

LAUDERDALE COUNTY, MISSISSIPPI

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

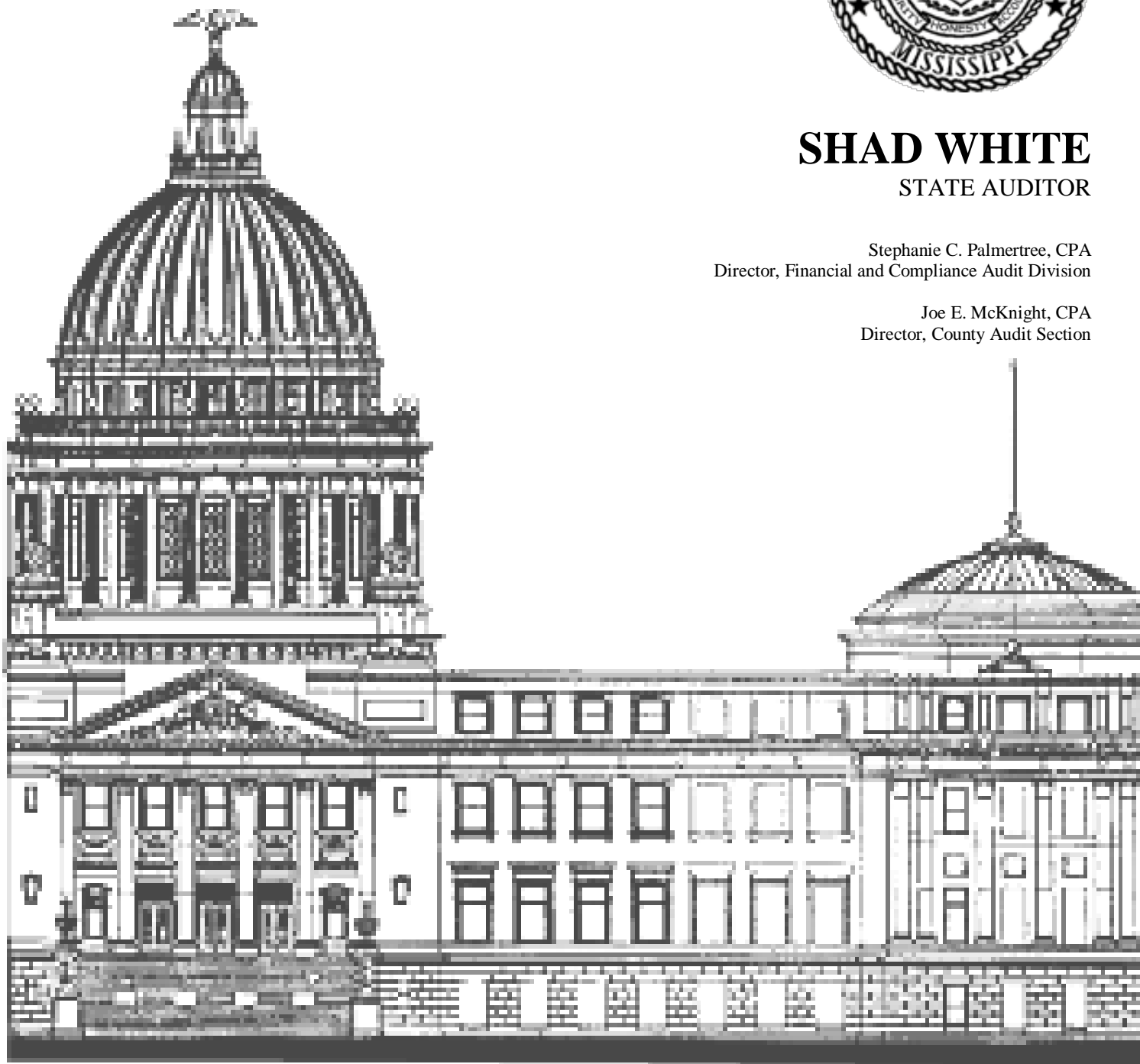


SHAD WHITE

STATE AUDITOR

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

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White
AUDITOR

April 01, 2020

Members of the Board of Supervisors
Lauderdale County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2018 financial and compliance audit report for Lauderdale County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Shad White", enclosed within a large, loopy oval.

Shad White

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

FINANCIAL SECTION

LAUDERDALE COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Lauderdale County, Mississippi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Unmodified Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lauderdale County, Mississippi, as of September 30, 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 the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of the County's Contributions, the Schedule of Metro Ambulance's Proportionate Share of the Net Pension Liability, the Schedule of Metro Ambulance's Contributions, the Schedule of Lauderdale County Tourism Commission's Proportionate Share of the Net Pension Liability, the Schedule of Lauderdale County Tourism Commission's Contributions, the Schedule of Meridian-Lauderdale County Public Library's Proportionate Share of the Net Pension Liability, the Schedule of Meridian-Lauderdale County Public Library's Contributions, the Schedule of Meridian-Lauderdale County Public Library's Proportionate Share of OPEB, the Schedule of Meridian-Lauderdale County Public Library's Contributions – OPEB be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

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

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 April 01, 2020 on our consideration of Lauderdale County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Lauderdale 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 Lauderdale County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 01, 2020

LAUDERDALE COUNTY

FINANCIAL STATEMENTS

LAUDERDALE COUNTY

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LAUDERDALE COUNTY
Statement of Net Position
September 30, 2018

Exhibit 1

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|-------------|---------------------------------|--|
| | Governmental Activities | Business-type Activities | Total | County Tourism Commission | Meridian- Lauderdale County Public Library |
| ASSETS | | | | | |
| Cash | \$ 32,078,478 | 426,635 | 32,505,113 | 829,680 | 3,025,602 |
| Investments | | | | | 769,692 |
| Property tax receivable | 27,941,285 | | 27,941,285 | | |
| Accounts receivable (net of allowance for uncollectibles of \$1,292,188) | 405,304 | 1,100,457 | 1,505,761 | 124,092 | |
| Fines receivable (net of allowance for uncollectibles of \$7,920,062) | 359,476 | | 359,476 | | |
| Intergovernmental receivables | 630,455 | | 630,455 | | |
| Other receivables | 94,071 | | 94,071 | | 3,191 |
| Internal balances | (378) | 378 | | | |
| Inventories and prepaid items | | 79,779 | 79,779 | | 6,749 |
| Capital assets: | | | | | |
| Land and construction in progress | 17,063,943 | | 17,063,943 | | |
| Other capital assets, net | 88,325,325 | 659,894 | 88,985,219 | 25,532 | 582,057 |
| Total Assets | 166,897,959 | 2,267,143 | 169,165,102 | 979,304 | 4,387,291 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred outflows related to pensions | 2,485,209 | 488,725 | 2,973,934 | 24,114 | 100,390 |
| Deferred outflows related to other postemployment benefits | | | | | 17,861 |
| Deferred amount on refunding | 1,673,595 | | 1,673,595 | | |
| Total Deferred Outflows of Resources | 4,158,804 | 488,725 | 4,647,529 | 24,114 | 118,251 |
| LIABILITIES | | | | | |
| Claims payable | 1,670,593 | | 1,670,593 | 120,362 | 24,604 |
| Intergovernmental payables | 790,879 | | 790,879 | | |
| Accrued interest payable | 230,907 | | 230,907 | | |
| Unearned revenue | | 74,183 | 74,183 | | |
| Amounts held in custody for others | 594,512 | | 594,512 | | |
| Other payables | 482,872 | 77,827 | 560,699 | | |
| Claims and judgments payable | 30,069 | | 30,069 | | |

LAUDERDALE COUNTY
Statement of Net Position
September 30, 2018

Exhibit 1 - Cont'd

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|--------------|---------------------------------|--|
| | Governmental Activities | Business-type Activities | Total | County Tourism Commission | Meridian- Lauderdale County Public Library |
| Long-term liabilities | | | | | |
| Other postemployment benefits payable | | | | | 111,142 |
| Net pension liability | 31,965,352 | 6,765,721 | 38,731,073 | 198,681 | 1,399,498 |
| Due within one year: | | | | | |
| Capital debt | 4,042,589 | | 4,042,589 | | |
| Non-capital debt | 503,682 | | 503,682 | | |
| Due in more than one year: | | | | | |
| Capital debt | 35,787,991 | | 35,787,991 | | |
| Non-capital debt | 770,873 | 124,373 | 895,246 | 19,643 | |
| Total Liabilities | 76,870,319 | 7,042,104 | 83,912,423 | 338,686 | 1,535,244 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows related to pensions | 896,754 | 568,360 | 1,465,114 | | 60,344 |
| Deferred inflows related to other postemployment benefits | | | | | 11,939 |
| Deferred revenues - property taxes | 27,941,285 | | 27,941,285 | | |
| Total Deferred Inflows of Resources | 28,838,039 | 568,360 | 29,406,399 | 0 | 72,283 |
| NET POSITION | | | | | |
| Net investment in capital assets | 67,223,347 | 659,894 | 67,883,241 | 25,532 | 582,057 |
| Restricted for: | | | | | |
| Expendable: | | | | | |
| General government | 1,771,373 | | 1,771,373 | | |
| Public safety | 759,150 | | 759,150 | | |
| Public works | 12,391,946 | | 12,391,946 | | |
| Culture and recreation | 195,989 | | 195,989 | | |
| Economic development and assistance | 488,825 | | 488,825 | | |
| Unemployment compensation | | | | | 10,153 |
| Debt service | 4,833,150 | | 4,833,150 | | |
| Other purposes | | | | | 269,949 |
| Unrestricted | (22,315,375) | (5,514,490) | (27,829,865) | 639,200 | 2,035,856 |
| Total Net Position | \$ 65,348,405 | (4,854,596) | 60,493,809 | 664,732 | 2,898,015 |

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

LAUDERDALE COUNTY
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 | | | Component Units | |
|---|---------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------|---------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | County Tourism Commission | Meridian-Lauderdale County Public Library |
| | | | | | Governmental Activities | Business-type Activities | Total | | |
| Primary government: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government | \$ 9,454,825 | 2,876,401 | 456,483 | | (6,121,941) | | (6,121,941) | | |
| Public safety | 11,409,021 | 1,527,301 | 874,752 | 15,060 | (8,991,908) | | (8,991,908) | | |
| Public works | 14,016,975 | 1,329,397 | 2,022,022 | 433,145 | (10,232,411) | | (10,232,411) | | |
| Health and welfare | 934,175 | | 136,270 | | (797,905) | | (797,905) | | |
| Culture and recreation | 580,601 | 229,791 | 98,800 | 44,566 | (207,444) | | (207,444) | | |
| Conservation of natural resources | 108,552 | | | | (108,552) | | (108,552) | | |
| Economic development and assistance | 2,175,483 | | 87,840 | 237,244 | (1,850,399) | | (1,850,399) | | |
| Interest on long-term debt | 1,176,184 | | | | (1,176,184) | | (1,176,184) | | |
| Bond issue cost | 150,300 | | | | (150,300) | | (150,300) | | |
| Fiscal agents' fees | 15,900 | | | | (15,900) | | (15,900) | | |
| Pension expense | 4,569,803 | | | | (4,569,803) | | (4,569,803) | | |
| Total Governmental Activities | 44,591,819 | 5,962,890 | 3,676,167 | 730,015 | (34,222,747) | | (34,222,747) | | |
| Business-type activities: | | | | | | | | | |
| Metro Ambulance | 8,145,836 | 7,500,235 | | | | (645,601) | (645,601) | | |
| Total Business-type Activities | 8,145,836 | 7,500,235 | 0 | 0 | | (645,601) | (645,601) | | |
| Total Primary Government | \$ 52,737,655 | 13,463,125 | 3,676,167 | 730,015 | (34,222,747) | (645,601) | (34,868,348) | | |
| Component units: | | | | | | | | | |
| County Tourism Commission | \$ 758,877 | 728,142 | | | | | | (30,735) | |
| Meridian-Lauderdale County Public Library | 1,342,722 | 31,452 | 168,854 | | | | | | (1,142,416) |
| Total Component Units | \$ 2,101,599 | 759,594 | 168,854 | 0 | | | | (30,735) | (1,142,416) |

LAUDERDALE COUNTY

Statement of Activities

For the Year Ended September 30, 2018

Exhibit 2- Cont'd

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | | |
|--|----------|-------------------------|--|--|---|-----------------------------|-------------|---------------------------------|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Units | |
| | | | | | Governmental Activities | Business-type Activities | Total | County Tourism Commission | Meridian- Lauderdale County Public Library |
| General revenues: | | | | | | | | | |
| Property taxes | | | | | \$ 27,987,120 | 35,784 | 28,022,904 | | |
| Road & bridge privilege taxes | | | | | 839,656 | | 839,656 | | |
| Grants and contributions not restricted to specific programs | | | | | 1,602,717 | | 1,602,717 | | 1,033,330 |
| Unrestricted interest income | | | | | 373,998 | 1,779 | 375,777 | | 23,101 |
| Miscellaneous | | | | | 1,645,165 | 192,597 | 1,837,762 | | 13,559 |
| Transfers | | | | | | | | (98,800) | |
| Total General Revenues and Transfers | | | | | 32,448,656 | 230,160 | 32,678,816 | (98,800) | 1,069,990 |
| Changes in Net Position | | | | | (1,774,091) | (415,441) | (2,189,532) | (129,535) | (72,426) |
| Net Position - Beginning, as previously reported | | | | | 67,015,328 | (4,439,155) | 62,576,173 | 794,267 | 3,072,290 |
| Prior period adjustments | | | | | 107,168 | | 107,168 | | (101,849) |
| Net Position - Beginning, as restated | | | | | 67,122,496 | (4,439,155) | 62,683,341 | 794,267 | 2,970,441 |
| Net Position - Ending | | | | | \$ 65,348,405 | (4,854,596) | 60,493,809 | 664,732 | 2,898,015 |

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

LAUDERDALE COUNTY
Balance Sheet - Governmental Funds
September 30, 2018

Exhibit 3

| | Major Funds | | | | | | Total Governmental Funds |
|--|---------------|------------------------------|-----------------------|----------------------------|-------------------------------------|--------------------------|--------------------------|
| | General Fund | County Road Maintenance Fund | Combined GO Debt Fund | Series 2015 B GO Bond Fund | GO Refunding Bond, Series 2017 Fund | Other Governmental Funds | |
| ASSETS | | | | | | | |
| Cash | \$ 11,195,426 | 2,536,617 | 4,882,797 | 6,176,447 | | 7,287,191 | 32,078,478 |
| Property tax receivable | 14,977,004 | 1,880,788 | 5,158,055 | | | 5,925,438 | 27,941,285 |
| Accounts receivable (net of allowance for uncollectibles of \$1,292,188) | | | | | | 405,304 | 405,304 |
| Fines receivable (net of allowance for uncollectibles of \$7,920,062) | 359,476 | | | | | | 359,476 |
| Intergovernmental receivables | 396,614 | | | | | 233,841 | 630,455 |
| Other receivables | 7,449 | | | | | 86,622 | 94,071 |
| Due from other funds | 20,000 | 81,973 | 54,028 | | | 103,958 | 259,959 |
| Advances to other funds | 188,500 | | | | | 6,800 | 195,300 |
| Total Assets | \$ 27,144,469 | 4,499,378 | 10,094,880 | 6,176,447 | 0 | 14,049,154 | 61,964,328 |
| LIABILITIES | | | | | | | |
| Liabilities: | | | | | | | |
| Claims payable | \$ 875,521 | 149,592 | | 218,249 | | 427,231 | 1,670,593 |
| Intergovernmental payables | 764,655 | | | | | 3 | 764,658 |
| Due to other funds | 266,558 | | | | | 20,000 | 286,558 |
| Advances from other funds | | | | | | 195,300 | 195,300 |
| Amounts held in custody for others | 594,512 | | | | | | 594,512 |
| Other payables | 482,872 | | | | | | 482,872 |
| Claims and judgments payable | 30,069 | | | | | | 30,069 |
| Total Liabilities | 3,014,187 | 149,592 | 0 | 218,249 | 0 | 642,534 | 4,024,562 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue - property taxes | 14,977,004 | 1,880,788 | 5,158,055 | | | 5,925,438 | 27,941,285 |
| Unavailable revenue - accounts receivable | | | | | | 405,304 | 405,304 |
| Unavailable revenue - fines | 359,476 | | | | | | 359,476 |
| Total Deferred Inflows of Resources | 15,336,480 | 1,880,788 | 5,158,055 | 0 | 0 | 6,330,742 | 28,706,065 |
| Fund balances: | | | | | | | |
| Nonspendable: | | | | | | | |
| Advances | 188,500 | | | | | | 188,500 |
| Restricted for: | | | | | | | |
| General government | | | | | | 1,771,373 | 1,771,373 |
| Public safety | | | | | | 759,150 | 759,150 |
| Public works | | 2,468,998 | | 5,958,198 | | 3,559,446 | 11,986,642 |
| Culture and recreation | | | | | | 195,989 | 195,989 |
| Economic development and assistance | | | | | | 488,825 | 488,825 |
| Debt service | | | 4,936,825 | | | 127,232 | 5,064,057 |
| Committed to: | | | | | | | |
| Public safety | | | | | | 101,153 | 101,153 |
| Assigned to: | | | | | | | |
| Public safety | | | | | | 88,946 | 88,946 |
| Unassigned | 8,605,302 | | | | | (16,236) | 8,589,066 |
| Total Fund Balances | 8,793,802 | 2,468,998 | 4,936,825 | 5,958,198 | 0 | 7,075,878 | 29,233,701 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 27,144,469 | 4,499,378 | 10,094,880 | 6,176,447 | 0 | 14,049,154 | 61,964,328 |

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

LAUDERDALE COUNTY

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

| | <u>Amount</u> |
|--|----------------------|
| Total Fund Balance - Governmental Funds | \$ 29,233,701 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$96,600,248. | 105,389,268 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 764,780 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (41,105,135) |
| Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds. | (31,965,352) |
| Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds. | (230,907) |
| Deferred amount on refunding | 1,673,595 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds: | |
| Deferred outflows of resources related to pensions | 2,485,209 |
| Deferred inflows of resources related to pensions | <u>(896,754)</u> |
| Total Net Position - Governmental Activities | \$ <u>65,348,405</u> |

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

LAUDERDALE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2018

| | Major Funds | | | | | | |
|---|---------------|-------------|-----------|---------------|-------------------|--------------|--------------|
| | General | County Road | Combined | Series 2015 B | GO Refunding | Other | Total |
| | Fund | Maintenance | GO Debt | GO Bond | Bond, Series 2017 | Governmental | Governmental |
| | Fund | Fund | Fund | Fund | Fund | Funds | Funds |
| REVENUES | | | | | | | |
| Property taxes | \$ 14,542,990 | 1,916,082 | 5,110,204 | | | 6,417,844 | 27,987,120 |
| Road and bridge privilege taxes | | 839,656 | | | | | 839,656 |
| Licenses, commissions and other revenue | 993,749 | 311 | 603 | | | 92,925 | 1,087,588 |
| Fines and forfeitures | 1,109,630 | | | | | | 1,109,630 |
| Intergovernmental revenues | 1,714,428 | 2,419,373 | 66,660 | | | 1,808,438 | 6,008,899 |
| Charges for services | 1,007,450 | | | | | 2,627,509 | 3,634,959 |
| Interest income | 181,576 | 19,393 | 36,156 | 73,890 | | 62,983 | 373,998 |
| Miscellaneous revenues | 526,871 | 15,943 | | | | 1,102,351 | 1,645,165 |
| Total Revenues | 20,076,694 | 5,210,758 | 5,213,623 | 73,890 | 0 | 12,112,050 | 42,687,015 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 8,812,854 | | | 132,666 | | 1,128,954 | 10,074,474 |
| Public safety | 9,092,264 | | | | | 3,639,448 | 12,731,712 |
| Public works | | 5,906,925 | | 3,087,909 | | 5,419,143 | 14,413,977 |
| Health and welfare | 913,015 | | | | | 7,925 | 920,940 |
| Culture and recreation | | | | 30,700 | | 508,387 | 539,087 |
| Conservation of natural resources | 108,552 | | | | | | 108,552 |
| Economic development and assistance | 205,450 | | | | | 2,191,749 | 2,397,199 |
| Debt service: | | | | | | | |
| Principal | 650,069 | 130,119 | | | 6,040,000 | 3,978,067 | 10,798,255 |
| Interest | 25,332 | 6,709 | | | 134,722 | 962,688 | 1,129,451 |
| Bond issue costs | 2,400 | | | | 147,900 | | 150,300 |
| Fiscal agents' fees | | | | | 2,000 | 13,900 | 15,900 |
| Total Expenditures | 19,809,936 | 6,043,753 | 0 | 3,251,275 | 6,324,622 | 17,850,261 | 53,279,847 |
| Excess of Revenues over (under) Expenditures | 266,758 | (832,995) | 5,213,623 | (3,177,385) | (6,324,622) | (5,738,211) | (10,592,832) |

LAUDERDALE COUNTY

Exhibit 4- Cont'dStatement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2018

| | Major Funds | | | | | Other | Total |
|---|--------------|-------------|-------------|---------------|-------------------|--------------|--------------|
| | General | County Road | Combined | Series 2015 B | GO Refunding | Governmental | Governmental |
| | Fund | Maintenance | GO Debt | GO Bond | Bond, Series 2017 | Funds | Funds |
| | | Fund | Fund | Fund | Fund | | |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Long-term capital debt issued | 109,415 | 832,189 | | | | 748,128 | 1,689,732 |
| Refunding bonds issued | | | | | 6,000,000 | | 6,000,000 |
| Proceeds from sale of capital assets | 9,422 | 81,681 | | | | 22,178 | 113,281 |
| Premiums on bonds issued | | | | | 312,695 | | 312,695 |
| Compensation for loss of capital assets | | 49,440 | | | | 22,550 | 71,990 |
| Transfers in | 585,309 | 20,981 | 29 | 81,905 | 166,722 | 5,007,731 | 5,862,677 |
| Transfers out | (687,593) | (8,849) | (4,406,084) | (19,752) | | (740,399) | (5,862,677) |
| Payment to bond refunding escrow agent | | | | | (154,795) | | (154,795) |
| Total Other Financing Sources and Uses | 16,553 | 975,442 | (4,406,055) | 62,153 | 6,324,622 | 5,060,188 | 8,032,903 |
| Net Changes in Fund Balances | 283,311 | 142,447 | 807,568 | (3,115,232) | 0 | (678,023) | (2,559,929) |
| Fund Balances - Beginning, as previously reported | 8,398,022 | 2,326,551 | 4,129,257 | 9,073,430 | 0 | 7,753,901 | 31,681,161 |
| Prior period adjustment | 112,469 | | | | | | 112,469 |
| Fund Balances - Beginning, as restated | 8,510,491 | 2,326,551 | 4,129,257 | 9,073,430 | 0 | 7,753,901 | 31,793,630 |
| Fund Balances - Ending | \$ 8,793,802 | 2,468,998 | 4,936,825 | 5,958,198 | 0 | 7,075,878 | 29,233,701 |

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

LAUDERDALE COUNTY

Exhibit 4-1

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

| | <u>Amount</u> |
|--|-----------------------|
| Net Changes in Fund Balances - Governmental Funds | \$ (2,559,929) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$4,640,906 exceeded depreciation of \$3,808,394 in the current period. | 832,512 |
| In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$241,612 and the proceeds from the sale of \$113,281 and the compensation for loss of \$71,990 in the current period. | (426,883) |
| 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. | 81,978 |
| Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting. | 48,735 |
| Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$10,798,255 exceeded debt proceeds of \$1,689,732. | 9,108,523 |
| Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items: | |
| The amount of increase in compensated absences liability | (16,096) |
| The amount of decrease in accrued interest payable | 12,691 |
| The amortization of general obligation bond premium | 137,961 |
| Issuance of refunding bond | (6,000,000) |
| Premium on refunding bonds | (312,695) |
| The amortization of refunding bond premium | 47,145 |
| The amortization of deferred refunding charges | (244,530) |
| The issuance of deferred refunding charges | 154,795 |
| Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include: | |
| Recording of pension expense for the current period | (4,569,803) |
| Recording of contributions made during the year | <u>1,931,505</u> |
| Change in Net Position of Governmental Activities | \$ <u>(1,774,091)</u> |

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

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

Exhibit 5

| | Business-type Activities - Enterprise Fund |
|---------------------------------------|---|
| | Metro Ambulance |
| ASSETS | |
| Current assets: | |
| Cash | \$ 426,635 |
| Accounts receivable | 1,100,457 |
| Due from other funds | 378 |
| Inventories and prepaid items | 79,779 |
| Total Current Assets | 1,607,249 |
| Noncurrent assets: | |
| Capital assets: | |
| Other capital assets, net | 659,894 |
| Total Noncurrent Assets | 659,894 |
| Total Assets | 2,267,143 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | 488,725 |
| Total Deferred Outflows of Resources | 488,725 |
| LIABILITIES | |
| Current liabilities: | |
| Unearned revenue | 74,183 |
| Other payables | 202,200 |
| Total Current Liabilities | 276,383 |
| Noncurrent liabilities: | |
| Net pension liability | 6,765,721 |
| Total Noncurrent Liabilities | 6,765,721 |
| Total Liabilities | 7,042,104 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | 568,360 |
| Total Deferred Inflows of Resources | 568,360 |
| NET POSITION | |
| Net investment in capital assets | 659,894 |
| Unrestricted | (5,514,490) |
| Total Net Position | \$ (4,854,596) |

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

LAUDERDALE COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2018

| | Business-type Activities - Enterprise Fund |
|-------------------------------------|---|
| | Metro Ambulance |
| Operating Revenues | |
| Charges for services | \$ 7,500,235 |
| Total Operating Revenues | <u>7,500,235</u> |
| Operating Expenses | |
| Personal services | 3,772,739 |
| Materials and supplies | 2,717,463 |
| Depreciation expense | 192,984 |
| Indirect administrative cost | 553,323 |
| Miscellaneous | 52,541 |
| Pension expense | 856,786 |
| Total Operating Expenses | <u>8,145,836</u> |
| Operating Income (Loss) | <u>(645,601)</u> |
| Nonoperating Revenues (Expenses) | |
| Property taxes | 35,784 |
| Interest income | 1,779 |
| Other income (expenses) | 192,597 |
| Net Nonoperating Revenue (Expenses) | <u>230,160</u> |
| Net Income (Loss) | <u>(415,441)</u> |
| Changes in Net Position | (415,441) |
| Net Position - Beginning | <u>(4,439,155)</u> |
| Net Position - Ending | <u>\$ (4,854,596)</u> |

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

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

Exhibit 7

| | Business-type Activities - Enterprise Fund |
|--|---|
| | Metro Ambulance |
| Cash Flows From Operating Activities | |
| Receipts from customers | \$ 5,330,863 |
| Payments to suppliers | (3,079,668) |
| Payments to employees | (2,256,776) |
| Net Cash Provided (Used) by Operating Activities | (5,581) |
| Cash Flows From Noncapital Financing Activities | |
| Intergovernmental grants received | 196,752 |
| Cash received from property taxes | 35,784 |
| Cash received from other funds: | |
| Loans from other funds | (378) |
| Interfund loan repayments | 435 |
| Other receipts | 4 |
| Other non-capital financing activities | (4,159) |
| Net Cash Provided (Used) by Noncapital Financing Activities | 228,438 |
| Cash Flows From Capital and Related Financing Activities | |
| Acquisition and construction of capital assets | (203,082) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (203,082) |
| Cash Flows From Investing Activities | |
| Interest and dividends on investments | 1,779 |
| Net Cash Provided (Used) by Investing Activities | 1,779 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 21,554 |
| Cash and Cash Equivalents at Beginning of Year | 405,081 |
| Cash and Cash Equivalents at End of Year | \$ 426,635 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Operating income (loss) | \$ (645,601) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation expense | 192,984 |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivable | 40,918 |
| (Increase) decrease in inventories and prepaid items | 13,955 |
| Increase (decrease) in other payables | 18,694 |
| Increase (decrease) in unearned revenue | (82,485) |
| Increase (decrease) in net pension liability, deferred outflows/inflows (net) | 455,954 |
| Total Adjustments | 640,020 |
| Net Cash Provided (Used) by Operating Activities | \$ (5,581) |

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

LAUDERDALE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2018

Exhibit 8

| | Agency Funds |
|------------------------------------|-------------------|
| ASSETS | |
| Cash | \$ 210,171 |
| Due from other funds | 26,221 |
| Total Assets | \$ <u>236,392</u> |
| LIABILITIES | |
| Amounts held in custody for others | \$ 210,171 |
| Intergovernmental payables | 26,221 |
| Total Liabilities | \$ <u>236,392</u> |

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

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

B. Individual Component Unit Disclosures

Blended Component Units

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

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

Discretely Presented Component Units

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

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

LAUDERDALE COUNTY

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

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

C. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

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

LAUDERDALE COUNTY

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

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

The County reports the following major Governmental Funds:

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

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

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

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

GO Refunding Bond, Series 2017 Fund - This fund is used to account for the financial resources related to the issuance of the 2017 refunding bond.

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

LAUDERDALE COUNTY

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

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

F. Deposits and Investments.

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

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

G. Receivables.

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

H. Interfund Transactions and Balances.

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

I. Inventories and Prepaid Items.

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

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

J. Restricted Assets.

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

LAUDERDALE COUNTY

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

K. Capital Assets.

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

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

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

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

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

L. Deferred Outflows/Inflows of Resources:

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

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

Deferred outflows related to pensions - This amount represents the proportionate share of the deferred outflows of resources reported by the pension plans in which the County, the Metro Ambulance Enterprise

LAUDERDALE COUNTY

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

Fund, a blended component unit of the County, the Lauderdale County Tourism Commission and the Meridian-Lauderdale County Public Library, discretely presented component units of the County, participate. See Note 10 for additional details.

Deferred outflows related to other postemployment benefits - This amount represents the proportionate share of the deferred outflows of resources reported by the OPEB plan in which the Meridian-Lauderdale County Public Library, a discretely presented component unit of the County, participates. See Note 11 for additional details.

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

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

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

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

Deferred inflows related to pensions - This amount represents the proportionate share of the deferred inflows of resources reported by the pension plans in which the County, the Metro Ambulance Enterprise Fund, a blended component unit of the County, and the Meridian-Lauderdale County Public Library, a discretely presented component unit of the County, participate. See Note 10 for additional details.

Deferred inflows related to other postemployment benefits - This amount represents the proportionate share of the deferred inflows of resources reported by the OPEB plan in which the Meridian-Lauderdale County Public Library, a discretely presented component unit of the County, participates. See Note 11 for additional details.

M. Pensions.

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

N. Long-term Liabilities.

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

In the government-wide financial statements 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.

LAUDERDALE COUNTY

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

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

O. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

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

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

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

LAUDERDALE COUNTY

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

committed. Assignments of fund balance are created by the County Administrator pursuant to authorization established by the County.

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

Fund Balance Flow Assumption:

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

P. Property Tax Revenues:

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

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

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

Q. Intergovernmental Revenues in Governmental Funds.

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

R. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and 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.

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

S. Changes in Accounting Standards.

The Meridian-Lauderdale County Public Library, a discretely presented component unit of the County, implemented the following standard 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 have been incorporated into the financial statements and notes.

(2) Prior Period Adjustments.

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

Exhibit 2 – Statement of Activities.

| Explanation | Amount |
|--|---------------------|
| <u>Governmental Activities:</u> | |
| To record adjustment for self-insurance activity | \$ 112,469 |
| To record adjustment to capital assets | (5,301) |
| Total governmental activities prior period adjustments | <u>\$ 107,168</u> |
| <u>Component Unit - Meridian-Lauderdale County Public Library:</u> | |
| Deferred outflows related to other postemployment benefits (OPEB) | \$ 21,387 |
| Deferred inflows related to other postemployment benefits (OPEB) | (5,971) |
| Net OPEB liability | <u>(117,265)</u> |
| Total component unit prior period adjustments | <u>\$ (101,849)</u> |

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

| Explanation | Amount |
|--|-------------------|
| To record adjustment for self insurance activity | <u>\$ 112,469</u> |

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$32,715,284, and the bank balance was \$33,893,896. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

LAUDERDALE COUNTY

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

(4) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------------|--------------------------|--------------------------|
| General Fund | Other Governmental Funds | \$ 20,000 |
| County Road Maintenance Fund | General Fund | 81,973 |
| Combined GO Debt Fund | General Fund | 54,028 |
| Other Governmental Funds | General Fund | 103,958 |
| Metro Ambulance Fund | General Fund | 378 |
| Agency Funds | General Fund | <u>26,221</u> |
| Total | | \$ <u><u>286,558</u></u> |

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

B. Advances from/to Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|--------------------------|--------------------------|
| General Fund | Other Governmental Funds | \$ 188,500 |
| Other Governmental Funds | Other Governmental Funds | <u>6,800</u> |
| Total | | \$ <u><u>195,300</u></u> |

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

C. Transfers In/Out:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|-------------------------------------|------------------------------|----------------------------|
| General Fund | Combined GO Debt Fund | \$ 357,300 |
| General Fund | Other Governmental Funds | 228,009 |
| County Road Maintenance Fund | Other Governmental Funds | 20,981 |
| Combined GO Debt Fund | Other Governmental Funds | 29 |
| Series 2015 B GO Bond Fund | County Road Maintenance Fund | 8,849 |
| Series 2015 B GO Bond Fund | Other Governmental Funds | 73,056 |
| GO Refunding Bond, Series 2017 Fund | Other Governmental Funds | 166,722 |
| Other Governmental Funds | General Fund | 687,593 |
| Other Governmental Funds | Combined GO Debt Fund | 4,048,784 |
| Other Governmental Funds | Series 2015 B GO Bond Fund | 19,752 |
| Other Governmental Funds | Other Governmental Funds | <u>251,602</u> |
| Total | | \$ <u><u>5,862,677</u></u> |

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

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

(5) Intergovernmental Receivables.

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

| Description | Amount |
|--|------------|
| Governmental Activities: | |
| Legislative tax credit | \$ 348,878 |
| Reimbursement for housing prisoners | 32,533 |
| Sheriff investigative services | 6,000 |
| Alcohol/drug countermeasures grant reimbursement | 34,719 |
| Sheriff mental health grant reimbursement | 32,876 |
| Occupant protection grant reimbursement | 24,042 |
| Cops in school grant reimbursement | 23,753 |
| Various reimbursement grants | 127,654 |
| Total Governmental Activities | \$ 630,455 |

(6) Capital Assets.

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

| | Balance Oct. 1, 2017 | Additions | Deletions | Adjustments* | Balance Sept. 30, 2018 |
|---|-------------------------|-----------|-----------|--------------|---------------------------|
| Governmental activities: | | | | | |
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 14,961,480 | 84,357 | | | 15,045,837 |
| Construction in progress | 3,584,044 | 837,643 | | (2,403,581) | 2,018,106 |
| Total non-depreciable capital assets | 18,545,524 | 922,000 | 0 | (2,403,581) | 17,063,943 |
| <u>Depreciable capital assets:</u> | | | | | |
| Infrastructure | 115,450,588 | | | | 115,450,588 |
| Buildings | 35,344,758 | 149,315 | | 2,403,581 | 37,897,654 |
| Improvements other than buildings | 8,236,929 | | | | 8,236,929 |
| Mobile equipment | 15,229,930 | 1,296,428 | 1,017,671 | 1,293,754 | 16,802,441 |
| Furniture and equipment | 3,576,954 | 582,209 | 80,986 | 114,204 | 4,192,381 |
| Leased property under capital leases | 2,062,584 | 1,690,954 | | (1,407,958) | 2,345,580 |
| Total depreciable capital assets | 179,901,743 | 3,718,906 | 1,098,657 | 2,403,581 | 184,925,573 |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Infrastructure | 65,368,035 | 1,296,443 | | 5,301 | 66,669,779 |
| Buildings | 11,081,490 | 747,072 | | | 11,828,562 |
| Improvements other than buildings | 2,362,111 | 320,414 | | | 2,682,525 |
| Mobile equipment | 10,831,955 | 907,879 | 597,703 | 620,673 | 11,762,804 |
| Furniture and equipment | 2,899,634 | 246,796 | 74,071 | 102,784 | 3,175,143 |
| Leased property under capital leases | 915,102 | 289,790 | | (723,457) | 481,435 |
| Total accumulated depreciation | 93,458,327 | 3,808,394 | 671,774 | 5,301 | 96,600,248 |
| Total depreciable capital assets, net | 86,443,416 | (89,488) | 426,883 | 2,398,280 | 88,325,325 |
| Governmental activities capital assets, net | \$ 104,988,940 | 832,512 | 426,883 | (5,301) | 105,389,268 |

LAUDERDALE COUNTY

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

Business-type activities:

| | Balance Oct. 1, 2017 | Additions | Deletions | Balance Sept. 30, 2018 |
|--|-------------------------|-----------|-----------|---------------------------|
| <u>Depreciable capital assets:</u> | | | | |
| Mobile equipment | \$ 1,918,039 | 147,490 | | 2,065,529 |
| Furniture and equipment | 1,448,764 | 55,392 | | 1,504,156 |
| Leased improvements | 318,352 | | | 318,352 |
| Total depreciable capital assets | 3,685,155 | 202,882 | 0 | 3,888,037 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Mobile equipment | 1,624,086 | 110,993 | | 1,735,079 |
| Furniture and equipment | 1,251,717 | 64,790 | | 1,316,507 |
| Leased improvements | 159,556 | 17,001 | | 176,557 |
| Total accumulated depreciation | 3,035,359 | 192,784 | 0 | 3,228,143 |
| Total depreciable capital assets, net | 649,796 | 10,098 | 0 | 659,894 |
| Business-type activities capital assets, net | \$ 649,796 | 10,098 | 0 | 659,894 |

*Adjustments to capital assets were for the reclassification of completed construction in progress and paid-off capital leases. Miscellaneous adjustments were made to correctly present depreciation at year-end.

Depreciation expense was charged to the following functions:

| | Amount |
|--|--------------|
| Governmental activities: | |
| General government | \$ 641,816 |
| Public safety | 542,067 |
| Public works | 1,970,018 |
| Health and welfare | 26,377 |
| Culture and recreation | 73,226 |
| Economic development and assistance | 554,890 |
| Total governmental activities depreciation expense | \$ 3,808,394 |
| Business-type activities: | |
| Metro Ambulance | \$ 192,784 |

LAUDERDALE COUNTY

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

Commitments with respect to unfinished capital projects at September 30, 2018, consisted of the following:

| Description of Commitment | Remaining Financial Commitment | Expected Date of Completion |
|--|-----------------------------------|--------------------------------|
| Fisher Road | \$ 3,567 | 07/31/2019 |
| Roy Dollar Road | 10,050 | 08/31/2019 |
| Null Road | 9,210 | 06/30/2019 |
| Old Highway 80 West | 3,554 | 04/30/2019 |
| Mosley Crossing Road | 31,422 | 05/31/2019 |
| Beaver Pond Road | 6,126 | 08/31/2019 |
| Soil Cement and DBST Project #38-16-03 | 184,843 | 05/31/2019 |
| Centerhill-Martin Road | 7,875 | 03/30/2019 |

Component Units:

The Meridian-Lauderdale County Public Library's capital asset balances at September 30, 2018 are as follows:

| | Balance Oct. 1, 2017 | Additions | Balance Sept. 30, 2018 |
|---|-------------------------|-----------|---------------------------|
| <u>Depreciable capital assets:</u> | | | |
| Furniture, equipment, and improvements | \$ 731,867 | 101,345 | 833,212 |
| Vehicle | 17,121 | | 17,121 |
| Reading material | 568,510 | 81,540 | 650,050 |
| Total depreciable capital assets | 1,317,498 | 182,885 | 1,500,383 |
| <u>Less accumulated depreciation for:</u> | | | |
| Furniture, equipment, and improvements | 383,896 | 77,546 | 461,442 |
| Vehicle | 17,121 | | 17,121 |
| Reading material | 356,269 | 83,494 | 439,763 |
| Total accumulated depreciation | 757,286 | 161,040 | 918,326 |
| Total depreciable capital assets, net | 560,212 | 21,845 | 582,057 |
| Component unit capital assets, net | \$ 560,212 | 21,845 | 582,057 |

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

The Lauderdale County Tourism Commission's capital asset balances at September 30, 2018 are as follows:

| | Balance Oct. 1, 2017 | Additions | Deletions | Adjustments* | Balance Sept. 30, 2018 |
|---|-------------------------|------------|-----------|--------------|---------------------------|
| <u>Depreciable capital assets:</u> | | | | | |
| Computer equipment | \$ 18,647 | 8,904 | 1,377 | | 26,174 |
| Furniture and equipment | 31,176 | 4,078 | | | 35,254 |
| Vehicles | 31,071 | 1,828 | | | 32,899 |
| Total depreciable capital assets | 80,894 | 14,810 | 1,377 | 0 | 94,327 |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Computer equipment | 18,006 | 2,858 | 1,533 | 170 | 19,501 |
| Furniture and equipment | 19,887 | 406 | | | 20,293 |
| Vehicles | 28,835 | 166 | | | 29,001 |
| Total accumulated depreciation | 66,728 | 3,430 | 1,533 | 170 | 68,795 |
| Total depreciable capital assets, net | 14,166 | 11,380 | (156) | (170) | 25,532 |
| Component unit capital assets, net | \$ 14,166 | 11,380 | (156) | (170) | 25,532 |

*Adjustments are to correct prior year capital asset balances.

(7) Claims and Judgments.

Risk Financing.

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

The County is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in 2018 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the County established a risk management fund to account for and finance its self-funded health insurance plan.

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

The County has purchased reinsurance which functions on two separate stop-loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$100,000. Excluding claims for any person who has already met the specific coverage, the aggregate liability for a month is calculated by

LAUDERDALE COUNTY

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

multiplying the attachment factor of 619.27, which is 125% of expected claims, by the number of employees for that month. Then, a rolling year-to-date amount is the aggregate liability.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2018, the amount of these liabilities was \$30,069. An analysis of claims activities is presented below:

| | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year End |
|-----------|--|---|----------------|-------------------------------|
| 2017-2018 | \$ 0 | 669,255 | 639,186 | 30,069 |

(8) Operating Leases.

As Lessor:

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

The County receives income from property it leases under noncancellable operating leases. Total income from such leases was \$417,661 for the year ended September 30, 2018. The future minimum lease receivables for these leases are as follows:

| Year Ending September 30 | Amount |
|---------------------------------|--------------|
| 2019 | 343,750 |
| 2020 | 375,000 |
| 2021 | 375,000 |
| 2022 | 125,000 |
| Total Minimum Payments Required | \$ 1,218,750 |

(9) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2018:

LAUDERDALE COUNTY

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

| <u>Classes of Property</u> | <u>Governmental Activities</u> |
|--------------------------------------|--------------------------------|
| Mobile equipment | \$ 1,641,203 |
| Furniture and equipment | 704,377 |
| Total | 2,345,580 |
| Less: Accumulated depreciation | (481,435) |
| Leased Property Under Capital Leases | \$ <u>1,864,145</u> |

The following is a schedule by years of the total payments due as of September 30, 2018:

| <u>Year Ending September 30</u> | <u>Governmental Activities</u> | |
|---------------------------------|--------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2019 | \$ 683,907 | 49,511 |
| 2020 | 548,207 | 35,326 |
| 2021 | 1,050,976 | 20,701 |
| 2022 | 246,924 | 2,978 |
| 2023 | 26,542 | 106 |
| Total | \$ <u>2,556,556</u> | <u>108,622</u> |

(10) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Lauderdale County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. 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 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

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

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 \$1,931,505, \$1,874,890 and \$1,805,194, respectively, equal to the required contributions for each year. Metro Ambulance's contributions to PERS for the fiscal years ending September 30, 2018, 2017, and 2016 were \$409,180, \$409,368, and \$415,184, respectively, which equaled the required contribution for each year. The Lauderdale County Tourism Commission's contributions to PERS for the fiscal years ending September 30, 2018, 2017, and 2016 were \$23,351, \$20,209, and \$23,243, respectively, which equaled the required contribution for each year. The Library's employer contributions to PERS for the fiscal years ending September 30, 2018, 2017, and 2016 were \$82,393, \$88,824, and \$72,346, respectively, equal to the required contribution for each year.

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

At September 30, 2018, the County reported a liability of \$31,965,352 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 0.192181 percent, which was based on a measurement date of June 30, 2018. This was an increase of 0.009884 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.

For the year ended September 30, 2018, the County recognized pension expense of \$4,569,803. 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 | \$ 129,259 | 127,821 |
| Net difference between projected and actual earnings on pension plan investments | | 715,384 |
| Changes of assumptions | 17,890 | 15,904 |
| Changes in the proportion and differences between the County's contributions and proportionate share of contributions | 1,826,980 | 37,645 |
| County contributions subsequent to the measurement date | 511,080 | |
| Total | \$ 2,485,209 | 896,754 |

\$511,080 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:

LAUDERDALE COUNTY

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

| Year ending September 30 | Amount |
|--------------------------|---------------------|
| 2019 | \$ 1,120,863 |
| 2020 | 446,073 |
| 2021 | (345,810) |
| 2022 | (143,751) |
| Total | \$ <u>1,077,375</u> |

Business-type Activities – Metro Ambulance

At September 30, 2018, Metro Ambulance reported a liability of \$6,765,721 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. Metro Ambulance's proportion of the net pension liability was based on a projection of Metro Ambulance's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2018, Metro Ambulance's proportion was 0.04%.

For the year ended September 30, 2018, Metro Ambulance recognized pension expense of \$856,786. At September 30, 2018, Metro Ambulance 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 | \$ 6,465 | |
| Net difference between projected and actual earnings on pension plan investments | | 121,774 |
| Changes of assumptions | 378,465 | 446,586 |
| Changes in the proportion and differences between the District's contributions and proportionate share of contributions | | |
| District contributions subsequent to the measurement date | 103,795 | |
| Total | \$ <u>488,725</u> | <u>568,360</u> |

\$103,795 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 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 | Amount |
|--------------------------|---------------------|
| 2019 | \$ 25,802 |
| 2020 | (21,911) |
| 2021 | (156,877) |
| 2022 | (30,444) |
| Total | \$ <u>(183,430)</u> |

Component Unit – Lauderdale County Tourism Commission

At September 30, 2018, the Tourism Commission reported a liability of \$198,681 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 Tourism Commission's

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For the Year Ended September 30, 2018

proportion of the net pension liability was based on a projection of the Tourism Commission's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Tourism Commission's proportion was 0.0012%.

For the year ended September 30, 2018, the Tourism Commission recognized pension expense of \$18,914. At September 30, 2018, the Tourism Commission 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 | \$ 1,435 | |
| Net difference between projected and actual earnings on pension plan investments | (3,574) | |
| Changes of assumptions | 19,987 | |
| Changes in the proportion and differences between the Tourism Commission's contributions and proportionate share of contributions | | |
| Tourism Commission contributions subsequent to the measurement date | 6,266 | |
| Total | \$ 24,114 | 0 |

\$6,266 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 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 | Amount |
|--------------------------|-----------|
| 2019 | \$ 2,425 |
| 2020 | 2,425 |
| 2021 | 627 |
| 2022 | 12,371 |
| Total | \$ 17,848 |

Component Unit – Meridian-Lauderdale County Public Library

At September 30, 2018, the Library reported a liability of \$1,399,498 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 Library's proportion of the net pension liability was based on a projection of the Library's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Library's proportion was 0.008414 percent, which was a decrease of 0.000096 percent over its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the Library recognized pension expense of \$141,902. At September 30, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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For the Year Ended September 30, 2018

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 5,248 | 5,966 |
| Net difference between projected and actual earnings on pension plan investments | | 41,919 |
| Changes of assumptions | 835 | 630 |
| Changes in the proportion and differences between the Library's contributions and proportionate share of contributions | 76,257 | 11,829 |
| Library contributions subsequent to the measurement date | 18,050 | |
| Total | \$ 100,390 | 60,344 |

\$18,050 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 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 | Amount |
|--------------------------|-----------|
| 2019 | \$ 53,544 |
| 2020 | 8,724 |
| 2021 | (33,981) |
| 2022 | (6,291) |
| Total | \$ 21,996 |

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

| | |
|---------------------------|--|
| Inflation | 3.00 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:

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| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|----------------------|---|
| U.S. Broad | 27.00 % | 4.60 |
| International Equity | 18.00 | 4.50 |
| Emerging Markets Equity | 4.00 | 4.75 |
| Global | 12.00 | 4.75 |
| Fixed Income | 18.00 | 0.75 |
| Real Estate | 10.00 | 3.50 |
| Private Equity | 8.00 | 5.10 |
| Emerging Debt | 2.00 | 2.25 |
| Cash | 1.00 | - |
| Total | 100.00 % | |

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

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

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|---------------------------|-------------------------------------|---------------------------|
| County's proportionate share of the net pension liability | \$ 42,089,196 | 31,965,352 | 23,551,100 |
| Metro Ambulance's proportionate share of the net pension liability | 6,833,378 | 6,765,721 | 6,698,064 |
| Tourism Commission's proportionate share of the net pension liability | 261,606 | 198,681 | 146,382 |
| Library's proportionate share of the net pension liability | 1,855,409 | 1,414,651 | 1,048,726 |

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

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

(11) Other Postemployment Benefits (OPEB).

Component Unit – Meridian-Lauderdale County Public Library

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

Benefits provided. The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted.

Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage.

The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions. The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the Library were \$4,614 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At September 30, 2018, the Library reported a liability of \$111,142 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the Library's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the Library's proportion was 0.0143678 percent. This was a

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decrease of 0.0005779 percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended September 30, 2018, the Library recognized OPEB expense of \$3,371. At September 30, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 226 | |
| Changes in the proportion and differences between the Library's contributions and proportionate share of contributions | 17,635 | 4,020 |
| Changes of assumptions | | 7,919 |
| Total | \$ 17,861 | 11,939 |

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ending September 30 | Amount |
|--------------------------|----------|
| 2019 | \$ 1,452 |
| 2020 | 1,452 |
| 2021 | 1,452 |
| 2022 | 1,452 |
| 2023 | 629 |
| Thereafter | (515) |
| Total | \$ 5,922 |

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

| | |
|---|--|
| Inflation | 3.00 percent |
| Salary increases | 3.25 – 18.50 percent, including wage inflation |
| Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation | 4.50 percent |
| Municipal Bond Index Rate | |
| Measurement Date | 3.89 percent |
| Prior Measurement Date | 3.56 percent |
| Year FNP is project to be depleted | |
| Measurement Date | 2018 |
| Prior Measurement Date | 2017 |
| Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation | |
| Measurement Date | 3.89 percent |

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For the Year Ended September 30, 2018

| | |
|----------------------------|--|
| Prior Measurement Date | 3.56 percent |
| Health Care Cost Trends | |
| Medicare Supplement Claims | 7.25 percent for 2018 decreasing to an |
| Pre-Medicare | ultimate rate of 4.75 percent by 2028 |

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation. The plan had no assets as of the measurement date of 2017.

Discount rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date was 3.89%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2018. Based on these assumptions, the Plan's FNP was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate, 3.89%, was used in the determination of the SEIR.

The FNP projections are based upon the Plan's financial status on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

Sensitivity of the Library's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Library's proportionate share of the net OPEB liability, as well as what the Library's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

| | 1% Decrease (2.89%) | Discount Rate (3.89%) | 1% Increase (4.89%) |
|--------------------|---------------------------|-----------------------------|---------------------------|
| Net OPEB liability | \$ 115,708 | 112,731 | 110,514 |

Sensitivity of the Library's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. the following presents the Library's proportionate share of the net OPEB liability, as well as what the Library's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | Healthcare Cost Trend Rates Current | 1% Increase |
|--------------------|-------------|--|-------------|
| Net OPEB liability | \$ 102,954 | 111,420 | 119,004 |

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

(12) Long-term Debt.

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

| Description and Purpose | Amount Outstanding | Interest Rate | Final Maturity Date |
|---|-----------------------|---------------|------------------------|
| Governmental Activities: | | | |
| A. General Obligation Bonds: | | | |
| Road and Bridge - Series 2009 | \$ 120,000 | 3.00% | 02/2019 |
| Series 2011 - General Obligation Refunding | 350,000 | 2.00/3.00% | 07/2019 |
| Series 2012 - Road, Bridge, Equipment & Rec | 1,440,000 | 2.00/3.50% | 03/2027 |
| Series 2013 A - General Obligation Refunding | 3,860,000 | 1.00/2.25% | 04/2023 |
| Series 2013 B - GO Refunding Taxable | 12,170,000 | 0.47/3.31% | 02/2026 |
| Series 2015 - Road, Bridge, Equip & Rec Bonds | 2,970,000 | 3.00/4.00% | 11/2035 |
| Series 2015 B - Road, Bridge, Equip & Rec Bonds | 10,025,000 | 2.50/3.50% | 11/2035 |
| Series 2017 - General Obligation Refunding | <u>5,970,000</u> | 2.00/4.00% | 04/2027 |
| Total General Obligation Bonds | \$ <u>36,905,000</u> | | |
| B. Capital Leases: | | | |
| Copier - Circuit Court | \$ 2,185 | 2.22% | 05/2019 |
| Dell Computers | 64,743 | 2.07% | 04/2020 |
| Copier for LEMA and Vol Fire Dept | 1,356 | 1.89% | 01/2019 |
| (9) Unequipped Vehicles | 101,465 | 1.49% | 03/2020 |
| (8) 2016 Dodge Chargers and Equipment | 40,444 | 1.67% | 02/2019 |
| (3) 2016 Trucks - LEMA, Supervisor, E-911 | 17,500 | 1.73% | 05/2019 |
| E-911 CAD | 847,472 | 2.09% | 04/2022 |
| Voting Machine Hardware & Software | 42,164 | 2.21% | 12/2020 |
| Self-Contained Breathing Apparatus (SCBA's) | 430,455 | 2.38% | 12/2022 |
| Caterpillar Motor Grader - County Road | 229,280 | 2.14% | 03/2021 |
| Caterpillar Motor Grader - County Bridge | 229,280 | 2.14% | 03/2021 |
| Trackhoe | 151,569 | 2.19% | 03/2021 |
| (3) Mack Dump Trucks with Ox Bodies | <u>398,643</u> | 2.44% | 07/2021 |
| Total Capital Leases | \$ <u>2,556,556</u> | | |
| C. Other Loans: | | | |
| MDA CAP Loan - Certainteed Upgrades | \$ <u>483,723</u> | 3.00% | 05/2025 |

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For the Year Ended September 30, 2018

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 | \$ 3,795,000 | 1,126,029 | 67,364 | 13,747 |
| 2020 | 3,430,000 | 1,034,998 | 69,572 | 11,539 |
| 2021 | 3,565,000 | 939,105 | 71,688 | 9,422 |
| 2022 | 3,660,000 | 853,440 | 73,868 | 7,243 |
| 2023 | 3,775,000 | 761,052 | 76,115 | 4,996 |
| 2024 - 2028 | 11,915,000 | 2,299,600 | 125,116 | 3,309 |
| 2029 - 2033 | 4,005,000 | 904,981 | | |
| 2034 - 2038 | 2,760,000 | 245,821 | | |
| Total | \$ 36,905,000 | 8,165,026 | 483,723 | 50,256 |

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2018, the amount of outstanding debt was equal to 5.58% of the latest property assessments.

Advance Refunding - On December 21, 2018, the County issued \$6,000,000 in general obligation refunding bonds with an average interest rate of 2.40% to advance refund \$6,010,000 of the following outstanding bond issue:

| Issue | Average Interest Rate | Outstanding Amount Refunded |
|---|-----------------------|-----------------------------|
| Series 2012 Road, Bridge, Equip & Rec Bonds | 2.00-3.00% | \$ 6,010,000 |

The Series 2012 Road, Bridge, Equipment and Recreation Bonds had an outstanding balance of \$8,125,000 at the time of refunding, but only \$6,010,000 of the bond was refunded, leaving a remaining principal balance of \$2,115,000, of which \$675,000 was redeemed during fiscal year 2018.

The net proceeds of \$6,164,795 (after payment of \$99,900 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The County advance refunded the above bonds to reduce its total debt service payments over the next ten years by \$130,284 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$120,460.

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

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For the Year Ended September 30, 2018

| | Balance Oct. 1, 2017 | Additions | Reductions | Balance Sept. 30, 2018 | Amount due within one year |
|---------------------------------|-------------------------|-----------|------------|---------------------------|----------------------------------|
| Governmental Activities: | | | | | |
| Compensated absences | \$ 541,893 | 16,096 | | 557,989 | |
| General obligation bonds | 40,615,000 | 6,000,000 | 9,710,000 | 36,905,000 | 3,795,000 |
| Add: | | | | | |
| Premiums | 474,278 | 312,695 | 185,106 | 601,867 | |
| Capital leases | 1,620,809 | 1,689,732 | 753,985 | 2,556,556 | 683,907 |
| Other loans | 817,993 | | 334,270 | 483,723 | 67,364 |
| Total | \$ 44,069,973 | 8,018,523 | 10,983,361 | 41,105,135 | 4,546,271 |

| | Balance Oct. 1, 2017 | Additions | Reductions | Balance Sept. 30, 2018 | Amount due within one year |
|----------------------------------|-------------------------|-----------|------------|---------------------------|----------------------------------|
| Business-type Activities: | | | | | |
| Compensated absences | \$ 126,138 | | 1,765 | 124,373 | |

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

Commitments – On December 2009, Lauderdale County entered into an agreement with the City of Meridian to provide additional security and payments of 35% of the total debt of the Crossroads construction project. The debt will be serviced by revenues generated by the tax increment payment of \$87,500 that was paid for the year ended September 30, 2018.

On March 2010, Lauderdale County entered into an agreement with the City of Meridian to provide additional security and payments of 35% of the total debt of the Highway 19 North Hill Project construction project. The debt will be serviced by revenues generated by the tax increment payment of \$8,750 that was paid for the year ended September 30, 2018.

(13) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2018:

| Fund | Deficit Amount |
|--|----------------|
| Alcohol/Countermeasures Fund | \$ (8,665) |
| Occupant Protection Grant Fund | (28) |
| Sheriff Mental Health Grant Fund | (6,460) |
| Community Heritage Preserve Grant Fund | (1,083) |

(14) 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.

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

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.

(15) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of \$(22,315,375) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$511,080 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 \$1,974,129 balance of the deferred outflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next three years. The \$896,754 balance of the deferred inflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next four years.

The governmental activities' net investment in capital assets net position of \$67,223,347 includes the effect of deferring the recognition of expenditures resulting for an advance refunding of County debt. \$244,530 of the \$1,673,595 balance of deferred outflows of resources at September 30, 2018, will be recognized as an expense and will decrease the net investment in capital assets net position over the next ten years.

The business-type activities' unrestricted net position amount of \$(5,514,490) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$103,795 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 \$384,930 balance of the deferred outflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next four years. The \$568,360 balance of the deferred inflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next four years.

(16) Joint Ventures.

The County participates in the following joint venture:

Lauderdale County is a participant with the City of Meridian in a joint venture authorized by Section 57-37-1, Miss. Code Ann. (1972), to operate the East Mississippi Business Development Corporation. The joint venture was created to encourage, foster and facilitate economic development in the County. The board is made up of citizens and corporate members, who are not appointed by the County or the City. The County's appropriation to the joint venture was \$511,766 in fiscal year 2018. Complete financial statements for the East Mississippi Business Development Corporation can be obtained from P.O. Box 790, Meridian, MS 39302.

(17) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Central Mississippi Emergency Medical Services District operates in a district composed of the Counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Lauderdale County Board of Supervisors appoints two of the 26 members of the board. The County provided no financial support in fiscal year 2018.

East Central Mississippi Planning and Development District operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Lauderdale County Board of Supervisors appoints one of the 15 members of the board of directors. The County appropriated \$48,000 for financial support in fiscal year 2018.

East Mississippi Community College operates in a district composed of the counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee and Oktibbeha. The Lauderdale County Board of Supervisors appoints two of the 12 members of the board of directors. The County appropriated \$258,421 for financial support in fiscal year 2018.

LAUDERDALE COUNTY

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

The Multi-County Community Service Agency operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The agency was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Lauderdale County Board of Supervisors appoints three of the 24 members of the board of directors. Most of the funding is derived from federal funds. The County appropriated \$50,000 for financial support in fiscal year 2018.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Lauderdale County Board of Supervisors appoints one of the nine members of the board of directors. The County appropriated \$139,354 for financial support in fiscal year 2018.

Mid-Mississippi Development District operates in a district composed of the counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was created to encourage, foster, and facilitate economic development in member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The County appropriated the minimal financial support in fiscal year 2018.

(18) Tax Abatements.

As of September 30, 2018, Lauderdale County provides tax exempt status to 17 manufacturing companies, one healthcare facility, one data information processors, two distribution centers, and one storage facility subject to the requirements of GASB Statement No. 77. These companies are exempt from real property taxes and personal property taxes except for levies involving the school; the mandatory mill, and community college tax levies. These exemptions are authorized under Sections 27-31-101 and 27-31-105 of the Miss. Code Ann. (1972). These exemptions encourage businesses to locate or expand operations in the County and to create jobs. The amounts of taxes abated during fiscal year 2018 totaled \$459,714.

(19) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Lauderdale County evaluated the activity of the County through April 01, 2020, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2018, the County issued the following debt obligations:

| Issue | Date | Interest Rate | Issue Amount | Type of Financing | Source of Financing |
|------------|------|------------------|--------------|----------------------|------------------------|
| 11/15/2018 | | 2.68% | \$ 460,773 | Capital lease | Ad valorem taxes |
| 06/03/2019 | | 3.11% | 70,606 | Capital lease | Ad valorem taxes |
| 10/28/2019 | | 0.00% | 400,000 | Other loan | Ad valorem taxes |

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LAUDERDALE COUNTY

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LAUDERDALE COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2018
UNAUDITED

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|---------------------|-------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 14,339,026 | 14,566,571 | 14,566,571 | |
| Licenses, commissions and other revenue | 593,260 | 618,567 | 618,567 | |
| Fines and forfeitures | 993,500 | 1,105,630 | 1,105,630 | |
| Intergovernmental revenues | 1,629,300 | 1,679,435 | 1,679,435 | |
| Charges for services | 464,000 | 214,034 | 214,034 | |
| Interest income | 88,000 | 166,698 | 166,698 | |
| Miscellaneous revenues | 889,300 | 917,908 | 917,908 | |
| Total Revenues | <u>18,996,386</u> | <u>19,268,843</u> | <u>19,268,843</u> | <u>0</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 7,897,107 | 7,837,232 | 7,837,232 | |
| Public safety | 9,275,286 | 9,334,080 | 9,334,080 | |
| Health and welfare | 939,209 | 912,725 | 912,725 | |
| Conservation of natural resources | 117,968 | 107,802 | 107,802 | |
| Economic development and assistance | 213,400 | 205,450 | 205,450 | |
| Debt service: | | | | |
| Principal | 434,374 | 434,524 | 434,524 | |
| Total Expenditures | <u>18,877,344</u> | <u>18,831,813</u> | <u>18,831,813</u> | <u>0</u> |
| Excess of Revenues over (under) Expenditures | <u>119,042</u> | <u>437,030</u> | <u>437,030</u> | <u>0</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,028,921 | 1,337,136 | 1,337,136 | |
| Transfers out | (1,147,963) | (1,410,100) | (1,410,100) | |
| Total Other Financing Sources and Uses | <u>(119,042)</u> | <u>(72,964)</u> | <u>(72,964)</u> | <u>0</u> |
| Net Change in Fund Balance | 0 | 364,066 | 364,066 | 0 |
| Fund Balances - Beginning | <u>2,176,527</u> | <u>8,381,082</u> | <u>8,855,012</u> | <u>473,930</u> |
| Fund Balances - Ending | <u>\$ 2,176,527</u> | <u>8,745,148</u> | <u>9,219,078</u> | <u>473,930</u> |

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

LAUDERDALE COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
County Road Maintenance Fund
For the Year Ended September 30, 2018
UNAUDITED

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 1,898,063 | 1,919,567 | 1,919,567 | |
| Road and bridge privilege taxes | 837,500 | 845,655 | 845,655 | |
| Licenses, commissions and other revenue | 400 | 311 | 311 | |
| Intergovernmental revenues | 911,000 | 1,153,719 | 1,153,719 | |
| Interest income | | 17,259 | 17,259 | |
| Miscellaneous revenues | | 14,734 | 14,734 | |
| Total Revenues | <u>3,646,963</u> | <u>3,951,245</u> | <u>3,951,245</u> | <u>0</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | 3,516,634 | 4,118,682 | 4,118,682 | |
| Debt service: | | | | |
| Principal | <u>130,329</u> | <u>51,005</u> | <u>51,005</u> | |
| Total Expenditures | <u>3,646,963</u> | <u>4,169,687</u> | <u>4,169,687</u> | <u>0</u> |
| Excess of Revenues over (under) Expenditures | <u>0</u> | <u>(218,442)</u> | <u>(218,442)</u> | <u>0</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | | 240,390 | 240,390 | |
| Compensation for loss of capital assets | | 49,440 | 49,440 | |
| Transfers in | 41,897 | 20,981 | 20,981 | |
| Transfers out | | (8,849) | (8,849) | |
| Total Other Financing Sources and Uses | <u>41,897</u> | <u>301,962</u> | <u>301,962</u> | <u>0</u> |
| Net Change in Fund Balance | 41,897 | 83,520 | 83,520 | 0 |
| Fund Balances - Beginning | <u>614,466</u> | <u>2,511,421</u> | <u>2,450,442</u> | <u>(60,979)</u> |
| Fund Balances - Ending | <u>\$ 656,363</u> | <u>2,594,941</u> | <u>2,533,962</u> | <u>(60,979)</u> |

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

LAUDERDALE COUNTY
Schedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2018
UNAUDITED

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------|-------------|-------------|-------------|
| County's proportion of the net pension liability (asset) | 0.192181% | 0.182297% | 0.173116% | 0.174217% |
| County's proportionate share of the net pension liability (asset) | \$ 31,965,352 | 30,303,964 | 30,922,849 | 26,930,485 |
| Covered payroll | \$ 12,274,821 | 11,899,557 | 11,461,550 | 11,023,486 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 260.41% | 254.66% | 269.80% | 244.30% |
| Plan fiduciary net position as a percentage of the total pension liability | 62.54% | 61.49% | 57.47% | 61.70% |

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

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

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 1,931,505 | 1,874,890 | 1,805,194 | 1,736,801 |
| Contributions in relation to the contractually required contribution | <u>1,931,505</u> | <u>1,874,890</u> | <u>1,805,194</u> | <u>1,736,801</u> |
| Contribution deficiency (excess) | \$ <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Covered payroll | \$ 12,263,525 | 11,899,557 | 11,461,550 | 11,023,486 |
| Contributions as a percentage of covered payroll | 15.75% | 15.75% | 15.75% | 15.75% |

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

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

LAUDERDALE COUNTY

Schedule of Metro Ambulance's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

For the Year Ended September 30, 2018

UNAUDITED

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|-------------------|------------------|------------------|
| Metro Ambulance's proportion of the net pension liability | 0.04% | 0.04% | 0.04% | 0.04% |
| Metro Ambulance's proportion of the total net position liability | \$ 17,758,464 | 17,266,597 | 16,799,005 | 16,145,834 |
| Metro Ambulance's proportion of the plan net position | <u>10,992,743</u> | <u>10,617,239</u> | <u>9,654,006</u> | <u>9,962,623</u> |
| Metro Ambulance's proportionate share of the net pension liability | <u>\$ 6,765,721</u> | <u>6,649,358</u> | <u>7,144,999</u> | <u>6,183,211</u> |
| Metro Ambulance's covered payroll | 2,597,968 | 2,599,162 | 2,636,089 | 2,656,057 |
| Metro Ambulance's proportionate share of the net pension liability as a percentage of its covered payroll | 260.42% | 255.83% | 271.05% | 232.80% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.90% | 61.49% | 57.47% | 61.70% |

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

LAUDERDALE COUNTY
Schedule of Metro Ambulance's Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2018
UNAUDITED

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 409,180 | 409,368 | 415,184 | 418,329 |
| Contributions in relation to the contractually required contribution | <u>409,180</u> | <u>409,368</u> | <u>415,184</u> | <u>418,329</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Metro Ambulance's covered payroll | \$ 2,597,968 | 2,599,162 | 2,636,089 | 2,656,057 |
| Contributions as a percentage of covered payroll | 15.75% | 15.75% | 15.75% | 15.75% |

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

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

LAUDERDALE COUNTY

Schedule of Lauderdale County Tourism Commission's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

For the Year Ended September 30, 2018

UNAUDITED

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------------|----------------|----------------|----------------|
| Commission's proportion of the net pension liability | 0.0012% | 0.0020% | 0.0022% | 0.0022% |
| Commission's proportion of the total net position liability | \$ 530,312 | 848,222 | 936,125 | 883,177 |
| Commission's proportion of the plan net position | <u>331,631</u> | <u>521,572</u> | <u>537,971</u> | <u>544,928</u> |
| Commission's proportionate share of the net pension liability | <u>\$ 198,681</u> | <u>326,650</u> | <u>398,154</u> | <u>338,249</u> |
| Commission's covered payroll | 148,260 | 128,311 | 147,575 | 138,362 |
| Commission's proportionate share of the net pension liability as a percentage of its covered payroll | 134.01% | 254.58% | 269.80% | 244.47% |
| Plan fiduciary net position as a percentage of the total pension liability | 62.54% | 61.49% | 57.47% | 61.70% |

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

LAUDERDALE COUNTY
Schedule of Lauderdale County Tourism Commission's Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2018
UNAUDITED

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 23,351 | 20,209 | 23,243 | 21,792 |
| Contributions in relation to the contractually required contribution | <u>23,351</u> | <u>20,209</u> | <u>23,243</u> | <u>21,792</u> |
| Contribution deficiency (excess) | \$ <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Lauderdale County Tourism Commission's covered payroll | \$ 148,260 | 128,311 | 147,575 | 138,362 |
| Contributions as a percentage of covered payroll | 15.75% | 15.75% | 15.75% | 15.75% |

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

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

LAUDERDALE COUNTY

Schedule of Meridian-Lauderdale County Public Library's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

For the Year Ended September 30, 2018

UNAUDITED

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|-------------|-------------|-------------|-------------|
| Library's proportion of the net pension liability (asset) | 0.008414% | 0.008510% | 0.006858% | 0.007445% | 0.007552% |
| Library's proportionate share of the net pension liability (asset) | \$ 1,399,498 | 1,414,651 | 1,225,009 | 1,150,850 | 916,675 |
| Library's covered payroll | \$ 518,762 | 563,962 | 459,340 | 459,371 | 456,533 |
| Library's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 269.78% | 250.84% | 266.69% | 250.53% | 200.79% |
| Plan fiduciary net position as a percentage of the total pension liability | 62.54% | 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.

LAUDERDALE COUNTY
Schedule of Meridian-Lauderdale County Public Library's Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2018
UNAUDITED

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 82,393 | 88,824 | 72,346 | 72,351 | 71,904 |
| Contributions in relation to the contractually required contribution | <u>82,393</u> | <u>88,824</u> | <u>72,346</u> | <u>72,351</u> | <u>71,904</u> |
| Contribution deficiency (excess) | \$ <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Library's covered payroll | \$ 518,762 | 563,962 | 459,340 | 459,371 | 456,533 |
| 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.

LAUDERDALE COUNTY

Schedule of Meridian-Lauderdale County Public Library's Proportionate Share of OPEB

Last 10 Fiscal Years*

For the Year Ended September 30, 2018

UNAUDITED

| | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| County's proportion of the net OPEB liability (asset) | 0.014368% | 0.014946% |
| County's proportionate share of the net OPEB liability (asset) | \$ 111,142 | 117,265 |
| Library's covered-employee payroll | \$ 518,762 | 563,962 |
| Library proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 21.42% | 20.79% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.13% | 0.00% |

* The amounts presented for each fiscal year were determined as of the measurement date of 9/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Library has only presented information for the years in which information is available.

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

LAUDERDALE COUNTY
Schedule of Meridian-Lauderdale County Public Library's Contributions - OPEB
Last 10 Fiscal Years*
For the Year Ended September 30, 2018
UNAUDITED

| | <u>2018</u> | <u>2017</u> |
|--|--------------|--------------|
| Contractually required contribution | \$ 4,950 | 4,614 |
| Contributions in relation to the contractually required contribution | <u>4,950</u> | <u>4,614</u> |
| Contribution deficiency (excess) | \$ <u>0</u> | <u>0</u> |
| Library's covered-employee payroll | \$ 518,762 | 563,962 |
| Contributions as a percentage of covered-employee payroll | 0.95% | 0.82% |

* The amounts presented for each fiscal year were determined as of the measurement date of 9/30 of the year prior to the fiscal year presented.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 9/30/2018, and, until a full 10-year trend is compiled, the Library has only presented information for the years in which information is available.

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

LAUDERDALE COUNTY

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

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

| | <u>Governmental Fund Types</u> | |
|--|--------------------------------|---|
| | <u>General Fund</u> | <u>County Road Maintenance Fund</u> |
| Budget (Cash Basis) | \$ 364,066 | 83,520 |
| Increase (Decrease) | | |
| Net adjustments for revenue accruals | 174,861 | 1,932,993 |
| Net adjustments for expenditure accruals | <u>(255,616)</u> | <u>(1,874,066)</u> |
| GAAP Basis | <u>\$ 283,311</u> | <u>142,447</u> |

LAUDERDALE COUNTY

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

Pension Schedules

A. Changes of assumptions.

2015

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

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

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

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

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

2016

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

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumptions 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 6.00% to 7.00%.

B. Changes in benefit provisions.

2016

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

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 |

LAUDERDALE COUNTY

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

| | |
|---------------------------|---|
| 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 |

OPEB Schedules

Component Unit – Meridian-Lauderdale County Public Library

A. *Changes of assumptions.*

2017

The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018

The SEIR was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

B. *Change in benefit provisions.*

2017

None

2018

None

C. *Methods and assumptions used in calculations of Actuarially Determined Contributions.*

The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

| | |
|------------------------|------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level dollar |
| Amortization period | 30 years, open |
| Asset valuation method | Market Value of Assets |
| Price Inflation | 3.00 percent |

LAUDERDALE COUNTY

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

| | |
|--|-------------------------------|
| Salary increases, including wage inflation | 3.25 percent to 18.50 percent |
| Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare | 7.75 percent |
| Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare | 5.00 percent |
| Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare | 2023 |
| Long-term investment rate of return, net of pension plan investment expense, including price inflation | 3.56 percent |

LAUDERDALE COUNTY

OTHER INFORMATION

LAUDERDALE COUNTY

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LAUDERDALE COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2018
UNAUDITED

| Name | Position | Company | Bond |
|-----------------------|----------------------------------|---------------------|-----------|
| Jonathan Wells | Supervisor District 1 | Travelers | \$100,000 |
| Wayman Newell | Supervisor District 2 | State Farm | \$100,000 |
| Josh Todd | Supervisor District 3 | Travelers | \$100,000 |
| Joe Norwood | Supervisor District 4 | Travelers | \$100,000 |
| Kyle Rutledge | Supervisor District 5 | Travelers | \$100,000 |
| Chris Lafferty | County Administrator | Travelers | \$100,000 |
| Carolyn Mooney | Chancery Clerk | EMC Insurance | \$100,000 |
| Tracey Rue | Purchase Clerk | Western Surety | \$75,000 |
| Christy Jackson | Assistant Purchase Clerk | Travelers | \$50,000 |
| Evelyn Cole Ward | Receiving Clerk | EMC Insurance | \$75,000 |
| Blanket Bond | Assistant Receiving Clerks (12) | Travelers | \$50,000 |
| Kim Poe | Inventory Control Clerk | Western Surety | \$75,000 |
| Calvin Rushing Mayatt | Road Manager | Travelers | \$50,000 |
| Ondray Harris | Constable | EMC Insurance | \$50,000 |
| Mike Myers | Constable | EMC Insurance | \$50,000 |
| Tommie Coker | Constable | Liberty Mutual | \$50,000 |
| Lee Roberts | Constable | Liberty Mutual | \$50,000 |
| Chris McFarland | Constable | EMC Insurance | \$50,000 |
| Donna Jill Johnson | Circuit Clerk | EMC Insurance | \$100,000 |
| Deborah Massey | Deputy Circuit Clerk | EMC Insurance | \$50,000 |
| Blanket Bond | Deputy Circuit Clerks (5) | EMC Insurance | \$50,000 |
| William Sollie | Sheriff | EMC Insurance | \$100,000 |
| Blanket Bond | Sheriff's Deputies (8) | EMC Insurance | \$50,000 |
| Ondray Harris | Justice Court Judge | Old Republic Surety | \$50,000 |
| Melvin Robinson | Justice Court Judge | EMC Insurance | \$50,000 |
| Gerald Thompson | Justice Court Judge | EMC Insurance | \$50,000 |
| Darrell Theall | Justice Court Judge | EMC Insurance | \$50,000 |
| Richard Roberts | Justice Court Judge | Western Surety | \$50,000 |
| Nikita McFarland | Deputy Justice Court Clerk | Western Surety | \$50,000 |
| Linda Jernigan | Deputy Justice Court Clerk | Travelers | \$100,000 |
| Loretta Webb | Deputy Justice Court Clerk | Ohio Casualty | \$100,000 |
| Blanket Bond | Deputy Justice Court Clerks (11) | Travelers | \$50,000 |
| Doris Spidle | Tax Collector | EMC Insurance | \$100,000 |
| James Rainey | Tax Assessor | RLI Insurance | \$100,000 |
| Blanket Bond | Deputy Tax Assessors (10) | EMC Insurance | \$10,000 |
| Blanket Bond | Deputy Tax Collectors (10) | EMC Insurance | \$100,000 |

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

SPECIAL REPORTS

LAUDERDALE COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

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

Members of the Board of Supervisors
Lauderdale County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lauderdale County, Mississippi (the County), as of and for the year ended September 30, 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 April 01, 2020.

Our report includes a reference to other auditors. Other auditors audited the financial statements of Metro Ambulance Enterprise Fund, the Lauderdale County Tourism Commission, and the Meridian-Lauderdale County Public Library, as described in our report on Lauderdale County, Mississippi's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting on compliance and other matters that are reported on separately by each auditor. The financial statements of Lauderdale County Tourism Commission, which were audited by other auditors, upon whose report we are relying were audited in accordance with auditing standards generally accepted in the United States of America but not in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Lauderdale County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Lauderdale County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated April 01, 2020, included within this document.

Lauderdale County's Response to the Finding

Lauderdale County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Lauderdale 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Joe E. Myknight". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

April 01, 2020



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

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

Members of the Board of Supervisors
Lauderdale County, Mississippi

We have examined Lauderdale County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2018. The Board of Supervisors of Lauderdale County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

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

Purchase Clerk.

1. Purchase Clerk salary should be appropriated and paid from the General Fund.

Repeat Finding No

Criteria It is the Office of the State Auditor's opinion, that state law does not give the Board of Supervisors' the authority to pay a Purchase Clerk from any other fund than the General Fund.

Condition During our audit, it was noted that the Purchase Clerk is being paid from both the General Fund and the County Road Maintenance Fund.

| | |
|---|--|
| Cause | The County lacked the controls necessary to ensure the Purchase Clerk's salary was paid only from the General Fund. |
| Effect | Failure to pay all of the Purchase Clerk's salary from the General Fund may cause a misappropriation of county road maintenance funds. |
| Recommendation | The County should only pay the Purchase Clerk's salary from the General Fund. |
| Views of Responsible Official(s) | We will correct this for FY19 forward. |

Assistant Purchase Clerk.

2. The Assistant Purchase Clerk should be bonded as required by state statute.

Repeat Finding No

Criteria Section 31-7-124, Miss. Code Ann. (1972), requires each Assistant Purchase Clerk to execute a bond in a penalty not less than \$50,000 to be payable, conditioned and approved as provided by law. In addition, Section 25-1-15(2), requires a new bond every four years concurrent with the normal election cycle of the County for all public employees required to give individual bond.

Condition The Assistant Purchase Clerk was bonded for an indefinite time period for the fiscal year 2018.

Cause The County did not comply with state laws.

Effect Failure to comply with state statutes would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation The County should cancel the indefinite bond and a new bond with an expiration date should be issued for the Assistant Purchase Clerk, as required by law.

Views of Responsible Official(s) Management will review and correct in FY20.

Receiving Clerk.

3. The Receiving Clerk should be bonded as required by state statute.

Repeat Finding No

Criteria Section 31-7-124, Miss. Code Ann. (1972), requires each Receiving Clerk to execute a bond for \$75,000 to be payable, conditioned and approved as provided by law. In addition, Section 25-1-15(2), requires a new bond every four years concurrent with the normal election cycle of the County for all public employees required to give individual bond.

Condition The Receiving Clerk was bonded for an indefinite time period for the fiscal year 2018.

Cause The County did not comply with state laws.

Effect Failure to comply with state statutes would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation The County should cancel the indefinite bond and a new bond with an expiration date be issued for the Receiving Clerk, as required by law.

Views of Responsible Official(s) Management will review and correct in FY20.

Assistant Receiving Clerks.

| | |
|---|--|
| 4. | <u>Assistant Receiving Clerks should be bonded individually.</u> |
| Repeat Finding | Yes |
| Criteria | Section 31-7-124, Miss. Code Ann. (1972), requires each Assistant Receiving Clerk to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. |
| Condition | As reported in the prior four years' audit reports, the Assistant Receiving Clerks were issued under a blanket bond rather than individual bonds. |
| Cause | The County did not comply with state laws. |
| Effect | Failure to issue individual bonds for each Assistant Receiving Clerk could result in the loss or misappropriation of public funds. |
| Recommendation | The Assistant Receiving Clerks' blanket bond should be cancelled, and a new bond should be issued for each clerk. |
| Views of Responsible Official(s) | Management will review and correct in FY20. |

Inventory Control Clerk.

| | |
|---|--|
| 5. | <u>Inadequate controls over the inventory control system.</u> |
| Repeat Finding | No |
| Criteria | Section 31-7-107, Miss. Code Ann. (1972), requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, cost, 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. |
| Condition | The following deficiencies were noted in the capital asset records: <ul style="list-style-type: none">a. Two assets could not be located.b. One asset was donated to MCC but was not removed from the County inventory list.c. We also noted several instances of County equipment where we could not locate the asset inventory tag. |
| Cause | The Inventory Control Clerk failed to properly maintain adequate controls over the inventory control system. |
| Effect | The failure to properly maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss of misappropriation of public funds. |
| Recommendation | The Inventory Control Clerk should implement appropriate control procedures to ensure that all items are recorded and tagged properly in the County's capital asset records. The information listed in the County's capital asset records should be reconciled by all involved department heads through an annual inventory to ensure records are accurate and complete. |
| Views of Responsible Official(s) | <ul style="list-style-type: none">a. I mislabeled. This has been corrected.b. Sold per sheriff. |

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Lauderdale County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2018.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination and, in our opinion, is fairly presented in relation to that examination.

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

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

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 01, 2020

LAUDERDALE COUNTY

Schedule 1Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2018

| <u>Date</u> | <u>Item Purchased</u> | <u>Bid Accepted</u> | <u>Vendor</u> | <u>Lowest Bid</u> | <u>Reason for Accepting Other Than the Lowest Bid</u> |
|-------------|--------------------------------------|---------------------|-------------------------|-------------------|---|
| 11/06/2017 | Micro surfacing | 2.61/sq yd | Vance Brothers | 2.55/sq yd | The Vance Brothers provided the best bid due to historical job performance. |
| 11/06/2017 | Micro surfacing | 2.41/sq yd | Vance Brothers | 2.38/sq yd | The Vance Brothers provided the best bid due to historical job performance. |
| 11/06/2017 | Micro surfacing | 2.38/sq yd | Vance Brothers | 2.27/sq yd | The Vance Brothers provided the best bid due to historical job performance. |
| 12/04/2017 | Construct metal building w/ skirting | 22,100 | W.E. Adams Construction | 21,500 | W.E. Adams provided the best quote due to performance and quality of work verified by references which resulted in a longer life cycle. |
| 01/02/2018 | Tandem axle dump trucks | 135,055 | Tri-State Center | 124,205 | Tri-State Center quoted for 36 monthly payments with a guaranteed buyback that was much higher than other bidders. |

LAUDERDALE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2018

Schedule 2

| <u>Date</u> | <u>Item Purchased</u> | <u>Amount Paid</u> | <u>Vendor</u> | <u>Reason for Emergency Purchase</u> |
|-------------|--|--------------------|----------------------|--|
| 11/06/2017 | Elevator drive | \$ 33,925 | Kone, Inc. | To replace an obsolete elevator in the Courthouse. The elevator was inoperable until the drive was replaced. |
| 02/27/2018 | Tower Automotive roof repair | 46,900 | Daniels Roofing | Roof leaking from rain. Leaks over equipment that support the housing industry. |
| 04/02/2018 | Timber Pile repair | 23,000 | Grant Blakeney, LLC | Federal Highway Administration mandated that 4 bridges be closed due to deteriorated timber piling. |
| 04/23/2018 | Sheriff Dept. window repair | 12,350 | C&C Carpentry, LLC | Window damaged due to storm on April 14, 2018. |
| 06/18/2018 | Veteran Services roof repair | 750 | Norman Roofing, Inc. | Roof damages due to excess wind and rain. |
| 07/16/2018 | Leroy Naylor Road repair and asphalt | 12,276 | Apac Miss., Inc. | Road needed repairing. |
| 08/20/2018 | Dept. of Human Services HVAC replacement | 56,614 | The Service Co. | HVAC chiller unit needed replacing due to system failure. |

LAUDERDALE COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2018

| <u>Date</u> | <u>Item Purchased</u> | | <u>Amount Paid</u> | <u>Vendor</u> |
|-------------|---|----|------------------------|------------------------------|
| 10/16/2017 | Head rest mounted printers for 21 patrol vehicles | \$ | 12,789 | Pinnacle Network, LLC |
| 11/14/2017 | Self-contained breathing apparatus | | 502,005 | Sunbelt Fire Apparatus, Inc. |
| 5/2/2018 | Taser conducted electrical weapons | | 9,126 | Axon Enterprise, Inc. |
| 6/6/2018 | LogMein remote software | | 15,000 | LogMein USA, Inc. |

LAUDERDALE COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lauderdale County, Mississippi

In planning and performing our audit of the financial statements of Lauderdale County, Mississippi for the year ended September 30, 2018, we considered Lauderdale County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lauderdale County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated April 01, 2020, on the financial statements of Lauderdale County, Mississippi.

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

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

Board of Supervisors.

1. County Administrator should be bonded as required by state statute.

Repeat Finding No

Criteria Section 19-4-9, Miss. Code Ann. (1972), requires the County Administrator to execute a bond in which the amount should be 3% of the sum of all the state and county taxes (not including motor vehicle tax collections) shown by the assessment rolls and levies to have been collectible in the County for the year immediately preceding the commencement of the term of office, not to exceed \$100,000. In addition, Section 25-1-15(2), requires a new bond every four years concurrent with the normal election cycle of the County for all public employees required to give individual bond.

Condition The County Administrator was bonded for an indefinite time period for the fiscal year 2018.

Cause The County did not comply with state laws.

| | |
|---|--|
| Effect | Failure to comply with state statutes would limit the amount available for recovery if a loss occurred over multiple terms. |
| Recommendation | The County should cancel the indefinite bond and a new bond with an expiration date should be issued for the County Administrator, as required by law. |
| Views of Responsible Official(s) | Management will review and correct in FY20. |

Board of Supervisors and Tax Collector.

| | |
|---|--|
| 2. | <u>Deputy Tax Collectors should be bonded individually.</u> |
| Repeat Finding | Yes |
| Criteria | Section 27-1-9(a), Miss. Code Ann. (1972), requires each Deputy Tax Collector to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. |
| Condition | As reported in the prior four years' audit reports, the Deputy Tax Collectors were issued under a blanket bond rather than individual bonds. |
| Cause | The County did not comply with state laws. |
| Effect | Failure to issue individual bonds for each Deputy Tax Collector could result in the loss or misappropriation of public funds. |
| Recommendation | The Deputy Tax Collectors' blanket bond should be cancelled, and a new bond should be issued for each clerk, as required by law. |
| Views of Responsible Official(s) | Management will review and correct in FY20. |

Board of Supervisors and Tax Assessor.

| | |
|---|--|
| 3. | <u>Deputy Tax Assessors should be bonded individually.</u> |
| Repeat Finding | Yes |
| Criteria | Section 27-1-3, Miss. Code Ann. (1972), requires each Deputy Tax Assessor to execute a bond for \$10,000 to be payable, conditioned and approved as provided by law. |
| Condition | As reported in the prior four years' audit reports, the Deputy Tax Assessors were issued under a blanket bond rather than individual bonds. |
| Cause | The County did not comply with state laws. |
| Effect | Failure to issue individual bonds for each Deputy Tax Assessor could result in the loss or misappropriation of public funds. |
| Recommendation | The Deputy Tax Assessors' blanket bond should be cancelled, and a new bond should be issued for each clerk, as required by law. |
| Views of Responsible Official(s) | Management will review and correct in FY20. |

Board of Supervisors and Justice Court Clerk.

| | |
|---|---|
| 4. | <u>Justice Court Clerk should be bonded as required by state statute.</u> |
| Repeat Finding | No |
| Criteria | Section 9-11-29(2), Miss. Code Ann. (1972), requires the Justice Court Clerk to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. |
| Condition | The Justice Court Clerk was not issued a bond. |
| Cause | The County did not comply with state laws. |
| Effect | Failure to issue a bond for Justice Court Clerk could result in the loss or misappropriation of public funds. |
| Recommendation | The Justice Court Clerk should be bonded. |
| Views of Responsible Official(s) | Management will review and correct in FY20. |
| 5. | <u>Deputy Justice Court Clerks should be bonded individually.</u> |
| Repeat Finding | Yes |
| Criteria | Section 9-11-29(2), Miss. Code Ann. (1972), requires every person appointed as clerk and deputy clerk of the Justice Court to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. |
| Condition | As reported in the prior four years' audit reports, the Deputy Justice Court Clerks were issued under a blanket bond rather than individual bonds. |
| Cause | The County did not comply with state laws. |
| Effect | Failure to issue individual bonds for each Deputy Justice Court Clerk could result in the loss or misappropriation of public funds. |
| Recommendation | The Deputy Justice Court Clerks' blanket bond should be cancelled, and a new bond should be issued for each clerk, as required by law. |
| Views of Responsible Official(s) | Management will review and correct in FY20. |

Board of Supervisors and Deputy Circuit Clerks.

| | |
|-----------------------|--|
| 6. | <u>Deputy Circuit Clerks should be bonded individually.</u> |
| Repeat Finding | Yes |
| Criteria | Section 9-7-123(2), Miss. Code Ann. (1972), requires each deputy clerk of the Circuit Court to execute a bond for not less than \$50,000 nor more than \$100,000 to be payable, conditioned and approved as provided by law. |
| Condition | As reported in the prior four years' audit reports, the Deputy Circuit Clerks were issued under a blanket bond rather than individual bonds. |
| Cause | The County did not comply with state laws. |

| | |
|-----------------------|--|
| Effect | Failure to issue individual bonds for each Deputy Circuit Clerk could result in the loss or misappropriation of public funds. |
| Recommendation | The Deputy Circuit Clerks' blanket bond should be cancelled, and a new bond should be issued for each clerk, as required by law. |

Views of Responsible Official(s) Management will review and correct in FY20.

Chancery Clerk.

7. Land Redemption collections are not being deposited immediately.

Repeat Finding No

Criteria Section 27-45-5, Miss. Code Ann. (1972), requires the Chancery Clerk of each county in the state to immediately deposit in the county depository of his or her county all sums of money paid to him or her by any person for the redemption of land sold for taxes in his or her county.

Condition During our test work, it was noted that some land redemption payments were not deposited immediately.

Cause The Chancery Clerk did not comply with state laws.

Effect Failure to immediately deposit land redemption payments could cause loss or misappropriation of those funds.

Recommendation The Chancery Clerk should immediately deposit all land redemption funds.

Views of Responsible Official(s) I respectfully disagree with this finding. I deposit redemption payments every day and twice a day as needed. All deposits are made in a timely manner.

Auditor's Note During our test work we noted deposits that were not deposited on a daily basis.

Circuit Clerk.

8. The Circuit Clerk's office should make timely deposits and settlements, and reconcile the bank statements to the cash journal.

Repeat Finding No

Criteria An effective system of internal control over cash should include strong financial accountability and safeguarding of assets and revenue.

Condition During our audit procedures, we noted the following weaknesses:

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

Cause This weakness is due to inadequate internal controls surrounding the collection, depositing, and recording of revenue in the Circuit Clerk's office.

Effect The failure to develop adequate internal controls in the Circuit Clerk's office regarding the collection, disbursing, and recording of funds could result in the misappropriation of public funds.

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

Views of Responsible Official(s)

- a. Will deposit daily.
- b. Will comply. County Court garnishments will now go directly to the attorney.

Sheriff.

9. Sheriff's Office should make timely deposits and settlements.

Repeat Finding No

Criteria An effective system of internal control over cash should include the depositing of all receipts in a timely manner.

Condition During our testwork, we noted process receipts were not deposited timely.

Cause This weakness is due to inadequate internal controls surrounding the collection, depositing, and recording of revenue collected in the Sheriff's Office.

Effect The failure to develop adequate internal controls in the Sheriff's Office regarding the collection, disbursing, and recording of funds could result in the misappropriation of public funds.

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

Views of Responsible Official(s)

This will be addressed and fixed

Tax Collector.

10. A separate bank account should be maintained for garbage fee collection.

Repeat Finding No

Criteria An effective system of internal control should include the separate accounting of garbage fee collections. A separate bank account should be used to account for all garbage fee collections and a separate reconciliation should be prepared for the garbage account.

Condition We noted that solid waste user fees were being combined into the Tax Collector bank account with all of the tax collections.

Cause This was caused by an oversight in the Tax Collector's office.

Effect Failure to separate the account of the garbage user fees could result in the loss or misappropriation of public funds.

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

Views of Responsible Official(s)

Beginning October 1, 2019, the Lauderdale County Tax Collector will begin depositing all garbage fee collections into a separate account for garbage fund only.

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

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

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style with a large initial "J" and "M".

JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 01, 2020

LAUDERDALE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

LAUDERDALE COUNTY

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LAUDERDALE COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Section 2: Financial Statement Finding

Board of Supervisors.

Material Weakness

| | |
|---|--|
| 2018-001. | <u>Written agreements should be maintained with self-insurance plan administrator and brokerage firm.</u> |
| Repeat Finding | No |
| Criteria | An effective system of internal control over self-insurance should include a written agreement with the self-funded insurance plan administrator and insurance brokerage firm. |
| Condition | During our audit, it was noted that the County is using a different self-funded insurance administrator than what was approved in the minutes of the Board of Supervisors. Also, the County only holds a verbal agreement with the brokerage firm for the self-funded insurance administrator. |
| Cause | The County failed to provide a written agreement with the approved plan administrator and brokerage firm. |
| Effect | Without proper internal controls over self-insurance, the County could be held liable for unauthorized claim amounts, which could cause a loss or misappropriation of public funds. |
| Recommendation | The County should have written agreements with their self-funded insurance plan administrator and insurance brokerage firm that discloses all responsibilities of the County, the plan administrator and the brokerage firm. |
| Views of Responsible Official(s) | We will get these agreements as soon as possible. |