year ended September 30, 2018 were \$38,245,326 and \$30,033,490 for 2017. The total cost of all services provided was \$27,543,671 for 2018 and \$27,673,652 for 2017.

The following tables present a summary of the changes in net position for the governmental and business-type activities for the fiscal years ended September 30, 2018 and September 30, 2017.

Table 2 A
Changes in Net Position - Governmental Activities

	Fiscal Year Ended 09/30/18	Fiscal Year Ended 09/30/17	% Change
Revenues:			
Program revenues:			
Charges for services	\$ 4,838,808	5,687,892	-15%
Operating grants & contributions	1,551,017	1,444,060	7%
Capital grants & contributions	6,401,228	601,143	965%
General revenues:			
Taxes	20,075,621	17,319,538	16%
Grants and contributions	814,618	755,758	8%
Unrestricted interest income	1,623,311	1,390,162	17%
Other	755,034	760,242	-1%
Total Revenues	<u>36,059,637</u>	<u>27,958,795</u>	<u>29%</u>
Expenses:			
General government	7,506,995	5,335,637	41%
Public safety	9,060,052	7,077,445	28%
Public works	2,951,770	7,778,246	-62%
Health & welfare	314,124	357,138	-12%
Culture & recreation	353,882	316,023	12%
Conservation of natural resources	94,586	100,229	-6%
Economic development and assistance	407,737	130,327	213%
Interest on long-term debt	758,351	273,083	178%
Pension expense	3,496,903	3,498,048	0%
Total Expenses	<u>24,944,400</u>	<u>24,866,176</u>	<u>0%</u>
Transfers		(500,000)	100%
Change in Net Position	<u>\$ 11,115,237</u>	<u>2,592,619</u>	<u>329%</u>

Lafayette County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2018

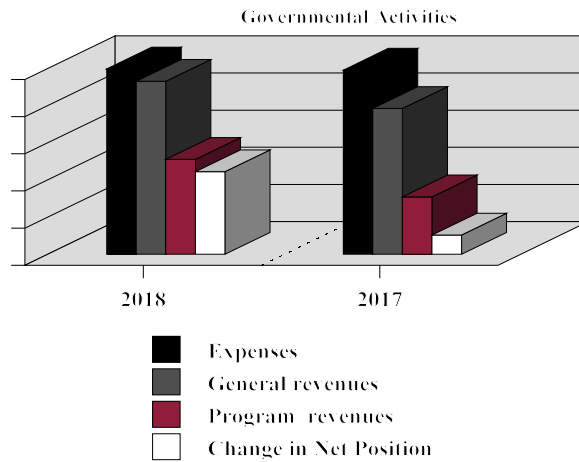
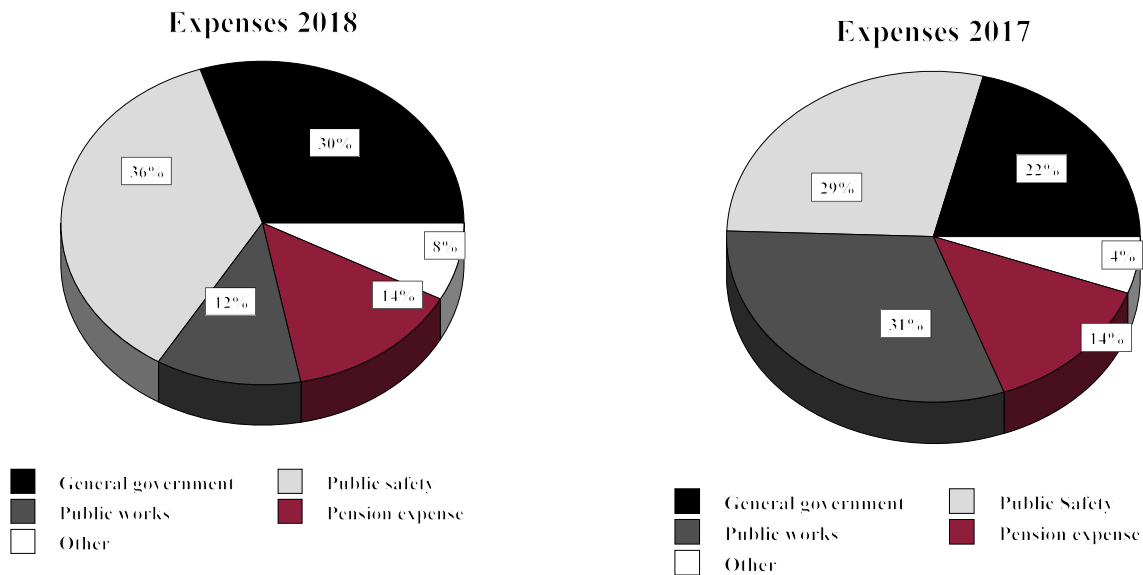


Table 2 B
Changes in Net Position - Business-Type Activities

	Fiscal Year Ended 09/30/18	Fiscal Year Ended 09/30/17	% Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,772,141	1,716,142	3%
General revenues:			
Grants and contributions	364,186	353,189	3%
Unrestricted interest income	11,369	3,701	207%
Other	37,993	1,663	2185%
Total Revenues	2,185,689	2,074,695	5%
Expenses:			
Solid waste collection	2,294,894	2,508,265	-9%
Pension expense	304,377	299,211	2%
Total Expenses	2,599,271	2,807,476	-7%
Transfers In		500,000	-100%
Change in Net Position	\$ (413,582)	(232,781)	-78%

Lafayette County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2018



Governmental Activities – The following table presents the cost of major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development and Assistance, Pension Expense and Interest on Long-Term Debt for the governmental activities. The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity). The net cost shows the financial burden that was placed on Lafayette County's taxpayers by each of these functions.

	2018 Total Cost	2018 Net Cost	2017 Total Cost	2017 Net Cost
<u>Governmental Activities:</u>				
General government	\$ 7,506,995	(4,793,957)	5,335,637	(1,638,409)
Public safety	9,060,052	(6,316,202)	7,077,445	(4,492,408)
Public works	2,951,770	4,290,686	7,778,246	(6,393,008)
Health and welfare	314,124	(222,415)	357,138	(291,546)
Culture and recreation	353,882	(353,882)	316,023	(316,023)
Conservation of natural resources	94,586	(94,586)	100,229	(100,229)
Economic development and assistance	407,737	(407,737)	130,327	(130,327)
Interest on long-term debt	758,351	(758,351)	273,083	(273,083)
Pension expense	3,496,903	(3,496,903)	3,498,048	(3,498,048)
Total Expenses	<u>\$ 24,944,400</u>	<u>(12,153,347)</u>	<u>24,866,176</u>	<u>(17,133,081)</u>

Lafayette County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2018

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

The financial performance of the County as a whole is reflected in its governmental funds. As the County completed the year, its governmental funds reported a combined fund balance of \$57,782,445, a decrease of \$8,030,211 from 2017. In 2017, the combined fund balance was \$65,812,656 an increase of \$23,242,907 from the prior year. The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$104,279.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Lafayette County revised its annual operating budget on several occasions. Budgeted revenues were changed as better estimates became available.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other special revenue major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Governmental Activities:

Capital Assets - As of September 30, 2018, Lafayette County's total capital assets were \$149,741,828. This includes land, construction in progress, infrastructure, buildings, improvements other than buildings, mobile equipment, and furniture and equipment. This amount represents an increase from the previous year of \$18,441,963. Total accumulated depreciation as of September 30, 2018 was \$70,094,596 including \$2,082,388 of depreciation expense for the year. The balance in total net capital assets was \$79,647,232 at year-end.

Lafayette County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2018

	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>Change</u>
Land	\$ 5,171,172	5,171,172	0%
Construction in progress	16,398,568	2,525,776	549%
Infrastructure	86,003,979	82,487,857	4%
Buildings	25,809,514	25,317,872	2%
Improvements other than buildings	2,665,858	2,665,858	0%
Mobile equipment	11,725,954	11,284,191	4%
Furniture and equipment	1,966,783	1,847,139	6%
Accumulated depreciation	(70,094,596)	(68,352,403)	3%
Total Capital Assets, net	\$ <u>79,647,232</u>	<u>62,947,462</u>	27%

Business-Type Activities:

Capital Assets

As of September 30, 2018, Lafayette County's total capital assets were \$2,311,625, including buildings, and mobile equipment. This amount represents an increase from the previous year of \$350,517. Total accumulated depreciation as of September 30, 2018 was \$1,180,615 including \$122,573 of depreciation expense for the year. The balance in total net capital assets was \$1,131,010 at year-end.

	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>Change</u>
Buildings	\$ 288,220	288,220	0%
Mobile equipment	2,023,405	1,672,888	21%
Accumulated depreciation	(1,180,615)	(1,335,001)	-12%
Total Capital Assets, net	\$ <u>1,131,010</u>	<u>626,107</u>	81%

Lafayette County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2018

Debt Administration

Governmental Activities:

At September 30, 2018, Lafayette County had \$25,854,960 in long-term debt outstanding.

	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>Change</u>
General obligation bonds	\$ 19,295,000	20,000,000	-4%
Premiums, net	949,382	1,002,125	-5%
Other loans	4,961,023	5,360,320	-7%
Compensated absences	649,555	737,333	-12%
Total Long-Term Debt	<u>\$ 25,854,960</u>	<u>27,099,778</u>	-5%

Business-Type Activities:

At September 30, 2018, Lafayette County had \$68,066 in long-term debt outstanding.

	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>Change</u>
Compensated absences	\$ <u>68,066</u>	<u>82,173</u>	-17%

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Lafayette County Administrator's office (room 222) at the Lafayette County Chancery Building, 300 N. Lamar Boulevard, P.O. Box 1240, Oxford, Mississippi 38655, or call 662-236-2717.

FINANCIAL STATEMENTS

LAFAYETTE COUNTY, MISSISSIPPI
Statement of Net Position
September 30, 2018

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 39,699,903	\$ 1,203,792	\$ 40,903,695
Cash with fiscal agent	136,251		136,251
Investments	21,503,309		21,503,309
Property tax receivable	16,319,540		16,319,540
Accounts receivable (net of allowance for uncollectibles of \$655,636)		280,987	280,987
Fines receivable (net of allowance for uncollectibles of \$842,071)	611,920		611,920
Capital lease receivable	30,000		30,000
Intergovernmental receivables	809,626	364,186	1,173,812
Other receivables	13,253		13,253
Internal balance	24,489	(24,489)	-
Capital assets:			
Land and construction in progress	21,569,740		21,569,740
Other capital assets, net of depreciation	58,077,492	1,131,010	59,208,502
Total Assets	<u>158,795,523</u>	<u>2,955,486</u>	<u>161,751,009</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	2,121,171	184,631	2,305,802
Total Deferred Outflows of Resources	<u>2,121,171</u>	<u>184,631</u>	<u>2,305,802</u>
LIABILITIES			
Claims payable	3,056,919	193,650	3,250,569
Intergovernmental payables	1,347,467		1,347,467
Accrued interest payable	271,050		271,050
Long-term liabilities			
Due within one year:			
Capital debt	1,139,638		1,139,638
Due in more than one year:			
Capital debt	24,065,767		24,065,767
Non-capital debt	649,555	68,066	717,621
Net pension liability	22,040,058	1,918,406	23,958,464
Total Liabilities	<u>52,570,454</u>	<u>2,180,122</u>	<u>54,750,576</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues - property taxes	16,319,540		16,319,540
Deferred revenues - user fee advance payments		128,798	128,798
Deferred inflows related to pension	656,242	57,121	713,363
Total Deferred Inflows of Resources	<u>16,975,782</u>	<u>185,919</u>	<u>17,161,701</u>
NET POSITION			
Net investment in capital assets	54,441,827	1,131,010	55,572,837
Restricted for:			
Nonexpendable:			
Permanent fund	21,639,560		21,639,560
Expendable:			
General government	7,171,172		7,171,172
Public safety	863,094		863,094
Public works	11,339,925		11,339,925
Health and welfare	5,763		5,763
Economic development and assistance	249,631		249,631
Unemployment compensation	35,461		35,461
Unrestricted	(4,375,975)	(356,934)	(4,732,909)
Total Net Position	<u>\$ 91,370,458</u>	<u>\$ 774,076</u>	<u>\$ 92,144,534</u>

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

LAFAYETTE COUNTY, MISSISSIPPI

Statement of Activities

For the Year Ended September 30, 2018

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 7,506,995	2,374,093	338,945		(4,793,957)		(4,793,957)
Public safety	9,060,052	2,464,715	279,135		(6,316,202)		(6,316,202)
Public works	2,951,770		841,228	6,401,228	4,290,686		4,290,686
Health and welfare	314,124		91,709		(222,415)		(222,415)
Culture and recreation	353,882				(353,882)		(353,882)
Conservation of natural resources	94,586				(94,586)		(94,586)
Economic development and assistance	407,737				(407,737)		(407,737)
Interest on long-term debt	758,351				(758,351)		(758,351)
Pension expense	3,496,903				(3,496,903)		(3,496,903)
Total Governmental Activities	<u>24,944,400</u>	<u>4,838,808</u>	<u>1,551,017</u>	<u>6,401,228</u>	<u>(12,153,347)</u>		<u>(12,153,347)</u>
Business-type activities:							
Solid waste collection	2,294,894	1,772,141				(522,753)	(522,753)
Pension expense	304,377					(304,377)	(304,377)
Total Business-type Activities	<u>2,599,271</u>	<u>1,772,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(827,130)</u>	<u>(827,130)</u>
Total Primary Government	<u>\$ 27,543,671</u>	<u>6,610,949</u>	<u>1,551,017</u>	<u>6,401,228</u>	<u>(12,153,347)</u>	<u>(827,130)</u>	<u>(12,980,477)</u>
General revenues:							
Property taxes					19,512,139		19,512,139
Road & bridge privilege taxes					563,482		563,482
Grants not restricted to specific programs					814,618	364,186	1,178,804
Unrestricted interest and investment income					1,623,311	11,369	1,634,680
Miscellaneous					755,034	37,993	793,027
Total General Revenues and Transfers					<u>23,268,584</u>	<u>413,548</u>	<u>23,682,132</u>
Change in Net Position					<u>11,115,237</u>	<u>(413,582)</u>	<u>10,701,655</u>
Net Position - Beginning, as previously reported					83,593,356	1,123,726	84,717,082
Prior period adjustments					(3,338,135)	63,932	(3,274,203)
Net Position - Beginning, as restated					<u>80,255,221</u>	<u>1,187,658</u>	<u>81,442,879</u>
Net Position - Ending					<u>\$ 91,370,458</u>	<u>774,076</u>	<u>92,144,534</u>

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

LAFAYETTE COUNTY, MISSISSIPPI

Balance Sheet - Governmental Funds

September 30, 2018

Exhibit 3

	Major Funds							Other	Total
	General Fund	Hospital Proceeds	Lafayette County Reserve/Trust	Countywide Road Maintenance	Bridge and Culvert Fund	West Oxford/Sisk Avenue	Facilities on CR 406	Governmental Funds	Governmental Funds
Assets:									
Cash	\$ 18,497,450	1,459,083		1,791,774	3,136,613	1,945,034	5,143,116	7,726,833	39,699,903
Investments			21,503,309						21,503,309
Cash with fiscal agent			136,251						136,251
Property tax receivable	10,061,384			1,974,588	2,323,826			1,959,742	16,319,540
Fines receivable, net allowance for uncollectible accounts of \$842,071	611,920								611,920
Capital lease receivable	30,000								30,000
Intergovernmental receivables	554,129			30,526				224,971	809,626
Other receivables	13,253								13,253
Due from other funds	24,489			70,311	25,154			40,420	160,374
Total Assets	<u>\$ 29,792,625</u>	<u>1,459,083</u>	<u>21,639,560</u>	<u>3,867,199</u>	<u>5,485,593</u>	<u>1,945,034</u>	<u>5,143,116</u>	<u>9,951,966</u>	<u>79,284,176</u>
Liabilities:									
Claims payable	\$ 1,250,042			320,451	124,975	29,840	979,596	352,015	3,056,919
Intergovernmental payables	1,331,333								1,331,333
Due to other funds	152,019								152,019
Total Liabilities	<u>2,733,394</u>	<u>-</u>	<u>-</u>	<u>320,451</u>	<u>124,975</u>	<u>29,840</u>	<u>979,596</u>	<u>352,015</u>	<u>4,540,271</u>
Deferred Inflows of Resources:									
Unavailable revenue - property taxes	10,061,384			1,974,588	2,323,826			1,959,742	16,319,540
Unavailable revenue - fines	30,000								30,000
Unavailable revenue - capital leases	611,920								611,920
Total Deferred Inflows of Resources	<u>10,703,304</u>	<u>-</u>	<u>-</u>	<u>1,974,588</u>	<u>2,323,826</u>	<u>-</u>	<u>-</u>	<u>1,959,742</u>	<u>16,961,460</u>
Fund Balances:									
Nonspendable									
Permanent fund principal			21,639,560						21,639,560
Restricted									
General government		1,459,083						5,712,089	7,171,172
Public safety								863,094	863,094
Public works				1,572,160	3,036,792	1,915,194	4,163,520	652,259	11,339,925
Health and welfare								5,763	5,763
Economic development and assistance								249,631	249,631
Debt service								121,912	121,912
Unemployment compensation								35,461	35,461
Unassigned	<u>16,355,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,355,927</u>
Total Fund Balances	<u>16,355,927</u>	<u>1,459,083</u>	<u>21,639,560</u>	<u>1,572,160</u>	<u>3,036,792</u>	<u>1,915,194</u>	<u>4,163,520</u>	<u>7,640,209</u>	<u>57,782,445</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 29,792,625</u>	<u>1,459,083</u>	<u>21,639,560</u>	<u>3,867,199</u>	<u>5,485,593</u>	<u>1,945,034</u>	<u>5,143,116</u>	<u>9,951,966</u>	<u>79,284,176</u>

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

LAFAYETTE COUNTY, MISSISSIPPI**Exhibit 3-1**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2018

Total fund balances for governmental funds	\$ 57,782,445
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	79,647,232
Fines receivable are not available to pay current period expenditures and therefore are not reported in the funds.	611,920
Deferred outflows of resources related to pension reported in governmental activities is not a financial resource and therefore is not reported in the funds.	2,121,171
Capital leases are not available to pay for current year expenditures and therefore, are deferred in the funds.	30,000
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(25,854,960)
Accrued interest payable is not due and payable in the current period and therefore, is not reported in the funds.	(271,050)
Deferred inflows of resources related to pension reported in governmental activities is not a financial resource and therefore is not reported in the funds.	(656,242)
Net pension liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(22,040,058)</u>
Net position of governmental activities	\$ <u><u>91,370,458</u></u>

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

LAFAYETTE COUNTY, MISSISSIPPI

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended September 30, 2018

Exhibit 4

	Major Funds							Other	
	General	Hospital	Lafayette	Countywide	Bridge and	West Oxford/	Facilities on	Governmental	Total
	Fund	Proceeds	County	Road	Culvert	Sisk Avenue	CR 406	Funds	
			Reserve/Trust	Maintenance	Fund				
REVENUES									
Property taxes	\$ 11,976,901			2,457,973	2,694,660			2,382,605	19,512,139
Road and bridge privilege taxes				563,482					563,482
Licenses, commissions, and other revenues	988,157					450,178	170,000	411,428	2,019,763
Fines and forfeitures	401,924							20,714	422,638
Intergovernmental revenues	744,268			906,737		3,364,643		3,751,215	8,766,863
Charges for services	1,853,655							542,752	2,396,407
Interest and investment income	288,011	699,447	425,972	14,351	30,357	22,771	75,409	66,993	1,623,311
Miscellaneous revenues	552,537			188,626	118			18,753	760,034
Total Revenues	16,805,453	699,447	425,972	4,131,169	2,725,135	3,837,592	245,409	7,194,460	36,064,637
EXPENDITURES									
Current:									
General government	5,811,492		10,500					1,787,871	7,609,863
Public safety	7,192,161							2,393,634	9,585,795
Public works				4,192,213	2,980,774	7,660,326	5,177,721	3,798,830	23,809,864
Health and welfare	272,950							41,174	314,124
Culture and recreation	353,882								353,882
Conservation of natural resources	94,586								94,586
Economic development and assistance	132,155							277,733	409,888
Debt service:									
Principal	258,859				70,175			775,263	1,104,297
Interest	144,435				2,178			665,936	812,549
Total Expenditures	14,260,520	-	10,500	4,192,213	3,053,127	7,660,326	5,177,721	9,740,441	44,094,848
Excess (Deficiency) of Revenues over (under) Expenditures	2,544,933	699,447	415,472	(61,044)	(327,992)	(3,822,734)	(4,932,312)	(2,545,981)	(8,030,211)
OTHER FINANCING SOURCES (USES)									
Transfers in				96,539	546,643	7,000,000	8,000,000	2,537,443	18,180,625
Transfers out	(2,440,654)	(96,539)						(15,643,432)	(18,180,625)
Total Other Financing Sources (Uses)	(2,440,654)	(96,539)	-	96,539	546,643	7,000,000	8,000,000	(13,105,989)	-
Net Change in Fund Balances	104,279	602,908	415,472	35,495	218,651	3,177,266	3,067,688	(15,651,970)	(8,030,211)
Fund Balances - Beginning	16,251,648	856,175	21,224,088	1,536,665	2,818,141	(1,262,072)	1,095,832	23,292,179	65,812,656
Fund Balances - Ending	\$ 16,355,927	1,459,083	21,639,560	1,572,160	3,036,792	1,915,194	4,163,520	7,640,209	57,782,445

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

LAFAYETTE COUNTY, MISSISSIPPI**Exhibit 4-1**

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2018

Net change in fund balances - total governmental funds \$ (8,030,211)

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

Governmental funds report capital outlay 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 \$22,221,775 exceeded depreciation expense of \$2,082,388. 20,139,387

In the statement of activities, only the gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (101,482)

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. (15,981)

Debt proceeds provide current financial resources to Governmental Funds, but issuing long-term 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 of debt repayments of \$1,104,297. 1,104,297

Some items reported in the statement of activities related to the implementation of GASB 68 are not reported as revenues/expenditures in the Governmental Funds. These activities include:
Recording pension expense for the current period (3,496,903)
Recording of contributions made during the current period 1,379,154

Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:
(Increase) / decrease in debt service premiums 52,743
(Increase) / decrease in capital lease receivable (5,000)
(Increase) / decrease in compensated absences 87,778
(Increase) / decrease in accrued interest payable 1,455

Change in net position of governmental activities \$ 11,115,237

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

LAFAYETTE COUNTY, MISSISSIPPI
Statement of Net Position - Proprietary Fund
September 30, 2018

Exhibit 5

	Business-type Activities Garbage Collection Fund
ASSETS	
Current assets:	
Cash	\$ 1,203,792
Accounts receivable (net allowance for doubtful accounts of \$655,636)	280,987
Intergovernmental receivables	364,186
Total Current Assets	<u>1,848,965</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	1,131,010
Total Noncurrent Assets	<u>1,131,010</u>
Total Assets	<u>2,979,975</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	279,072
Total Deferred Outflows of Resources	<u>279,072</u>
LIABILITIES	
Current liabilities:	
Claims payable	193,650
Due to other funds	24,489
Total Current Liabilities	<u>218,139</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	68,066
Pension liability, net	1,918,406
Total Noncurrent Liabilities	<u>1,986,472</u>
Total Liabilities	<u>2,204,611</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - advance payment on solid waste user fees	128,798
Deferred inflows related to pensions	151,562
Total Deferred Inflows of Resources	<u>280,360</u>
NET POSITION	
Net investment in capital assets	1,131,010
Unrestricted	(356,934)
Total Net Position	<u>\$ 774,076</u>

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

LAFAYETTE COUNTY, MISSISSIPPI**Exhibit 6**

Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended September 30, 2018

Business-type
ActivitiesGarbage
Collection

Fund

OPERATING REVENUES

Charges for services	\$ 1,772,141
Total Operating Revenues	<u>1,772,141</u>

OPERATING EXPENSES

Personal services	1,120,679
Contractual services	705,182
Materials and supplies	321,971
Depreciation expense	122,573
Indirect administrative cost	24,489
Pension expense	<u>304,377</u>
Total Operating Expenses	<u>2,599,271</u>

Operating Income (Loss)	<u>(827,130)</u>
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NON-OPERATING REVENUES (EXPENSES)

Intergovernmental revenues	364,186
Interest income	11,369
Miscellaneous	<u>37,993</u>
Total Nonoperating Revenues	<u>413,548</u>

Changes in Net Position	<u>(413,582)</u>
-------------------------	------------------

Net Position - Beginning, as previously reported	1,123,726
Prior period adjustment	<u>63,932</u>
Net Position - Beginning, as restated	<u>1,187,658</u>

Net Position - Ending	\$ <u><u>774,076</u></u>
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The notes to the financial statements are an integral part of this statement.

LAFAYETTE COUNTY, MISSISSIPPI
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2018

Exhibit 7

	Business-type Activities
	Garbage Collection
	Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,809,079
Payments to employees for services	(1,132,131)
Payments to suppliers for goods and services	(995,553)
Net Cash Provided by (Used for) Operating Activities	(318,605)
Cash Flows From Noncapital Financing Activities	
TVA in-lieu monies received	353,189
Miscellaneous revenues	13,701
Net Cash Provided by (Used for) Noncapital Financing Activities	366,890
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(563,544)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(563,544)
Cash Flows From Investing Activities	
Interest income	11,369
Net Cash Provided by (Used for) Investment Activities	11,369
Net Change in Cash and Cash Equivalents	(503,890)
Cash and Cash Equivalents - Beginning	1,707,682
Cash and Cash Equivalents - Ending	\$ 1,203,792
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating income (loss)	\$ (827,130)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	122,573
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) decrease in accounts receivable	31,906
(Increase) decrease in deferred outflows - pension	50,931
Increase (decrease) in claims payable	126,519
Increase (decrease) in compensated absences payable	(14,107)
Increase (decrease) in advance payments on solid waste user fees	5,032
Increase (decrease) in interfund payables	24,489
Increase (decrease) in net pension liability	165,973
Increase (decrease) in deferred inflows - pension	(4,791)
	508,525
Net Cash Provided by (Used for) Operating Activities	\$ (318,605)

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

LAFAYETTE COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2018

Exhibit 8

		Agency Funds
		<hr/>
ASSETS		
Cash	\$	303,435
Due from other funds		16,134
		<hr/>
		319,569
		<hr/> <hr/>
LIABILITIES		
Intergovernmental payables		319,569
Total Liabilities	\$	319,569
		<hr/> <hr/>

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

Lafayette County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2018

Lafayette County, Mississippi

Notes to the Financial Statements For the Year ended September 30, 2018

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

Lafayette County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Lafayette County, Mississippi to present these financial statements on the primary government and its component units which have a significant operational or financial relationship 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's legal entity and therefore are reported as part of the primary government financial statements.

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

B. Blended Component Units

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

The Lafayette County Public Improvement Corporation is comprised solely of the five members of the Lafayette County Board of Supervisors. Although created legally separate from the County under Section 31-8-3, Miss. Code Ann. (1972), the Corporation is reported as if it were part of the primary government because its sole purpose is to finance and construct County public facilities.

The Lafayette County Economic Development District is comprised solely of the five members of the Lafayette County Board of Supervisors. Although created legally separate from the County under Section 19-5-66, Miss. Code Ann. (1972), the District is reported as if it were part of the

Lafayette County, Mississippi

Notes to the Financial Statements For the Year ended September 30, 2018

primary government because its sole purpose is to enhance and develop the economic development resources of the County.

The Lafayette County Reserve and Trust Fund trustees are comprised solely of the five members of the Lafayette County Board of Supervisors. Although created legally separate from the County by Senate Bill No. 2945, the Trust is reported as if the Trust were part of the primary government because the sole purpose for the Trust is to invest the proceeds from the sale of the real and personal property related to the Baptist Memorial Hospital-North Mississippi.

C Basis of Presentation

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

Government-wide Financial Statements:

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

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

Lafayette County, Mississippi

Notes to the Financial Statements For the Year ended September 30, 2018

governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting

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

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

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

Lafayette County, Mississippi

Notes to the Financial Statements
For the Year ended September 30, 2018

the current fiscal period.

The County reports the following major Governmental Funds:

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

Hospital Proceeds - This fund is used to account for the proceeds that resulted from the sale of the Oxford-Lafayette Medical Center.

Lafayette County Reserve/Trust - This fund is used to account for the investments from the proceeds that resulted from the sale of the Oxford-Lafayette Medical Center.

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

Bridge and Culvert Fund - This fund is used to account for monies from specific revenue sources that are restricted for the construction and maintenance of bridges and culverts.

West Oxford/Sisk Avenue - This fund is used to account for project costs related to construction of West Oxford / Sisk Avenue infrastructure project.

Facilities on CR 406 - This fund is used to account for project costs related to construction of new county facilities.

The County reports the following major Enterprise Fund:

Garbage Collection Fund - This fund is used to account for the County's activities of disposal of solid waste within the County.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

Lafayette County, Mississippi

Notes to the Financial Statements For the Year ended September 30, 2018

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

Permanent Funds - These funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs.

PROPRIETARY FUND TYPES

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

FIDUCIARY FUND TYPES

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

E. Account Classifications

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

F. Deposits and Investments

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

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

Lafayette County, Mississippi

Notes to the Financial Statements For the Year ended September 30, 2018

G. Receivables

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

H. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

I. Capital Assets

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

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year’s

Lafayette County, Mississippi

Notes to the Financial Statements For the Year ended September 30, 2018

depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

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

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

J. Deferred Outflows/Inflows of Resources

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

Deferred outflows related to pension - This amounts represent the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 15 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 and so will not be recognized as an inflow of resources (revenue) until that time. The County has deferred inflows as follows:

Deferred revenues - 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.

Lafayette County, Mississippi

Notes to the Financial Statements For the Year ended September 30, 2018

Unavailable revenue - capital leases - 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.

Deferred revenue - user fee advance payments - When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Deferred inflows related to pension - This amounts represent the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 15 for additional details.

K. Pensions

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

L. Long-term Liabilities

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

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

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts 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 issuances are reported as other financing uses. Issuance costs, whether or not withheld from the

Lafayette County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2018

actual debt proceeds received, are reported as debt service expenditures.

M. Equity Classifications

Government-wide Financial Statements:

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

1. 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.
2. 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.
3. Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

Lafayette County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2018

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

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

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.

N. Property Tax Revenues

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

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

Lafayette County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2018

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.

O. 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 the expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

P. Compensated Absences

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

Q. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards board (GASB) in the current fiscal year as required: GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The provisions of this standard has been incorporated into the financial statements and notes. The County did not have any OPEB liability during the year.

Lafayette County, Mississippi

Notes to the Financial Statements
For the Year ended September 30, 2018

(2) Prior Period Adjustments

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

Exhibit 2 - Statement of Activities - Governmental Activities

Explanation	Amount
1. To correctly state capital assets at 10-01-17	\$ <u><u>(3,338,135)</u></u>

Exhibit 2 - Statement of Activities - Business-type Activities

Explanation	Amount
1. To correctly state capital assets at 10-01-17	\$ <u><u>63,932</u></u>

Exhibit 6 - Statement of Revenues, Expenses and Changes in Net position - Proprietary Fund

Explanation	Amount
1. To correctly state capital assets at 10-01-17	\$ <u><u>63,932</u></u>

(3) Deposits and Investments

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$41,207,130, and the bank balance was \$41,666,078. 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. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above the FDIC coverage are collateralized by

Lafayette County, Mississippi

Notes to the Financial Statements For the Year ended September 30, 2018

the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

Cash with Fiscal Agents:

The carrying amount of the County's total cash with fiscal agents at September 30, 2018, was \$136,251.

Investments:

As provided by Senate Bill Number 2945, the board of trustees shall invest the funds in any of the investments authorized for the Mississippi Prepaid Affordable College Tuition Program under Section 37-155-9; Mississippi Code of 1972, and those investments shall be subject to the limitations prescribed by Section 37-155-9. The maximum investments in stocks shall not exceed fifty percent (50%) of the book value of the total investment fund of the system.

Investment balances at September 30, 2018 are as follows:

Investment Type	Fair Value	Cost	Increase (Decrease)
Stock - 11% of Trust	\$ 2,290,324	2,299,150	(8,826)
Bonds - 18% of Trust	3,980,617	3,983,794	(3,177)
Mutual Funds - 54% of Trust	11,581,254	10,727,199	854,055
Exchange Trades Funds - 17% of Trust	3,651,114	3,529,100	122,014
Total	<u>\$ 21,503,309</u>	<u>20,539,243</u>	<u>964,066</u>

The investments are held in a custodian account with Fidelity Investments.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The County has the following recurring fair value measurements as of June 30, 2017:

- Level 1 type of investments of \$21,503,309 are valued using quoted market prices (Level 1 inputs)

Lafayette County, Mississippi

Notes to the Financial Statements

For the Year ended September 30, 2018

Interest Rate Risk - The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The County does not have a formal investment policy that would further limit its investments 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 investment, \$500,000 of securities, including a \$250,000 limit for cash held in a brokerage account is insured by the Securities Investor Protection Corporation (SICP). In addition, Fidelity provides its brokerage customers and additional \$1 billion dollar coverage with Lloyd's of London. How the \$1 billion would be allocated is unknown; therefore, \$500,000 is insured and an unknown portion of the \$21,003,309 is uninsured by Fidelity.

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2018:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise Fund	\$ 24,489
Countywide Road Maintenance	General Fund	70,311
Bridge and Culvert Fund	General Fund	25,154
Other Governmental Funds	General Fund	40,420
Fiduciary Funds	General Fund	16,134
Total		<u>\$ 176,508</u>

The receivable in the General Fund represent the calculated indirect costs for the fiscal year. The rest of the receivables represent the tax revenue collected in September 2018 but not settled until October 2018. All interfund balances are expected to be repaid within one year from the date of the financial statements.

Lafayette County, Mississippi

Notes to the Financial Statements
For the Year ended September 30, 2018

B. Transfers In/Out:

Transfers In	Transfers Out	Amount
Other Governmental Funds	General Fund	\$ 1,894,011
Countywide Road Maintenance	Hospital Proceeds	96,539
Bridge and Culvert Fund	General Fund	546,643
West Oxford/Sick Avenue	Other Governmental Funds	7,000,000
Facilities on CR 406	Other Governmental Funds	8,000,000
Other Governmental Funds	Other Governmental Funds	643,432
Total		<u>\$ 18,180,625</u>

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

(5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2018 consisted of the following:

Governmental Activities:

Description	Amount
City of Oxford	\$ 9,415
Bureau of Prisoners	5,282
Mississippi Department of Corrections	13,640
University of Mississippi (Using Deputies)	8,336
University of Mississippi	5,040
EMPG Grant	43,712
DHS	6,739
E911 Fee	42,278
Federal Flood Control	26,776
Equipment Sales	3,750
State of Mississippi - FEMA	182,693
United States Marshall Services	130,945
Legislative Tax Credit	331,020
	<u>\$ 809,626</u>

Lafayette County, Mississippi

Notes to the Financial Statements For the Year ended September 30, 2018

Business-Type Activities:

Description	Amount
TVA In-Lieu Payments	\$ 364,186

(6) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2018:

Governmental activities:

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments	Balance Sept. 30, 2018
Non-depreciable capital assets:					
Land	\$ 5,171,172				5,171,172
Construction in progress	2,525,776	14,121,748		(248,956)	16,398,568
Total non-depreciable capital assets	7,696,948	14,121,748	0	(248,956)	21,569,740
Depreciable capital assets:					
Infrastructure	82,487,857	6,240,883		(2,724,761)	86,003,979
Buildings	25,317,872	906,941		(415,299)	25,809,514
Improvements other than buildings	2,665,858				2,665,858
Mobile equipment	11,284,191	869,994	530,199	101,968	11,725,954
Furniture and equipment	1,847,139	82,209	57,061	94,496	1,966,783
Total depreciable capital assets	123,602,917	8,100,027	587,260	(2,943,596)	128,172,088
Less accumulated depreciation for:					
Infrastructure	46,821,122	700,339		(50,654)	47,470,807
Buildings	10,090,877	460,803		(1)	10,551,679
Improvements other than buildings	1,772,873	56,702			1,829,575
Mobile equipment	8,121,981	704,207	429,288	172,904	8,569,804
Furniture and equipment	1,545,550	160,337	56,490	23,334	1,672,731
Total accumulated depreciation	68,352,403	2,082,388	485,778	145,583	70,094,596
Total depreciable capital assets, net	55,250,514	6,017,639	101,482	(3,089,179)	58,077,492
Governmental activities capital assets, net	\$ 62,947,462	20,139,387	101,482	(3,338,135)	79,647,232

Adjustments were made to correctly present capital assets.

Lafayette County, Mississippi

Notes to the Financial Statements For the Year ended September 30, 2018

Business-type activities:

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments	Balance Sept. 30, 2018
Depreciable capital assets:					
Buildings	\$ 288,220				288,220
Mobile equipment	1,672,888	575,996	124,517	(100,962)	2,023,405
Total depreciable capital assets	1,961,108	575,996	124,517	(100,962)	2,311,625
Less accumulated depreciation for:					
Buildings	17,293	5,764			23,057
Mobile equipment	1,317,708	116,809	112,065	(164,894)	1,157,558
Total accumulated depreciation	1,335,001	122,573	112,065	(164,894)	1,180,615
Total depreciable capital assets, net	626,107	453,423	12,452	63,932	1,131,010
Business-type activities capital assets, net	\$ 626,107	453,423	12,452	63,932	1,131,010

Adjustments were made to correctly present capital assets.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 538,561
Public safety	378,004
Public works	1,165,823
Total depreciation expense	\$ 2,082,388
Business-Type Activities:	
Garbage collection	\$ 122,573

Commitments with respect to unfinished capital projects at September 30, 2018 consisted of ongoing county and state aid road projects.

(7) Claims and Judgments

Risk Financing

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers'

Lafayette County, Mississippi

Notes to the Financial Statements

For the Year ended September 30, 2018

compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2018 to January 1, 2019. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases

As Lessor:

The County leases the following property (Olin Industrial Building) with varying terms and options as of September 30, 2018:

Classes of Property	Amount
Land	\$ 233,115
Buildings	476,549
Total	<u>\$ 709,664</u>

The future minimum lease receivables and the present value of the net minimum lease receivable as of September 30, 2018, are as follows:

Year Ending September 30,	Amount
2019	\$ 5,000
2020	5,000
2021	5,000
2022	5,000
2023	5,000
2024	5,000
Total	<u>\$ 30,000</u>

Lafayette County, Mississippi

Notes to the Financial Statements
For the Year ended September 30, 2018

(9) Long-Term Debt

Debt outstanding as of September 30, 2018, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
General obligation bonds, Series 2017	\$ <u>19,295,000</u>	3.00%	06/2037
B. Other Loans:			
MDA Cap Loan	\$ 4,555,641	3.00%	01/2032
Fire Station #2 Construction Loan	300,443	2.50%	01/2026
MSWIN Radios Loan	33,684	1.64%	03/2019
Road Equipment (4 pieces)	<u>71,255</u>	1.54%	04/2019
Total Other Loans	\$ <u>4,961,023</u>		

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

Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2019	\$ 730,000	674,194	\$ 409,638	145,495
2020	760,000	652,294	313,659	134,887
2021	785,000	629,494	322,913	125,630
2022	810,000	598,094	332,429	116,117
2023	840,000	565,094	342,221	106,322
2024 - 2028	4,665,000	2,300,270	1,741,078	378,663
2029 - 2033	5,535,000	1,333,620	1,499,085	114,093
2034 - 2037	5,170,000	406,827		
Total	\$ <u>19,295,000</u>	<u>7,159,887</u>	\$ <u>4,961,023</u>	<u>1,121,207</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is

Lafayette County, Mississippi

Notes to the Financial Statements For the Year ended September 30, 2018

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, 2018, the amount of outstanding debt was equal of 2.84% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2018:

	Balance Oct. 1, 2017	Additions	Reductions	Balance Sept. 30, 2018	Amount due within one year
<u>Governmental Activities:</u>					
General obligation bonds	\$ 20,000,000		705,000	19,295,000	730,000
Premium, net	1,002,125		52,743	949,382	
Other loans	5,360,320		399,297	4,961,023	409,638
Compensated absences	737,333		87,778	649,555	
Total	\$ <u>27,099,778</u>	<u>0</u>	<u>1,244,818</u>	<u>25,854,960</u>	<u>1,139,638</u>

	Balance Oct. 1, 2017	Reductions	Balance Sept. 30, 2018
<u>Business-Type Activities:</u>			
Compensated absences	\$ <u>82,173</u>	<u>14,107</u>	<u>68,066</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid which are the General Fund, the Countywide Road Maintenance Fund, the Bridge and Culvert Fund, the Fire Department Fund, the Enhanced 911 Fund and the Garbage Collection Fund.

(10) Contingencies

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

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

Lafayette County, Mississippi

Notes to the Financial Statements

For the Year ended September 30, 2018

Solid Waste Revenue Refunding Bonds - In 2012, solid waste revenue refunding bonds were issued by the Three Rivers Solid Waste Management Authority (the Authority) for \$4,235,000. As part of a solid waste disposal service agreement between Lafayette County and the Authority, the County has agreed to pay its pro-rate share of any obligations of the Authority in the event that fees generated from solid waste disposal services for all counties included in the Authority do not sufficiently cover the debt requirement. The balance of the revenue refunding bonds at September 30, 2018 was \$1,865,000. Lafayette County is responsible for 8.81% of the bond issue or \$164,307.

(11) Joint Ventures

The County participates in the following joint ventures:

Lafayette County is a participant with the City of Oxford in a joint venture, authorized by Section 19-5-99, Miss. Code Ann. (1972), to operate the Lafayette-Oxford Development Association. The joint venture was created to foster, encourage and facilitate economic development in the County and is governed by a twenty-member board. One member each is appointed by the Lafayette County Board of Supervisors, the City of Oxford, the University of Mississippi, Chamber of Commerce and the business community. By contractual agreement, the County's appropriation from the General Fund this year to the joint venture amounted to \$157,000. Complete financial statements for the Lafayette-Oxford Development Association can be obtained from 299 Jackson Avenue, Oxford, MS 38655.

Lafayette County is a participant with DeSoto, Panola, Tate and Tunica counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the First Regional Library. The joint venture was created to provide free library service to the citizens of the respective counties. First Regional Library is governed by a five-member board. Each participating County's Board of Supervisors appoints one member. The County appropriated \$401,648 this year to the joint venture. Complete financial statements for the First Regional Library can be obtained from the main office in Hernando or the Chancery Clerk's Office in DeSoto County.

(12) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

Northwest Mississippi Community College operates in a district composed of the counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Lafayette County Board of Supervisors appoints two of the twenty three members of the College Board of Trustees. The County appropriated \$1,639,054 for the maintenance and support of the College in fiscal year 2018.

Lafayette County, Mississippi

Notes to the Financial Statements

For the Year ended September 30, 2018

Communicare operates in a district composed of the counties of Calhoun, DeSoto, Lafayette, Marshall, Panola, Tate and Yalobusha. The Lafayette County Board of Supervisors appoints one of the seven members of the board of commissioners. The County appropriated \$84,000 for the maintenance and support of Communicare for the fiscal year 2018.

Three Rivers Planning and Development District (the District) operates in a district comprised of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Lafayette County Board of Supervisors appoints five of the forty members of the board of directors. The County appropriated \$127,155 for support of the District in fiscal year 2018.

Three Rivers Solid Waste Management Authority operates in a district comprised of the counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union and the cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The Lafayette County Board of Supervisors appoints one of the fourteen members of the Board of Directors. Each governmental entity is billed based on solid waste volume collected.

Northeast Mississippi Emergency Medical Services serves the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Lafayette County Board of Supervisors appoints four of the thirty six members of the Board of Directors. The County appropriated \$2,000 for the support in fiscal year 2018.

(13) Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. LaFayette County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

Lafayette County, Mississippi

Notes to the Financial Statements For the Year ended September 30, 2018

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, 2018, 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, 2018 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, 2018, 2017 and 2016 were \$1,471,416, \$1,377,476 and \$1,273,972, respectively, equal to the required contributions for each year.

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

At September 30, 2018, the County reported a liability of \$23,958,464 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2018 net pension liability was 0.144042 percent, which was based on a measurement date of June 30, 2018. This was an increase of 0.010255 percent from its proportionate share used to calculate the September 30, 2017 net pension liability, which was based on a measurement date of June 30, 2017.

Lafayette County, Mississippi

Notes to the Financial Statements For the Year ended September 30, 2018

For the year ended September 30, 2017, the County recognized pension expense of \$3,496,903 in the governmental activities and \$304,377 in the business-type activities for a total pension expense of \$3,801,280. At September 30, 2018 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,879	\$ 161,233
Net difference between projected and actual earnings on pension plan investments		540,466
Change of assumptions	13,128	11,664
Changes in proportion and differences between County contributions and proportionate share of contributions	1,897,851	
County contributions subsequent to the measurement date	371,944	
Total	\$ 2,305,802	\$ 713,363

\$371,944 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, 2019. 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:

2019	\$ 1,032,256
2020	436,988
2021	(141,006)
2022	(107,743)
Total	\$ 1,220,495

Actuarial Assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Lafayette County, Mississippi

Notes to the Financial Statements For the Year ended September 30, 2018

Inflation	3.0 percent
Salary increases	3.25 - 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2018 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.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27%	4.60%
International Equity	18%	4.50%
Emerging Markets Equity	4%	4.75%
Global	12%	4.75%
Fixed Income	18%	0.75%
Real Estate	10%	3.50%
Private Equity	8%	5.10%
Emerging Debt	2%	2.25%
Cash	1%	0.00%
Total	100%	

Lafayette County, Mississippi

Notes to the Financial Statements
For the Year ended September 30, 2018

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 32,990,985	\$ 23,958,464	\$ 19,704,817

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

(14) Tax Abatements

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

The Lafayette County Board of Supervisors negotiates property tax abatements on an individual basis. Four abatements are for ten years and nine are for five years. The County had tax abatement agreements with eleven entities as of September 30, 2018.

The County had two types of abatements. The payments in lieu of taxes is the only type of abatement that provides for the abatement of school tax levies. None of the types of tax abatements provide for the abatement of state taxes:

Lafayette County, Mississippi

Notes to the Financial Statements
For the Year ended September 30, 2018

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

All allowable property tax levies

All allowable property tax levies except for countywide road fund tax levy

There is one company that has tax abatements under this statute.

<u>Category</u>	<u>% of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Economic development projects	49.42%	\$ 281,718

The companies were not required to comply with any special provisions in order to receive the abatements and the County made no commitments as part of the agreements other than to reduce taxes.

(15) Effect of Deferred Amounts on Net Position

The government-wide unrestricted net position amount of (\$4,732,909) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$371,944 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, 2019. The \$1,933,858 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next 3 years. The \$713,363 balance of the deferred inflow of resources related to pension at September 30, 2018, will be recognized as a reduction in pension expense over the next 4 years.

(16) State Compliance Testing

The Mississippi Office of the State Auditor (OSA) has elected to perform limited procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the County's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>. OSA's report will include a Purchasing Report and Limited Compliance Review Report.

(17) Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of

Lafayette County, Mississippi

Notes to the Financial Statements For the Year ended September 30, 2018

Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Lafayette County evaluated the activity of the County, through the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LAFAYETTE COUNTY, MISSISSIPPI

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

General Fund

For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
REVENUES				
Property taxes	\$ 11,306,636	11,439,192	12,102,777	663,585
Licenses, commissions and other revenue	862,500	1,045,138	1,045,139	1
Fines and forfeitures	477,000	424,633	424,634	1
Intergovernmental revenues	610,350	679,681	679,681	-
Charges for services	1,465,000	1,831,410	1,831,410	-
Interest income	100,000	293,257	293,257	-
Miscellaneous revenues	544,838	528,530	528,528	(2)
Total Revenues	<u>15,366,324</u>	<u>16,241,841</u>	<u>16,905,426</u>	<u>663,585</u>
EXPENDITURES				
Current:				
General government	6,696,024	5,350,403	5,350,394	9
Public safety	7,290,647	6,727,813	6,727,816	(3)
Health and welfare	311,679	298,554	298,555	(1)
Culture and recreation	383,800	358,619	358,619	-
Conservation of natural resources	102,579	91,798	91,799	(1)
Economic development and assistance	132,155	132,155	132,155	-
Debt service:				
Principal	258,860	258,859	258,859	-
Interest	144,436	144,435	144,435	-
Total Expenditures	<u>15,320,180</u>	<u>13,362,636</u>	<u>13,362,632</u>	<u>4</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>46,144</u>	<u>2,879,205</u>	<u>3,542,794</u>	<u>663,589</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	705,291	-	590,044	590,044
Transfers out	(2,147,289)	(2,440,654)	(3,030,698)	(590,044)
Total Other Financing Sources and Uses	<u>(1,441,998)</u>	<u>(2,440,654)</u>	<u>(2,440,654)</u>	<u>-</u>
Net Change in Fund Balance	<u>(1,395,854)</u>	<u>438,551</u>	<u>1,102,140</u>	<u>663,589</u>
Fund Balances - Beginning	<u>13,106,933</u>	<u>12,545,183</u>	<u>16,178,177</u>	<u>3,632,994</u>
Fund Balances - Ending	<u>\$ 11,711,079</u>	<u>12,983,734</u>	<u>17,280,317</u>	<u>4,296,583</u>

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

LAFAYETTE COUNTY, MISSISSIPPI

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

Hospital Proceeds Fund

For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
REVENUES				
Interest income	\$ -	709,947	709,947	-
Total Revenues	-	709,947	709,947	-
EXPENDITURES				
Current:				
General government	12,000	10,500	10,500	-
Total Expenditures	12,000	10,500	10,500	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,000)	699,447	699,447	-
OTHER FINANCING SOURCES (USES)				
Transfers in	700,000	-	96,539	96,539
Transfers out	(565,000)	(96,539)	-	96,539
Total Other Financing Sources and Uses	135,000	(96,539)	96,539	193,078
Net Change in Fund Balance	123,000	602,908	795,986	193,078
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	\$ 123,000	602,908	795,986	193,078

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

LAFAYETTE COUNTY, MISSISSIPPI

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

Countywide Road Maintenance Fund

For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
REVENUES				
Property taxes	\$ 2,237,169	2,458,420	2,458,420	-
Road and bridge privilege taxes	480,000	586,621	586,621	-
Intergovernmental revenues	755,000	879,962	879,962	-
Interest income	1,000	14,351	14,351	-
Miscellaneous revenues	145,000	184,873	184,873	-
Total Revenues	<u>3,618,169</u>	<u>4,124,227</u>	<u>4,124,227</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	3,579,477	3,965,161	3,965,161	-
Total Expenditures	<u>3,579,477</u>	<u>3,965,161</u>	<u>3,965,161</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>38,692</u>	<u>159,066</u>	<u>159,066</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	96,539	96,539	-
Total Other Financing Sources and Uses	<u>-</u>	<u>96,539</u>	<u>96,539</u>	<u>-</u>
Net Change in Fund Balance	<u>38,692</u>	<u>255,605</u>	<u>255,605</u>	<u>-</u>
Fund Balances - Beginning	<u>1,891,664</u>	<u>1,891,664</u>	<u>1,536,169</u>	<u>(355,495)</u>
Fund Balances - Ending	<u>\$ 1,930,356</u>	<u>2,147,269</u>	<u>1,791,774</u>	<u>(355,495)</u>

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

LAFAYETTE COUNTY, MISSISSIPPI

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

Bridge and Culvert Fund

For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
REVENUES				
Property taxes	\$ 2,564,367	2,717,134	2,717,134	-
Interest income	1,000	30,357	30,357	-
Miscellaneous revenues	-	117	118	1
Total Revenues	<u>2,565,367</u>	<u>2,747,608</u>	<u>2,747,609</u>	<u>1</u>
EXPENDITURES				
Current:				
Public works	3,157,736	2,904,264	2,904,264	-
Debt service:				
Principal	70,175	70,175	70,175	-
Interest	2,178	2,178	2,178	-
Total Expenditures	<u>3,230,089</u>	<u>2,976,617</u>	<u>2,976,617</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(664,722)</u>	<u>(229,009)</u>	<u>(229,008)</u>	<u>1</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	840,000	546,643	546,643	-
Total Other Financing Sources and Uses	<u>840,000</u>	<u>546,643</u>	<u>546,643</u>	<u>-</u>
Net Change in Fund Balance	<u>175,278</u>	<u>317,634</u>	<u>317,635</u>	<u>1</u>
Fund Balances - Beginning	<u>1,888,682</u>	<u>1,888,682</u>	<u>2,818,978</u>	<u>930,296</u>
Fund Balances - Ending	<u>\$ 2,063,960</u>	<u>2,206,316</u>	<u>3,136,613</u>	<u>930,297</u>

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

LAFAYETTE COUNTY, MISSISSIPPI

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

Last 10 Fiscal Years*

For the Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.144042%	0.133787%	0.126966%	0.125327%	0.121016%
County's proportionate share of the net pension liability (asset)	\$ 23,958,464	22,239,940	22,679,298	19,373,083	14,689,127
County's covered payroll	\$ 10,085,048	8,582,533	8,122,343	7,829,708	7,391,308
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	237.56%	259.13%	279.22%	247.43%	198.74%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	61.49%	57.47%	61.70%	67.21%

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 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.

LAFAYETTE COUNTY, MISSISSIPPI
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,471,416	1,377,476	1,273,972	1,244,311	1,181,341
Contributions in relation to the contractually required contribution	<u>1,471,416</u>	<u>1,377,476</u>	<u>1,273,972</u>	<u>1,244,311</u>	<u>1,181,341</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 9,342,324	8,745,880	8,088,711	7,900,387	7,500,578
Contributions as a percentage of covered payroll	15.75%	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.

Lafayette County, Mississippi

Notes to the Required Supplementary Information For the year ended September 30, 2018

1) Budgetary Schedules

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).

Lafayette County, Mississippi

Notes to the Required Supplementary Information For the Year Ended September 30, 2018

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

	<u>Governmental Funds</u>			
	General Fund	Hospital Proceeds	County Wide Road Maintenance	Bridge and Culvert
Budget (Cash Basis)	\$ 1,102,140	795,986	255,605	317,635
Increase (Decrease)				
Net adjustments for revenue accruals	255,697	(295,807)	6,942	(22,474)
Net adjustments for expenditure accruals	<u>(1,253,558)</u>	<u>102,729</u>	<u>(227,052)</u>	<u>(76,510)</u>
GAAP Basis	<u>\$ 104,279</u>	<u>602,908</u>	<u>35,495</u>	<u>218,651</u>

2) Pension Schedules

A. Changes of assumptions

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

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

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

Lafayette County, Mississippi

Notes to the Required Supplementary Information For the Year Ended September 30, 2018

2016

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

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022 rather than projected with Scale BB to 2016, which was used prior to 2017. 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%.

(B) Change in Benefit Provisions.

2016

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

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OTHER INFORMATION

LAFAYETTE COUNTY, MISSISSIPPI
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2018
"Unaudited"

Name	Position	Company	Bond
Mike Pickens	Supervisor District 1	Western Surety	\$100,000
Kevin Frye	Supervisor District 1	Western Surety	\$100,000
Jeff Busby	Supervisor District 2	Western Surety	\$100,000
Robert Blackmon	Supervisor District 3	EMC Insurance	\$100,000
David Richard	Supervisor District 3	Western Surety	\$100,000
Chad McLarty	Supervisor District 4	Western Surety	\$100,000
Mike Roberts	Supervisor District 5	Western Surety	\$100,000
Lisa Carwyle	County Administrator	Western Surety	\$100,000
Sherry Wall	Chancery Clerk	Western Surety	\$100,000
Annie M. Baker	Deputy Clerk	Western Surety	\$50,000
Gloria Ann Nicks	Deputy Clerk	Western Surety	\$50,000
Meri Jo Hardin	Deputy Clerk	Western Surety	\$50,000
Kerri Coleman	Deputy Clerk	Western Surety	\$50,000
Lisa Carwyle	Purchase Clerk	Western Surety	\$75,000
Lisa Carwyle	Inventory Control Clerk	Western Surety	\$100,000
Stacie VanLandingham	Receiving Clerk	FCCI	\$75,000
Jamie Rose	Assistant Receiving Clerk	FCCI	\$50,000
Judy Ballard	Assistant Receiving Clerk	Western Surety	\$50,000
Roberta Burns	Assistant Receiving Clerk	Western Surety	\$50,000
Mary Catherine Conner	Assistant Receiving Clerk	Western Surety	\$50,000
Lesley Depreist	Assistant Receiving Clerk	Western Surety	\$50,000
Fonda Kannada	Assistant Receiving Clerk	Western Surety	\$50,000
Mary Pettis	Assistant Receiving Clerk	Western Surety	\$50,000
Carrie Traylor	Assistant Receiving Clerk	Western Surety	\$50,000
Joel Hollowell	Building inspector	Western Surety	\$100,000
Jerry Haynie	Road Manager	Western Surety	\$50,000
Jack Edward Theobald	Constable	Western Surety	\$50,000
Jody Mayfield	Constable	Western Surety	\$50,000
Greg Pettis	Constable	Western Surety	\$50,000
Baretta Mosley	Circuit Clerk	Western Surety	\$100,000
Katreena Thompson	Deputy Circuit Clerk	Western Surety	\$50,000
Lasonja Pettis	Deputy Circuit Clerk	Western Surety	\$50,000
Barbara Dunn	Deputy Circuit Clerk	Western Surety	\$100,000
Alice Adams	Deputy Circuit Clerk	Western Surety	\$50,000
Nina Rikard	Deputy Circuit Clerk	Western Surety	\$50,000
F.D. "Buddy" East	Sheriff	RLI Insurance	\$100,000
Charles Edward Smith	Deputy Sheriff*	Western Surety	\$50,000
John Earl Dukes, Jr.	Deputy Sheriff*	Western Surety	\$50,000
Jack Edward Theobald	Deputy Sheriff*	Western Surety	\$50,000
Jody Mayfield	Deputy Sheriff*	Western Surety	\$50,000
Timmy Pruitt	Deputy Sheriff*	Western Surety	\$50,000
Caleb East	Deputy Sheriff*	Western Surety	\$50,000
Micah East	Deputy Sheriff*	Western Surety	\$50,000
Omar Ahmed	Deputy Sheriff*	Western Surety	\$50,000
Darren Allen Roberts	Deputy Sheriff*	Western Surety	\$50,000
Art Watts	Deputy Sheriff*	Western Surety	\$50,000
Nathan Noe	Deputy Sheriff*	Western Surety	\$50,000
Willie Holloway Tidwell, III	Deputy Sheriff*	Western Surety	\$50,000
James Kimmons Gray	Deputy Sheriff*	Western Surety	\$50,000
Michael Darrick Bevill	Deputy Sheriff*	Western Surety	\$50,000
Jonathan Granthom	Deputy Sheriff*	Western Surety	\$50,000
Joey Carwile	Deputy Sheriff*	Western Surety	\$50,000
Tyler Wren	Deputy Sheriff*	Western Surety	\$50,000
Brandon Vance	Deputy Sheriff*	Western Surety	\$50,000
Alan Wilburn	Deputy Sheriff*	Western Surety	\$50,000
Joseph Quarles	Deputy Sheriff*	Western Surety	\$50,000
Jeffrey South	Deputy Sheriff*	Western Surety	\$50,000
Wendell McNeece	Deputy Sheriff*	Western Surety	\$50,000

LAFAYETTE COUNTY, MISSISSIPPI
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2018
"Unaudited"

Name	Position	Company	Bond
Chequille Wilson	Deputy Sheriff*	Western Surety	\$50,000
David Wilson	Deputy Sheriff*	Western Surety	\$50,000
Christopher Gwen Smith	Deputy Sheriff*	Western Surety	\$50,000
Scott Mills	Deputy Sheriff*	Western Surety	\$50,000
David Hoyt Box	Deputy Sheriff*	RLI Insurance	\$50,000
Randall K. Davis	Deputy Sheriff*	RLI Insurance	\$50,000
Benjamin Watts	Deputy Sheriff*	RLI Insurance	\$50,000
David Clay Cullison	Deputy Sheriff*	RLI Insurance	\$50,000
Justin Parker Canterbury	Deputy Sheriff*	Travelers	\$50,000
Courtney Terrell Dixon	Deputy Sheriff*	Travelers	\$50,000
William Bradley McDonald	Deputy Sheriff*	Travelers	\$50,000
Hoby James	Deputy Sheriff*	Travelers	\$50,000
Arthur Lee Durham	Deputy Sheriff*	Travelers	\$50,000
Justin L. Wilson	Deputy Sheriff*	Travelers	\$50,000
Rowland Carrothers	Deputy Sheriff*	Travelers	\$50,000
John E. Prince, III	Deputy Sheriff*	Western Surety	\$50,000
George Alan Castle	Deputy Sheriff*	Western Surety	\$50,000
John Brian Hill	Deputy Sheriff*	Western Surety	\$50,000
Jarrett Bundren	Deputy Sheriff*	Western Surety	\$50,000
Nora Lynn Webb	Deputy Sheriff*	Western Surety	\$50,000
Ricky Roy	Deputy Sheriff*	Western Surety	\$50,000
James Milliner	Deputy Sheriff*	Western Surety	\$50,000
Virgil M. Box	Deputy Sheriff*	Western Surety	\$50,000
Brian Lon Howell	Deputy Sheriff*	Western Surety	\$50,000
Carolyn Bell	Justice Court Judge	Western Surety	\$50,000
Frances Gordon	Justice Court Judge	Western Surety	\$50,000
Mickey Avent	Justice Court Judge	FCCI	\$50,000
Johnny Wayne McLarty	Justice Court Judge	Travelers	\$50,000
Jill Carwyle	Justice Court Clerk	Western Surety	\$50,000
Eulana Beavers	Deputy Justice Court Clerk	Western Surety	\$50,000
Sherrita Harris	Deputy Justice Court Clerk	Western Surety	\$50,000
Sache Adams	Deputy Justice Court Clerk	Western Surety	\$50,000
Mary Ann Pettis	Deputy Justice Court Clerk	Western Surety	\$50,000
Sylvia Baker	Tax Collector-Assessor	Western Surety	\$100,000
Teresa Owens Longmire	Deputy Collector	Western Surety	\$50,000
Elvia Hampton	Deputy Collector	Western Surety	\$50,000
Sheila Ray	Deputy Collector	Western Surety	\$50,000
Kristy Bishop	Deputy Collector	Western Surety	\$50,000
Mary McCain	Deputy Collector	Western Surety	\$50,000
Sophia Lumpar Sawin	Deputy Collector	Western Surety	\$50,000
Kelly Presley Smith	Deputy Collector	Western Surety	\$50,000
Alicia Watts	Deputy Assessor	Western Surety	\$10,000
Lane Martin	Deputy Assessor	Western Surety	\$10,000
Alta Byrd	Deputy Assessor	Western Surety	\$10,000
Larry Britt	County Engineer	Travelers	\$50,000

* hired under Section 45-5-9, Miss. Code Ann. (1972)

SPECIAL REPORTS

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
Lafayette County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lafayette County, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 9, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lafayette 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*.

Lafayette County's Response to Finding

Lafayette County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Lafayette County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard PC
December 9, 2019

Certified Public Accountants

SCHEDULE OF FINDINGS AND RESPONSES

Lafayette County, Mississippi

Schedule of Findings and Responses For the Year Ended September 30, 2018

Section I: Summary of Auditor's Results

Financial Statements:

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

Section II: Financial Statement Findings

The results of our tests disclose the following finding related to the financial statements that is required to be reported by *Government Auditing Standards*.

Inventory Control Clerk

Material Weakness

2018-001 - Multiple capital asset maintenance items noted during the fiscal year.

Criteria:

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, costs, locations, acquisition dates, disposition dates, methods of disposition, and other relevant information. The presence of these data elements in capital asset records help identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation. The information is also very important to the financial reporting process.

Conditions:

- Some construction in progress is not recorded in the capital asset records. Of note, construction related to capital projects such as the West Oxford Loop / Sisk Avenue project and the construction of new County facilities was not booked in county records.
- Land donated for construction of Highway 6 East Fire Station was not recorded in the capital assets.
- Sale of 10.9 acres of land on 09/18/2017 was not retired on the capital asset inventory.
- Some capital assets were noted that were coded to items other than capital outlay. Generally, these items were posted to consumables account codes.

Cause:

Omission of construction in progress occurs due to not obtaining information on projects in a timely manner and subsequently recording the activity until completion and transfer to the appropriate asset class. Land transactions simply were not noted as occurring on the asset inventory. Coding issues were noted in a few assets detected. These transactions were posted by accounts payable outside of capital outlay in the detailed general ledger.

Effect/Possible Effect:

Failure to properly maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation:

The Inventory Control Clerk should implement appropriate control procedures to ensure that all items are recorded, valued properly and classified properly in the County's capital asset records. Communication needs to be made on a regular basis with project engineers regarding County projects. Information obtained from the project engineer regarding construction in progress and completed infrastructure projects not of a maintenance nature need to be communicated to the Inventory Control Clerk for proper recording in the capital assets inventory in accordance with GASB 34 requirements regarding asset recognition in the financial records. Communication by the inventory control clerk with those responsible for recording asset purchases needs to be strengthened in order to properly record assets and allow for the inventory control clerk to accurately keep the inventory subsidiary ledger.

Management's Response:

The Inventory Control clerk will reinforce proper controls for capital assets to be recorded and valued property. The Clerk will communicate with engineers and other staff related to the work in progress accounts to ensure accurate reporting.