

LAWRENCE COUNTY, MISSISSIPPI

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

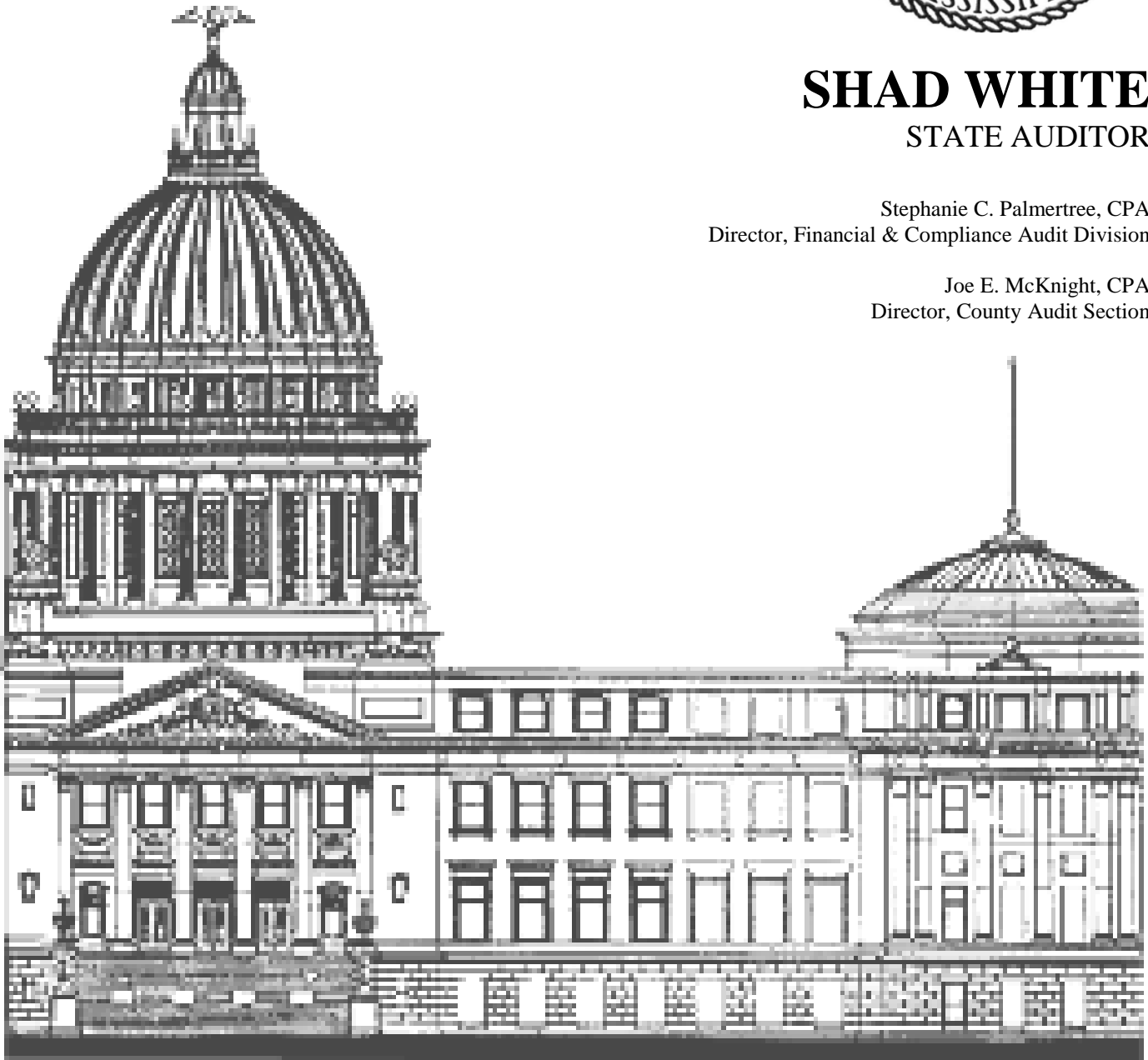


SHAD WHITE

STATE AUDITOR

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

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



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

Shad White
AUDITOR

August 25, 2020

Members of the Board of Supervisors
Lawrence County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2018 financial and compliance audit report for Lawrence 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 Lawrence County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Lawrence 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", is written over a horizontal line.

Shad White

LAWRENCE COUNTY

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LAWRENCE COUNTY

FINANCIAL SECTION

LAWRENCE 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
Lawrence County, Mississippi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting, as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles applicable to the County's cash basis of accounting require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the cash basis assets, net position, receipts, and disbursements of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the cash basis financial position of the aggregate discretely presented component units of Lawrence County, Mississippi, as of September 30, 2018, or the changes in cash basis financial position thereof for the year then ended in accordance with accounting principles applicable to the County's cash basis of accounting.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County, Mississippi, as of September 30, 2018, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that Lawrence County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplementary and Other Information

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

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

The Budgetary Comparison Schedule, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2020 on our consideration of Lawrence 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 Lawrence 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 Lawrence County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

August 25, 2020

LAWRENCE COUNTY

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LAWRENCE COUNTY

FINANCIAL STATEMENTS

LAWRENCE COUNTY

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LAWRENCE COUNTY
Statement of Net Position - Cash Basis
September 30, 2018

Exhibit 1

	Primary Government
	Governmental
	Activities
ASSETS	
Cash	9,353,816
Total Assets	\$ 9,353,816
NET POSITION	
Restricted:	
Expendable:	
General government	496,992
Public safety	870,499
Public works	3,898,698
Health and welfare	80,101
Culture and recreation	1,803
Economic development and assistance	25,107
Debt service	572,349
Unemployment compensation	12,408
Unrestricted	3,395,859
Total Net Position	\$ 9,353,816

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

LAWRENCE COUNTY
Statement of Activities - Cash Basis
For the Year Ended September 30, 2018

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,807,336	200,519	17,383		(2,589,434)
Public safety	2,193,323	238,320	109,488		(1,845,515)
Public works	3,593,298	258,740	527,412	120,329	(2,686,817)
Health and welfare	239,458		10,231		(229,227)
Culture and recreation	18,354				(18,354)
Education	259,897				(259,897)
Conservation of natural resources	76,921				(76,921)
Economic development and assistance	178,559				(178,559)
Debt service:					
Principal	500,599				(500,599)
Interest	42,201				(42,201)
Total Governmental Activities	\$ 9,909,946	697,579	664,514	120,329	(8,427,524)
General receipts:					
Property taxes				\$ 6,498,458	
Road & bridge privilege taxes				192,523	
Grants and contributions not restricted to specific programs				517,062	
Unrestricted interest income				135,598	
Miscellaneous				358,224	
Proceeds from debt issuance				2,655,500	
Sale of county property				3,001	
Premiums on bonds issued				5,662	
Compensation for loss of county property				11,258	
Total General Receipts and Other Cash Sources				10,377,286	
Changes in Net Position					1,949,762
Net Position - Beginning					7,404,054
Net Position - Ending				\$	9,353,816

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

LAWRENCE COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2018

Exhibit 3

	<u>Major Funds</u>			
	General	Special Capital	Other	Total
	Fund	Projects	Governmental	Governmental
	Fund	Fund	Funds	Funds
ASSETS				
Cash	\$ 3,395,859	1,293,315	4,664,642	9,353,816
Total Assets	<u>3,395,859</u>	<u>1,293,315</u>	<u>4,664,642</u>	<u>9,353,816</u>
FUND BALANCES				
Restricted for:				
General government			496,992	496,992
Public safety			870,499	870,499
Public works		1,293,315	2,605,383	3,898,698
Health and welfare			80,101	80,101
Culture and recreation			1,803	1,803
Economic development and assistance			25,107	25,107
Debt service			572,349	572,349
Unemployment compensation			12,408	12,408
Assigned to:				
Health and welfare	190,595			190,595
Economic development and assistance	1,255			1,255
Unassigned	<u>3,204,009</u>			<u>3,204,009</u>
Total Fund Balances	<u>\$ 3,395,859</u>	<u>1,293,315</u>	<u>4,664,642</u>	<u>9,353,816</u>

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

LAWRENCE COUNTY

Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
Governmental Funds
For the Year Ended September 30, 2018

	Major Funds		Other	Total
	General	Special Capital	Governmental	Governmental
	Fund	Projects	Funds	Funds
	Fund	Fund	Funds	Funds
RECEIPTS				
Property taxes	\$ 4,344,212		2,154,246	6,498,458
Road and bridge privilege taxes			192,523	192,523
Licenses, commissions and other receipts	104,829		3,404	108,233
Fines and forfeitures	99,515		3,289	102,804
Intergovernmental receipts	593,665		708,240	1,301,905
Charges for services	103,005	242,692	140,845	486,542
Interest income	65,571	32,897	37,130	135,598
Miscellaneous receipts	126,395		231,829	358,224
Total Receipts	5,437,192	275,589	3,471,506	9,184,287
DISBURSEMENTS				
General government	2,762,456		44,880	2,807,336
Public safety	1,979,222		214,101	2,193,323
Public works		993,472	2,599,826	3,593,298
Health and welfare	239,458			239,458
Culture and recreation			18,354	18,354
Education	259,897			259,897
Conservation of natural resources	76,921			76,921
Economic development and assistance	178,559			178,559
Debt service:				
Principal	39,942		460,657	500,599
Interest	1,686		40,515	42,201
Total Disbursements	5,538,141	993,472	3,378,333	9,909,946
Excess (Deficiency) of Receipts over (under) Disbursements	(100,949)	(717,883)	93,173	(725,659)
OTHER CASH SOURCES (USES)				
Proceeds from long-term debt issuance	605,500	2,000,000	50,000	2,655,500
Sale of county property			3,001	3,001
Premiums on bonds issued		5,662		5,662
Compensation for loss of county property	11,258			11,258
Transfers in		605,500	710,601	1,316,101
Transfers out	(648,748)	(600,000)	(67,353)	(1,316,101)
Total Other Cash Sources and Uses	(31,990)	2,011,162	696,249	2,675,421
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	(132,939)	1,293,279	789,422	1,949,762
Cash Basis Fund Balances - Beginning	3,528,798	36	3,875,220	7,404,054
Cash Basis Fund Balances - Ending	\$ 3,395,859	1,293,315	4,664,642	9,353,816

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

LAWRENCE COUNTY
Statement of Fiduciary Assets and Liabilities - Cash Basis
September 30, 2018

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 365,480
Total Assets	\$ 365,480
LIABILITIES	
Amounts held in custody for others	\$ 365,480
Total Liabilities	\$ 365,480

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

LAWRENCE COUNTY

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LAWRENCE COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lawrence 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. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Lawrence County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

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

- Lawrence County Economic Development District
- Lawrence County Human Resource Agency

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

LAWRENCE COUNTY

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

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, fund balances, receipts and disbursements. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

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.

Special Capital Projects Fund - This fund is used to account for monies from specific sources that are restricted for constructing, reconstructing, and repairing roads, highways and bridges.

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 cash sources that are restricted or committed to disbursement 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 disbursement 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 disbursement for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classification 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.

LAWRENCE COUNTY

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

E. Deposits.

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).

F. Equity Classifications.

Government-wide Financial Statements:

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

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."

Net Position Flow Assumption:

When a disbursement is paid 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 disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

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

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

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

Assigned fund balance includes amounts that are constrained by the County's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Supervisors pursuant to authorization established by Section 19-3-59, Miss. Code Ann. (1972).

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 disbursements paid for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

LAWRENCE COUNTY

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

Fund Balance Flow Assumption:

When a disbursement is paid 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 disbursements are paid 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.

G. Property Tax Receipts.

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. All property taxes are recognized as receipts when collected.

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$9,719,296 and the bank balance was \$9,852,706. 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.

(3) Interfund Transfers.

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

Transfers In/Out:

Transfers In	Transfers Out	Amount
Special Capital Projects Fund	General Fund	\$ 605,500
Other Governmental Funds	General Fund	43,248
Other Governmental Funds	Special Capital Projects Fund	600,000
Other Governmental Funds	Other Governmental Funds	67,353
Total		\$ 1,316,101

LAWRENCE COUNTY

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

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

(4) 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.

(5) Operating Leases.

As Lessee:

On April 4, 2016, Lawrence County entered into a non-cancellable operating lease agreement with Mullins Properties, LLC for the lease of land and a building owned by Mullins Properties, LLC for use as the Mississippi State University Extension Service's office. The operating lease stipulated that the lessee would pay approximately \$1,500 per month in lease payments commencing April 4, 2016 for a term of three (3) years.

The County has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$19,500 for the year ended September 30, 2018. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2019	\$ <u>9,000</u>

(6) 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 disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

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.

(7) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Lawrence County Board of Supervisors appoints two of the 27 members of the college board of trustees. The County contributed \$449,521 for maintenance and support of the college in fiscal year 2018.

LAWRENCE COUNTY

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

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lawrence County Board of Supervisors appoints four of the 40 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County contributed \$27,360 for support of the district in fiscal year 2018.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall, and Wilkinson. The Lawrence County Board of Supervisors appoints one of the ten members of the board of commissioners. The County contributed \$22,500 for support in fiscal year 2018.

Southwest Mississippi Partnership operates in district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the County's Board of Supervisors. The members provide only modest financial support to the entity.

(8) Defined Benefit Pension Plan.

Plan Description. Lawrence 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.

Funding Policy. 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 rate at September 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members 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 \$450,967, \$454,130 and \$414,780, respectively, equal to the required contributions for each year.

(9) Tax Abatements.

As of September 30, 2018, Lawrence County provides tax exempt status to two manufacturing companies subject to the requirements of GASB Statement No. 77. These manufacturing companies are exempt from real property taxes and personal property taxes except for levies involving the school, mandatory mill, and the 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 amount of taxes abated fiscal year 2018 totaled \$635,912.

LAWRENCE COUNTY

SUPPLEMENTARY INFORMATION

LAWRENCE COUNTY
Schedule of Operating Costs of Solid Waste
For the Year Ended September 30, 2018

Operating Disbursements, Cash Basis:

Salaries	\$	333,943
Expendable Commodities:		
Gasoline and petroleum products		1,212
Repair parts		53,055
Capital outlay		25,000
Maintenance		1,041
Contractual services		149,600
Supplies		<u>53</u>
Solid Waste Operating Costs Disbursements	\$	<u><u>563,904</u></u>

LAWRENCE COUNTY

OTHER INFORMATION

LAWRENCE COUNTY

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LAWRENCE 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)
RECEIPTS				
Property taxes	\$ 4,342,680	4,344,212	4,344,212	
Licenses, commissions and other receipts	150,000	104,829	104,829	
Fines and forfeitures	85,000	99,515	99,515	
Intergovernmental receipts	525,600	593,665	593,665	
Charges for services	25,000	103,005	103,005	
Interest income	2,350	135,063	65,571	(69,492)
Miscellaneous receipts	45,000	126,370	126,395	25
Total Receipts	<u>5,175,630</u>	<u>5,506,659</u>	<u>5,437,192</u>	<u>(69,467)</u>
DISBURSEMENTS				
Current:				
General government	2,695,625	2,762,456	2,762,456	
Public safety	1,852,358	1,979,222	1,979,222	
Health and welfare	287,897	239,458	239,458	
Education	270,000	259,897	259,897	
Conservation of natural resources	81,107	76,921	76,921	
Economic development and assistance	203,360	178,559	178,559	
Debt service:				
Principal		39,942	39,942	
Interest		1,686	1,686	
Total Disbursements	<u>5,390,347</u>	<u>5,538,141</u>	<u>5,538,141</u>	<u>0</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(214,717)</u>	<u>(31,482)</u>	<u>(100,949)</u>	<u>(69,467)</u>
OTHER CASH SOURCES (USES)				
Proceeds from debt		605,500	605,500	
Compensation for loss of county property		11,258	11,258	
Transfers out		(648,748)	(648,748)	
Other financing sources	65,000			
Other financing uses	26,891			
Total Other Cash Sources and Uses	<u>91,891</u>	<u>(31,990)</u>	<u>(31,990)</u>	<u>0</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>(122,826)</u>	<u>(63,472)</u>	<u>(132,939)</u>	<u>(69,467)</u>
Cash Basis Fund Balances - Beginning	<u>2,895,879</u>	<u>3,528,798</u>	<u>3,528,798</u>	<u>0</u>
Cash Basis Fund Balances - Ending	<u>\$ 2,773,053</u>	<u>3,465,326</u>	<u>3,395,859</u>	<u>(69,467)</u>

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

LAWRENCE COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2018
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments *	Balance Sept. 30, 2018
Land	\$ 571,666				571,666
Construction in progress		1,022,390			1,022,390
Infrastructure	100,243,372				100,243,372
Buildings	7,365,626	160,000			7,525,626
Improvements other than buildings	754,408				754,408
Mobile equipment	7,593,927		88,598	197,158	7,702,487
Furniture and equipment	1,188,787	39,265			1,228,052
Leased property under capital leases	1,164,502	270,186		(197,158)	1,237,530
Total capital assets	\$ 118,882,288	1,491,841	88,598	0	120,285,531

* Adjustments are for the reclassification of paid-off leases to mobile equipment.

LAWRENCE COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2018
UNAUDITED

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

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2017	Issued	Principal Payments	Balance Sept. 30, 2018
Governmental Activities:							
A. General Obligation Bonds:							
Series 2010 hospital sprinkler system bonds	09/2010	09/2025	3.25/4.50%	\$ 550,000		60,000	490,000
GO Bonds, Series 2018 (Road and Bridge)	02/2018	08/2037	3.00/4.00%		2,000,000		2,000,000
B. Capital Leases:							
(2) 4300 dump trucks with dump bodies	11/2012	11/2017	1.81%	5,259		5,259	
Dump truck	10/2013	10/2018	2.11%	17,450		14,010	3,440
2013 Dodge Ram 1500	11/2013	11/2018	2.19%	6,530		5,587	943
District 3 - (2) John Deere tractors	09/2014	09/2019	2.05%	43,268		21,412	21,856
District 5 - John Deere tractor	09/2014	09/2018	1.97%	11,862		11,862	
2014 Dodge Ram 1500	12/2014	12/2019	2.16%	14,001		6,139	7,862
District 3 - 2015 Freightliner	12/2014	12/2019	2.29%	42,350		18,552	23,798
(3) Dodge Chargers and (1) Dodge Ram	10/2015	09/2020	1.85%	86,238		28,216	58,022
(2) International dump trucks	10/2015	10/2020	2.27%	94,412		29,825	64,587
District 2 - 2015 Freightliner	11/2015	11/2019	1.93%	43,124		19,679	23,445
District 4 - John Deere tractor	06/2016	06/2021	1.89%	46,406		12,055	34,351
District 3 - Kubota tractor	10/2016	10/2021	2.07%	45,306		10,744	34,562
District 4 - CAT excavator	04/2017	04/2022	1.60%	117,210		24,845	92,365
District 4 - John Deere tractor	09/2017	09/2021	2.14%	61,202		14,813	46,389
District 5 - Dump truck	04/2018	04/2022	2.54%		50,000	4,975	45,025

LAWRENCE COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2018
UNAUDITED

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

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2017	Issued	Principal Payments	Balance Sept. 30, 2018
Governmental Activities:							
C. Other Loans:							
CAP loan	05/2002	11/2017	2.00%	7,330		7,330	
District 2 fire truck loan	02/2010	02/2020	3.00%	27,656		11,603	16,053
District 3 fire truck loans	03/2010	03/2020	3.00%	38,385		16,443	21,942
Fire hydrant improvement loan	01/2013	01/2018	2.95%	10,000		10,000	
Fire hydrant improvement loan	08/2013	08/2018	3.50%	8,000		8,000	
Road and bridge construction loan	08/2013	08/2018	2.12%	100,000		100,000	
CAP loan - fire truck	03/2015	04/2021	2.00%	218,112		59,250	158,862
Road construction loan	11/2017	11/2022	1.94%		605,500		605,500
Total				\$ 1,594,101	2,655,500	500,599	3,749,002

The accompanying notes to the Other Information are an integral part of this statement.

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

Name	Position	Company	Bond
Steve Garrett	Supervisor District 1	Western Surety Company	\$100,000
Billy Joe Boutwell	Supervisor District 2	Western Surety Company	\$100,000
Jerry Wayne Smithie	Supervisor District 3	Western Surety Company	\$100,000
Stanley Stephens	Supervisor District 4	Western Surety Company	\$100,000
Archie C. Ross	Supervisor District 5	Western Surety Company	\$100,000
Kevin Ray born	Chancery Clerk	Western Surety Company	\$100,000
Heather Malone	Purchase Clerk	Western Surety Company	\$75,000
Kevin Ray born	Assistant Purchase Clerk	Western Surety Company	\$75,000
Jennifer D. Fields	Receiving Clerk	Western Surety Company	\$75,000
Mike Fuller	Assistant Receiving Clerk	Western Surety Company	\$50,000
Jason Lea	Assistant Receiving Clerk	Western Surety Company	\$50,000
Mike Catt	Assistant Receiving Clerk	Western Surety Company	\$75,000
James Ira Smith	Assistant Receiving Clerk	Western Surety Company	\$50,000
Kenny Ray Magee	Assistant Receiving Clerk	Western Surety Company	\$50,000
Kevin Ray born	Inventory Control Clerk	Western Surety Company	\$75,000
Clifford Buttler	Constable	Western Surety Company	\$50,000
Ryan Everett	Constable	Western Surety Company	\$50,000
James S. Brister	Circuit Clerk	Western Surety Company	\$100,000
Tracey Carney	Deputy Circuit Clerk	Western Surety Company	\$50,000
Shawanna Holmes	Deputy Circuit Clerk	Western Surety Company	\$50,000
Lessie Butler	Sheriff	Western Surety Company	\$100,000
Albert H. Turnage	Justice Court Judge	RLI Surety	\$50,000
Donald G. Mullins	Justice Court Judge	Western Surety Company	\$50,000
Elizabeth J. Smith	Justice Court Clerk	Western Surety Company	\$50,000
Angela Jordan	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Travisha Brown	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Sherry Hyde Thames	Tax Assessor-Collector	Western Surety Company	\$100,000
Susan J. Smith	Deputy Tax Collector	Western Surety Company	\$50,000
Angel Powell	Deputy Tax Collector	Western Surety Company	\$50,000
April Brown	Deputy Tax Collector	Western Surety Company	\$50,000
Rachel Goleman	Deputy Tax Collector	Western Surety Company	\$50,000
Holly Summers	Deputy Tax Collector	Western Surety Company	\$50,000

LAWRENCE COUNTY

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LAWRENCE COUNTY

Notes to the Other Information For the Year Ended September 30, 2018

(1) Budgetary Comparison Information.

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of receipt, each general item of disbursement, 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 presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund.

(2) Long-term Debt Information:

A. 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 1.76% of the latest property assessments.

B. Subsequent Events.

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

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/28/2018	3.69%	\$ 104,520	Capital lease	Ad valorem taxes
08/27/2019	4.09%	30,459	Capital lease	Ad valorem taxes
09/01/2019	2.97%	514,817	Loan	Ad valorem taxes
03/16/2020	2.63%	76,055	Loan	Ad valorem taxes
03/16/2020	2.63%	286,389	Loan	Ad valorem taxes

LAWRENCE COUNTY

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LAWRENCE COUNTY

SPECIAL REPORTS

LAWRENCE 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
Lawrence County, Mississippi

We have audited, 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, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence 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 August 25, 2020. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles applicable to the County's cash basis of accounting to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lawrence 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 Lawrence 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawrence 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 Lawrence County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated August 25, 2020, included within this document.

Lawrence County's Response to Finding

Lawrence County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Lawrence 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

August 25, 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
(AS REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Lawrence County, Mississippi

We have examined Lawrence County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2018. The Board of Supervisors of Lawrence 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 Lawrence 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 system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Lawrence 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 of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

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

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

August 25, 2020

LAWRENCE COUNTY

Schedule 1

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

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

LAWRENCE COUNTY

Schedule 2

Schedule of Emergency Purchases

For the Year Ended September 30, 2018

Our tests did not identify any emergency purchases.

LAWRENCE COUNTY

Schedule 3

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

Our tests did not identify any purchases made noncompetitively from a sole source.

LAWRENCE 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
Lawrence County, Mississippi

In planning and performing our audit of the cash basis financial statements of Lawrence County, Mississippi (the County) for the year ended September 30, 2018, we considered Lawrence 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 Lawrence 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 August 25, 2020, on the financial statements of Lawrence County, Mississippi.

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

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

Board of Supervisors.

1. All funds of the final amended budget were not prepared and approved in the minutes of the Board of Supervisors.

Repeat Finding No

Criteria Section 19-11-11, Miss. Code Ann. (1972), requires the County to prepare a budget of revenues, expenses and working cash balances in such form as may be necessary. Furthermore, the final amended budget of all funds for the fiscal year, which may be amended up to the end of the fiscal year, must be approved and entered on the minutes of the Board of Supervisors no later than October 31st, following the close of the fiscal year.

Condition The County prepared a final amended budget for fiscal year 2018, but did not include the Lawrence County Road Construction Debt Service Fund and the Special Capital Projects Fund. As a result, approval and detail of the complete final amended budget were not included in the minutes of the Board of Supervisors.

Cause	The County did not have the necessary controls in place to ensure they comply with state laws.
Effect	The failure to prepare and submit each year a complete budget of revenues, expenses and working cash balances for all funds could result in the misappropriation of public funds if accounts are not properly budgeted and monitored.
Recommendation	The Board of Supervisors should prepare and submit each year a complete budget of revenues, expenses and working cash balances for all funds as required by law.
Views of Responsible Official(s)	We will comply.

Board of Supervisors and Payroll Clerk.

2.	<u>PERS Retirees should not be paid more than one-half salary of their position.</u>
Repeat Finding	No
Criteria	Section 25-11-127(4)(a), Miss. Code Ann. (1972), requires retirees to receive no more than one-half of the salary in effect for the position at the time of employment in a fiscal year.
Condition	We noted that one PERS retiree was compensated more than one-half of the salary for their position during the fiscal year 2018.
Cause	The Board of Supervisors and Payroll Clerk did not comply with state laws.
Effect	Failure to comply with Section 25-11-127, Miss. Code Ann. (1972), and PERS Regulations regarding compensation of retired employees could result in retired employees being over compensated. By overpaying PERS retirees, the County is not in compliance with state legal requirements.
Recommendation	The County should ensure that PERS retirees are paid the allowable amount per state law.
Views of Responsible Official(s)	We will comply.

Board of Supervisors

3.	<u>Interfund transfers should be approved in the Board of Supervisors' minutes.</u>
Repeat Finding	No
Criteria	Section 19-3-27, Miss. Code Ann. (1972), requires a complete and correct record be maintained for all proceedings of the Board of Supervisors.
Condition	Interfund transfers were made without board orders being spread on the minutes.
Cause	The Board of Supervisors did not comply with state laws.
Effect	The failure to obtain Board of Supervisors' approval for all interfund transfers could result in erroneous amounts reported and increases the possibility of the loss or misappropriation of public funds.
Recommendation	The Board of Supervisors should approve and spread complete orders on the minutes relative to interfund transfers.
Views of Responsible Official(s)	We will comply.

Sheriff.

4. The Sheriff should establish adequate segregation of duties.

Repeat Finding Yes

Criteria An effective system of internal control for collecting, recording, and disbursing cash in the Sheriff's office should include adequate segregation of duties.

Condition As reported in the prior year audit report, during our testing we noted a lack of segregation of duties in the Sheriff's office. One person receipts monies, prepares all deposits, reconciles the bank statements, posts receipts to the cash journal, prepares monthly settlement reports and makes all disbursements.

Cause The Sheriff lacked the necessary internal controls.

Effect Failure to implement controls over the collecting, recording, and disbursing of cash and establish adequate segregation of duties in the Sheriff's office could result in the loss or misappropriation of public funds.

Recommendation The Sheriff should take steps to ensure there are adequate segregation of duties in the cash collection and disbursement functions for all accounts.

Views of Responsible Official(s)

In order to correct any potential penalties or red marks on my administration, the corrective measures that I will put in place, as per your suggestion, will be as follows:

Sheriff will sign all outgoing checks.

Sheriff will initial and date the bank reconciliations.

When bank deposits are put together, I will double check those and personally deposit those monies myself.

Lawrence 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

August 25, 2020

LAWRENCE COUNTY

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LAWRENCE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

LAWRENCE COUNTY

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LAWRENCE 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: | |
| Governmental activities | Unmodified |
| Aggregate discretely presented component units | Adverse |
| General Fund | Unmodified |
| Special Capital Projects Fund | Unmodified |
| Aggregate remaining fund information | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified? | Yes |
| 3. Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Tax Assessor-Collector.

Significant Deficiency

2018-001. Controls over the Tax Assessor-Collector's cash journal should be strengthened.

Repeat Finding Yes

Criteria An effective system of internal control over the collection, recording and disbursement of cash should include maintaining a cash journal.

Condition As reported in the prior year audit report, the cash journal was not properly maintained. The Tax Assessor-Collector is not maintaining an accurate receivable account for the legislative tax credit due from the State of Mississippi.

Cause Errors on the cash journal were the result of incorrectly recording beginning fiscal year account balances.

Effect Failure to properly maintain the cash journal could result in incorrect settlements and the loss of public funds.

Recommendation The Tax Assessor-Collector should ensure that the cash journal is properly maintained and the fiscal year beginning account balances agree with prior year ending account balances. Also, the legislative tag credit receivable account should be monitored monthly to ensure the account balances agree with the amount due from the State of Mississippi.

Views of Responsible Official(s)

We are striving to get the bookkeeping in order. Deposits are made daily that match all collections. We plan to do a better job on our rollover at the end of the fiscal year. We are open to opening a new bank account to help solve this issue.