

LAUDERDALE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

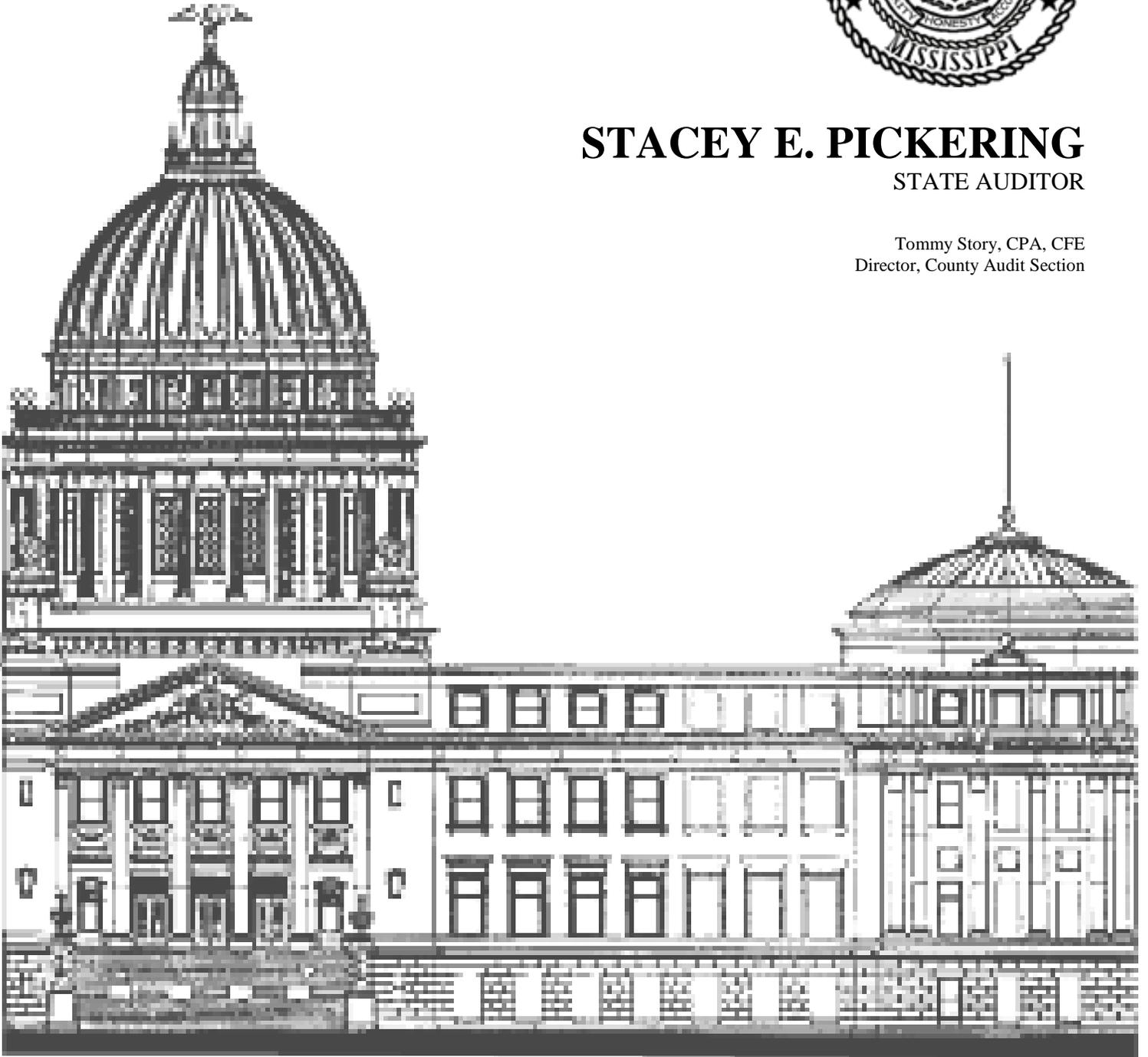
For the Year Ended September 30, 2014



STACEY E. PICKERING

STATE AUDITOR

Tommy Story, CPA, CFE
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

December 11, 2015

Members of the Board of Supervisors
Lauderdale County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2014 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 Tom Story of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written in a cursive style.

Stacey E. Pickering
State Auditor

LAUDERDALE COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION 1

INDEPENDENT AUDITOR’S REPORT 3

FINANCIAL STATEMENTS 7

 Statement of Net Position 9

 Statement of Activities 11

 Balance Sheet – Governmental Funds 13

 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position 14

 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds 15

 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities 16

 Statement of Net Position – Proprietary Fund 17

 Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund 18

 Statement of Cash Flows – Proprietary Fund 19

 Statement of Fiduciary Assets and Liabilities 20

 Notes to Financial Statements 21

REQUIRED SUPPLEMENTARY INFORMATION 41

 Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund 43

 Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – County Road
 Maintenance Fund 44

 Notes to the Required Supplementary Information 45

SUPPLEMENTAL INFORMATION 47

 Schedule of Expenditures of Federal Awards 48

OTHER INFORMATION 49

 Schedule of Surety Bonds for County Officials 51

SPECIAL REPORTS 53

 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* 55

 Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal
 Control Over Compliance Required by OMB Circular A-133 57

 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)) 59

 Limited Internal Control and Compliance Review Management Report 65

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 71

AUDITEE’S CORRECTIVE ACTION PLAN AND SUMMARY SCHEUDLE OF PRIOR
AUDIT FINDINGS 77

LAUDERDALE COUNTY

FINANCIAL SECTION

LAUDERDALE COUNTY

(This page left blank intentionally.)



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
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, 2014, 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 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 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, 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.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Lauderdale County, Mississippi, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lauderdale County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards 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. The Schedule of Expenditures of Federal Awards 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, 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 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 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.



TOMMY STORY, CPA, CFE
Director, County Audit Section

December 11, 2015

LAUDERDALE COUNTY

(This page left blank intentionally.)

LAUDERDALE COUNTY

FINANCIAL STATEMENTS

LAUDERDALE COUNTY

(This page left blank intentionally.)

LAUDERDALE COUNTY
Statement of Net Position
September 30, 2014

Exhibit 1

	Primary Government			Component	
	Governmental Activities	Business-type Activities	Total	Units County Tourism Commission	Meridian- Lauderdale County Public Library
ASSETS					
Cash	\$ 20,890,820	624,898	21,515,718	698,116	3,580,065
Investments					6,680
Property tax receivable	25,045,207		25,045,207		
Accounts receivable (net of allowance for uncollectibles of \$839,562)	291,042	647,773	938,815	139,905	
Fines receivable (net of allowance for uncollectibles of \$6,702,169)	324,176		324,176		
Intergovernmental receivables	1,583,532		1,583,532		
Other receivables	5,161		5,161		
Internal balances	(382)	382			
Inventories and prepaid items		164,603	164,603		14,440
Capital assets:					
Land and construction in progress	18,823,038		18,823,038		
Other capital assets, net	89,293,651	799,311	90,092,962	12,936	246,345
Total Assets	156,256,245	2,236,967	158,493,212	850,957	3,847,530
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refundings	2,462,090		2,462,090		
Total deferred outflows of resources	2,462,090	0	2,462,090	0	0
LIABILITIES					
Claims payable	2,324,940		2,324,940	60,029	9,362
Intergovernmental payables	843,475		843,475		
Accrued expenses			0		14,772
Accrued interest payable	101,977		101,977		
Unearned revenue		207,865	207,865		
Amounts held in custody for others	453,605		453,605		
Other payables	737	284,912	285,649		
Long-term liabilities					
Due within one year:					
Capital debt	4,317,781		4,317,781		
Non-capital debt	415,000		415,000		
Due in more than one year:					
Capital debt	34,195,587		34,195,587		
Non-capital debt	2,618,776		2,618,776	10,880	
Total Liabilities	45,271,878	492,777	45,764,655	70,909	24,134

LAUDERDALE COUNTY
Statement of Net Position
September 30, 2014

Exhibit 1 - Cont'd

	Primary Government			Component	Meridian- Lauderdale County Public Library
	Governmental Activities	Business-type Activities	Total	Units County Tourism Commission	
DEFERRED INFLOWS OF RESOURCES					
Property tax for future reporting period	25,045,207		25,045,207		
Total deferred inflows of resources	<u>25,045,207</u>	<u>0</u>	<u>25,045,207</u>	<u>0</u>	<u>0</u>
NET POSITION					
Net investment in capital assets	72,008,799	799,311	72,808,110	12,936	246,345
Restricted for:					
Expendable:					
General government	788,104		788,104		
Debt service	1,228,973		1,228,973		
Public safety	517,898		517,898		
Public works	8,929,704		8,929,704		
Health and welfare		944,879	944,879		
Culture and recreation	116,259		116,259		
Economic development	1,400,216		1,400,216		
Other purposes			0		420,459
Unrestricted	3,411,297		3,411,297	767,112	3,156,592
Total Net Position	<u>\$ 88,401,250</u>	<u>1,744,190</u>	<u>90,145,440</u>	<u>780,048</u>	<u>3,823,396</u>

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

LAUDERDALE COUNTY
Statement of Activities
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			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	\$ 8,176,019	2,024,362	259,431		(5,892,226)		(5,892,226)		
Public safety	11,428,101	1,976,901	906,391	35,217	(8,509,592)		(8,509,592)		
Public works	11,270,616	1,352,109	2,672,197	216,583	(7,029,727)		(7,029,727)		
Health and welfare	1,197,272		86,984		(1,110,288)		(1,110,288)		
Culture and recreation	1,052,043		101,212	54,561	(896,270)		(896,270)		
Conservation of natural resources	105,432				(105,432)		(105,432)		
Economic development and assistance	1,835,955			1,915,252	79,297		79,297		
Interest on long-term debt	1,380,768				(1,380,768)		(1,380,768)		
Fiscal agent's fees	24,474				(24,474)		(24,474)		
Total Governmental Activities	<u>36,470,680</u>	<u>5,353,372</u>	<u>4,026,215</u>	<u>2,221,613</u>	<u>(24,869,480)</u>		<u>(24,869,480)</u>		
Business-type activities:									
Metro Ambulance	<u>7,241,703</u>	<u>6,985,387</u>				<u>(256,316)</u>	<u>(256,316)</u>		
Total Business-type Activities	<u>7,241,703</u>	<u>6,985,387</u>	<u>0</u>	<u>0</u>		<u>(256,316)</u>	<u>(256,316)</u>		
Total Primary Government	<u>\$ 43,712,383</u>	<u>12,338,759</u>	<u>4,026,215</u>	<u>2,221,613</u>	<u>(24,869,480)</u>	<u>(256,316)</u>	<u>(25,125,796)</u>		
Component units:									
County Tourism Commission	\$ 733,411	819,420						86,009	
Meridian-Lauderdale County Public Library	970,059	47,284	200,927	1,005					(720,843)
Total Component Units	<u>\$ 1,703,470</u>	<u>866,704</u>	<u>200,927</u>	<u>1,005</u>				<u>86,009</u>	<u>(720,843)</u>

LAUDERDALE COUNTY
Statement of Activities
For the Year Ended September 30, 2014

Exhibit 2 - Cont'd

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			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		
General revenues:									
Property taxes				\$ 25,112,260	32,506	25,144,766			
Road & bridge privilege taxes				841,044		841,044			
Grants and contributions not restricted to specific programs				1,703,893		1,703,893			920,554
Unrestricted interest income				62,580	195	62,775			13,329
Miscellaneous				1,384,141	49,290	1,433,431			4,717
Transfers						0	(100,000)		
Total General Revenues and Transfers				29,103,918	81,991	29,185,909	(100,000)		938,600
Changes in Net Position				4,234,438	(174,325)	4,060,113	(13,991)		217,757
Net Position - Beginning, as previously reported				85,251,117	1,918,515	87,169,632	794,039		3,605,639
Prior period adjustments				(1,084,305)		(1,084,305)			
Net Position - Beginning, as restated				84,166,812	1,918,515	86,085,327	794,039		3,605,639
Net Position - Ending				\$ 88,401,250	1,744,190	90,145,440	780,048		3,823,396

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

LAUDERDALE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2014

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	County Road Maintenance Fund	Combined GO Debt Fund		
ASSETS					
Cash	\$ 7,389,178	2,956,608	1,037,969	9,507,065	20,890,820
Property tax receivable	13,052,768	1,686,700	4,952,500	5,353,239	25,045,207
Accounts receivable (net of allowance for uncollectibles of \$839,562)				291,042	291,042
Fines receivable (net of allowance for uncollectibles of \$6,702,169)	324,176				324,176
Intergovernmental receivables	662,274			921,258	1,583,532
Other receivables	5,161				5,161
Due from other funds	215,162	87,928	58,121	98,918	460,129
Advances to other funds	224,100				224,100
Total Assets	\$ 21,872,819	4,731,236	6,048,590	16,171,522	48,824,167
LIABILITIES					
Liabilities:					
Claims payable	\$ 849,942	306,566		1,168,432	2,324,940
Intergovernmental payables	804,713			13,525	818,238
Due to other funds	270,587			215,161	485,748
Advances from other funds				224,100	224,100
Amounts held in custody for others	453,605				453,605
Other payables	737				737
Total Liabilities	\$ 2,379,584	306,566	0	1,621,218	4,307,368
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	13,052,768	1,686,700	4,952,500	5,353,239	25,045,207
Unavailable revenue - accounts receivable				291,042	291,042
Unavailable revenue - fines	324,176				324,176
Total deferred inflows of resources	\$ 13,376,944	1,686,700	4,952,500	5,644,281	25,660,425
Fund balances:					
Nonspendable:					
Advances	224,100				224,100
Restricted for:					
General government				788,104	788,104
Public safety				517,898	517,898
Public works		2,737,970		5,900,692	8,638,662
Culture and recreation				116,259	116,259
Economic development and assistance				1,400,216	1,400,216
Debt service			1,096,090	234,860	1,330,950
Committed to:					
Public safety				25,574	25,574
Assigned to:					
Public safety				21,957	21,957
Unassigned	5,892,191			(99,537)	5,792,654
Total Fund Balances	\$ 6,116,291	2,737,970	1,096,090	8,906,023	18,856,374
Total Liabilities and Fund Balances	\$ 21,872,819	4,731,236	6,048,590	16,171,522	48,824,167

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

LAUDERDALE COUNTY

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2014

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 18,856,374
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 \$85,499,243	108,116,689
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	615,218
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(41,547,144)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(101,977)
Deferred amount on refunding	<u>2,462,090</u>
Total Net Position - Governmental Activities	<u>\$ 88,401,250</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, 2014

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	County Road Maintenance Fund	Combined GO Debt Fund		
REVENUES					
Property taxes	\$ 12,948,920	1,713,640	4,939,761	5,509,939	25,112,260
Road and bridge privilege taxes		841,044			841,044
Licenses, commissions and other revenue	970,687	384	793	78,987	1,050,851
Fines and forfeitures	1,077,795				1,077,795
Intergovernmental revenues	1,769,246	2,729,640	81,962	3,370,873	7,951,721
Charges for services	653,662			2,541,160	3,194,822
Interest income	54,451			8,129	62,580
Miscellaneous revenues	349,662	9,784		723,946	1,083,392
Total Revenues	<u>17,824,423</u>	<u>5,294,492</u>	<u>5,022,516</u>	<u>12,233,034</u>	<u>40,374,465</u>
EXPENDITURES					
Current:					
General government	6,790,155			985,282	7,775,437
Public safety	8,434,972			3,123,524	11,558,496
Public works		5,794,751		6,371,146	12,165,897
Health and welfare	1,005,168			166,791	1,171,959
Culture and recreation				1,020,882	1,020,882
Conservation of natural resources	102,946				102,946
Economic development and assistance	211,875			3,136,512	3,348,387
Debt service:					
Principal	374,500	340,758		4,152,731	4,867,989
Interest	48,759	21,692		1,130,567	1,201,018
Bond issue costs	2,250				2,250
Fiscal agent's fees				24,474	24,474
Total Expenditures	<u>16,970,625</u>	<u>6,157,201</u>	<u>0</u>	<u>20,111,909</u>	<u>43,239,735</u>
Excess of Revenues over (under) Expenditures	<u>853,798</u>	<u>(862,709)</u>	<u>5,022,516</u>	<u>(7,878,875)</u>	<u>(2,865,270)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	15,947	238,618		1,041,008	1,295,573
Proceeds from sale of capital assets	4,664	466,315		1,235	472,214
Compensation for loss of capital assets				11,089	11,089
Transfers in	3,325	43,476		5,146,755	5,193,556
Transfers out	(440,873)	(3,325)	(4,640,664)	(108,694)	(5,193,556)
Total Other Financing Sources and Uses	<u>(416,937)</u>	<u>745,084</u>	<u>(4,640,664)</u>	<u>6,091,393</u>	<u>1,778,876</u>
Net Changes in Fund Balances	<u>436,861</u>	<u>(117,625)</u>	<u>381,852</u>	<u>(1,787,482)</u>	<u>(1,086,394)</u>
Fund Balances - Beginning, as previously reported	5,622,399	2,855,595	714,238	10,815,624	20,007,856
Prior period adjustments	57,031			(122,119)	(65,088)
Fund Balances - Beginning, as restated	<u>5,679,430</u>	<u>2,855,595</u>	<u>714,238</u>	<u>10,693,505</u>	<u>19,942,768</u>
Fund Balances - Ending	<u>\$ 6,116,291</u>	<u>2,737,970</u>	<u>1,096,090</u>	<u>8,906,023</u>	<u>18,856,374</u>

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, 2014

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,086,394)
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 \$5,367,576 exceeded depreciation of \$3,300,790 in the current period.	2,066,786
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 gain of \$300,749 and the proceeds from the sale of \$483,303 in the current period.	(182,554)
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.	13,992
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.	15,912
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 \$4,867,989 exceeded debt proceeds of \$1,295,573.	3,572,416
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 decrease in compensated absences liability	11,780
The amount of decrease in accrued interest payable	18,613
The amortization of general obligation bond premium.	13,114
The amortization of refunding bond premium.	23,693
The amortization of deferred refunding charges.	<u>(232,920)</u>
Change in Net Position of Governmental Activities	<u>\$ 4,234,438</u>

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

LAUDERDALE COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2014

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Metro Ambulance</u>
ASSETS	
Current assets:	
Cash	\$ 624,898
Accounts receivable	647,773
Due from other funds	382
Inventories and prepaid items	164,603
Total Current Assets	<u>1,437,656</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	<u>799,311</u>
Total Noncurrent Assets	<u>799,311</u>
Total Assets	<u>2,236,967</u>
LIABILITIES	
Current liabilities:	
Unearned revenue	207,865
Other payables	284,912
Total Current Liabilities	<u>492,777</u>
NET POSITION	
Net investment in capital assets	799,311
Restricted for:	
Health and welfare	<u>944,879</u>
Total Net Position	<u>\$ 1,744,190</u>

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

LAUDERDALE COUNTY
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2014

Exhibit 6

	Business-type Activities - Enterprise Fund
	<u>Metro Ambulance</u>
Operating Revenues	
Charges for services	\$ 6,985,387
Total Operating Revenues	<u>6,985,387</u>
Operating Expenses	
Personal services	4,162,737
Materials and supplies	2,103,614
Depreciation expense	298,760
Repairs	256,543
Administrative	379,724
Miscellaneous	40,325
Total Operating Expenses	<u>7,241,703</u>
Operating Income (Loss)	<u>(256,316)</u>
Nonoperating Revenues (Expenses)	
Property tax	32,506
Interest income	195
Other income (expenses)	49,290
Net Nonoperating Revenue (Expenses)	<u>81,991</u>
Changes in Net Position	<u>(174,325)</u>
Net Position - Beginning	<u>1,918,515</u>
Net Position - Ending	<u>\$ 1,744,190</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, 2014

Exhibit 7

	Business-type Activities - <u>Enterprise Fund</u>
	<u>Metro Ambulance</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 5,136,078
Payments to employees for services	(3,405,183)
Payments for other suppliers for goods and services	<u>(1,682,185)</u>
Net Cash Provided (Used) by Operating Activities	<u>48,710</u>
Cash Flows From Noncapital Financing Activities	
Membership revenue received	1,260
Operating grants received	69,730
Other grants received	48,230
Cash received from property taxes	32,506
Cash received from other funds:	
Loans from other funds	(382)
Cash paid to other funds:	
Interfund loan repayments	349
Licenses, commissions, and other	5
Other non-capital financing income	<u>(219)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>151,479</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	<u>(17,352)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(17,352)</u>
Cash Flows From Investing Activities	
Interest and dividends on investments	<u>195</u>
Net Cash Provided (Used) by Investing Activities	<u>195</u>
Net Increase (Decrease) in Cash and Cash Equivalents	183,032
Cash and Cash Equivalents at Beginning of Year	<u>441,866</u>
Cash and Cash Equivalents at End of Year	<u>\$ 624,898</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (256,316)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	298,760
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	48,676
(Increase) decrease in prepaid expenses	4,482
(Increase) decrease in inventory	1,968
Increase (decrease) in accrued liabilities	<u>(48,860)</u>
Total Adjustments	<u>305,026</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 48,710</u>

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

LAUDERDALE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2014

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 687,737
Due from other funds	<u>25,237</u>
Total Assets	<u><u>\$ 712,974</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 687,737
Intergovernmental payables	<u>25,237</u>
Total Liabilities	<u><u>\$ 712,974</u></u>

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

LAUDERDALE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lauderdale County, Mississippi is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Lauderdale County 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 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 for 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, 2014

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, liabilities, fund equity, 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.

LAUDERDALE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

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.

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.

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

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

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, 2014

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.

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

J. Restricted Assets.

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

K. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, 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.

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

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.

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

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

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

M. Long-term Liabilities.

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

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

N. 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.”

LAUDERDALE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

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

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

Fund Balance Flow Assumption:

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

LAUDERDALE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

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

P. 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.

Q. 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.

R. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The provisions of these standards have been incorporated into the financial statements and notes.

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Implementation of GASB Statement 65, <i>Items Previously Reported as Assets and Liabilities</i>	\$ (958,851)
To record adjustment for grant not accrued in the prior year	57,031
To correct errors in capital assets	(77,941)
To record purchases that were not recognized as claims payable in the prior year	(122,119)
To correct errors in long-term liabilities	<u>17,575</u>
Total prior period adjustments	<u>\$ (1,084,305)</u>

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

<u>Explanation</u>	<u>Amount</u>
To record adjustment for grant not accrued in the prior year	\$ 57,031
To record purchases that were not recognized as claims payable in the prior year	<u>(122,119)</u>
Total prior period adjustments	<u>\$ (65,088)</u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$22,203,455, and the bank balance was \$23,165,706. 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. However, the Mississippi State Treasurer manages that risk on behalf of the County. 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, 2014

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 215,162
County Road Maintenance Fund	General	87,928
Combined GO Debt Fund	General	58,121
Other Governmental Funds	General	98,918
Metro Ambulance Fund	General	382
Agency Funds	General	<u>25,237</u>
Total		\$ <u>485,748</u>

The receivables represent operating loans and tax revenue collected in September 2014, but not settled until October, 2014. 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	\$ <u>224,100</u>

The purpose of the advances was to provide operating loans and grant matching requirements. All advances are expected to be paid within one year from the date of the financial statements.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	County Road Maintenance	\$ 3,325
County Road Maintenance Fund	General Fund	43,476
Other Governmental Funds	General Fund	397,398
Other Governmental Funds	Combined GO Debt Fund	4,640,664
Other Governmental Funds	Other Governmental Funds	<u>108,693</u>
Total		\$ <u>5,193,556</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

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2014, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 391,002
Reimbursement for housing prisoners	137,271
DIP grant	190,162
Community development block grant	459,610
Various reimbursement grants	<u>405,487</u>
Total Governmental Activities	\$ <u>1,583,532</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2014:

Governmental activities:

	<u>Balance</u> <u>Oct. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2014</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 14,884,684	65,800			14,950,484
Construction in progress	<u>3,201,799</u>	<u>2,872,560</u>		<u>(2,201,805)</u>	<u>3,872,554</u>
Total non-depreciable capital assets	<u>18,086,483</u>	<u>2,938,360</u>	<u>0</u>	<u>(2,201,805)</u>	<u>18,823,038</u>
<u>Depreciable capital assets:</u>					
Infrastructure	112,135,849	169,279	19,084	2,247,338	114,533,382
Buildings	34,584,078				34,584,078
Improvements other than buildings	6,132,802	29,300			6,162,102
Mobile equipment	13,711,162	1,492,277	1,212,148		13,991,291
Furniture and equipment	2,958,538	148,104	34,146		3,072,496
Leased property under capital leases	<u>1,859,289</u>	<u>590,256</u>			<u>2,449,545</u>
Total depreciable capital assets	<u>171,381,718</u>	<u>2,429,216</u>	<u>1,265,378</u>	<u>2,247,338</u>	<u>174,792,894</u>

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments	Balance Sept. 30, 2014
<u>Less accumulated depreciation for:</u>					
Infrastructure	60,187,622	1,288,720	13,359	30,499	61,493,482
Buildings	8,425,753	680,794		92,975	9,199,522
Improvements other than buildings	1,208,249	237,418			1,445,667
Mobile equipment	10,539,375	641,666	1,038,733		10,142,308
Furniture and equipment	2,505,789	161,599	30,732		2,636,656
Leased property under capital leases	291,015	290,593			581,608
Total accumulated depreciation	<u>83,157,803</u>	<u>3,300,790</u>	<u>1,082,824</u>	<u>123,474</u>	<u>85,499,243</u>
Total depreciable capital assets, net	<u>88,223,915</u>	<u>(871,574)</u>	<u>182,554</u>	<u>2,123,864</u>	<u>89,293,651</u>
Governmental activities capital assets, net	\$ <u>106,310,398</u>	<u>2,066,786</u>	<u>182,554</u>	<u>(77,941)</u>	<u>108,116,689</u>

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

Business-type activities:

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments	Balance Sept. 30, 2014
<u>Depreciable capital assets:</u>					
Leasehold improvements	\$ 385,421				385,421
Mobile equipment - Ambulances	1,549,375				1,549,375
Furniture, fixtures and equipment	<u>1,842,098</u>	<u>17,353</u>			<u>1,859,451</u>
Total depreciable capital assets	<u>3,776,894</u>	<u>17,353</u>	<u>0</u>	<u>0</u>	<u>3,794,247</u>

Less accumulated depreciation for:

Leasehold improvements	151,321	20,871			172,192
Mobile equipment - Ambulances	1,164,176	123,568			1,287,744
Furniture, fixtures and equipment	<u>1,380,679</u>	<u>154,321</u>			<u>1,535,000</u>
Total accumulated depreciation	<u>2,698,176</u>	<u>298,760</u>	<u>0</u>	<u>0</u>	<u>2,994,936</u>

Total depreciable capital

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

assets, net	<u>1,080,718</u>	<u>(281,407)</u>	<u>0</u>	<u>0</u>	<u>799,311</u>
Business-type activities capital assets, net	\$ <u>1,080,718</u>	<u>(281,407)</u>	<u>0</u>	<u>0</u>	<u>799,311</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 525,275
Public safety	517,700
Public works	1,760,669
Health and welfare	25,313
Culture and recreation	28,995
Conservation of natural resources	2,486
Economic development and assistance	<u>440,352</u>
Total governmental activities depreciation expense	\$ <u>3,300,790</u>
Business-type activities:	
Metro Ambulance	\$ <u>298,760</u>

Commitments with respect to unfinished capital projects at September 30, 2014, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial</u>	<u>Expected Date of Completion</u>
Fisher Road, Mosley Lake Road	\$ 3,566	06/30/2015
West Lauderdale Baseball	33,207	08/31/2015
Agri-Center addition	20,927	09/30/2015
Magnolia fields	24,435	12/31/2014
Clarkdale Baseball	43,954	03/15/2015
County Paving Project #38-13-01	42,235	08/31/2015
CertainTeed plant upgrades	302,669	12/31/2015
Tower Automotive upgrades	1,185,466	07/31/2015

Component Units:

The Meridian – Lauderdale Public Library capital asset balances at September 30, 2014, are as follows:

	<u>Balance Oct. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2014</u>
<u>Depreciable capital assets:</u>					
Furniture, fixtures, equipment, and vehicles	\$ 445,040	30,113			475,153
Total depreciable capital assets	<u>445,040</u>	<u>30,113</u>			<u>475,153</u>
<u>Less accumulated depreciation for:</u>					
Furniture, fixtures, equipment, and vehicles	194,803	34,005			228,808
Total accumulated depreciation	<u>194,803</u>	<u>34,005</u>			<u>228,808</u>

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments	Balance Sept. 30, 2014
Total depreciable capital assets, net	250,237	(3,892)			246,345
Component unit capital assets, net	\$ 250,237	(3,892)			246,345

The Lauderdale County Tourism Commission capital asset balances at September 30, 2014, are as follows:

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments	Balance Sept. 30, 2014
<u>Depreciable capital assets:</u>					
Computer equipment	\$ 19,014	3,100			22,114
Furniture and equipment	22,783				22,783
Vehicles	31,503	808			32,311
Total depreciable capital assets	73,300	3,908			77,208
<u>Less accumulated depreciation for:</u>					
Computer equipment	15,203	1,725			16,928
Furniture and equipment	17,962	683			18,645
Vehicles	28,561	138			28,699
Total accumulated depreciation	61,726	2,546			64,272
Total depreciable capital assets, net	11,574	1,362			12,936
Component unit capital assets, net	\$ 11,574	1,362			12,936

(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, 2014, to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(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 lease would pay \$32,127.80 per month in lease payments which is comprised of a \$31,250 monthly rent with a the balance of the payment being

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

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 \$385,534 for the year ended September 30, 2014. The future minimum lease receivables for these leases are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2015	\$ 375,000
2016	375,000
2017	375,000
2018	375,000
2019	375,000
2020 – 2022	<u>875,000</u>
Total Minimum Payments Required	<u>\$ 2,750,000</u>

(9) Capital Leases.
As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 2,064,011
Furniture and equipment	<u>385,534</u>
Total	2,449,545
Less: Accumulated depreciation	<u>(581,608)</u>
Leased Property Under Capital Leases	<u>\$ 1,867,937</u>

The following is a schedule by years of the total payments due as of September 30, 2014:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 575,590	35,762
2016	536,694	22,812
2017	789,243	12,073
2018	100,690	581
2019	<u>2,185</u>	<u>18</u>
Total	<u>\$ 2,004,402</u>	<u>71,246</u>

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(10) Long-term Debt.

Debt outstanding as of September 30, 2014, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Road and Bridge Refunding – Series 2007	\$ 365,000	3.65/3.75%	06/2015
Road and Bridge – Series 2004	745,000	2.75/3.50%	04/2016
Industrial Development – Series 2006	880,000	5.20/5.75%	02/2016
Industrial Development – Series 2006	875,000	6.00/7.25%	07/2016
Road and Bridge – Series 2008	585,000	3.00/4.00%	04/2015
Road and Bridge – Series 2009	550,000	3.00%	02/2019
Series 2010 – Unlimited Refunding Taxable	455,000	2.00/3.00%	10/2015
Series 2011 – General Obligation Refunding	1,660,000	2.00/3.00%	07/2019
Series 2012 – Road, Bridge, Equipment & Rec	10,000,000	2.00/3.50%	03/2027
Series 2013A – General Obligation Refunding	5,975,000	1.00/2.25%	04/2023
Series 2013B – GO Refunding Taxable	<u>15,495,000</u>	0.47/3.31%	02/2026
Total General Obligation Bonds	<u>\$ 37,585,000</u>		
B. Capital Leases:			
Eventide Audio Recorder	\$ 4,170	0.00%	03/2015
IBM Computers & Software	62,324	2.24%	03/2017
Two-way Radio Equipment	205,857	1.96%	06/2017
AS400 Hardware/Software	71,477	2.00%	09/2017
(8) Kubota Tractors & (8) Bushhogs	267,469	1.87%	10/2017
Kyocera/Copystar Digital Copier	8,303	2.51%	04/2016
Telephone System	79,241	2.25%	05/2018
(9) 2013 International Dump Trucks	509,665	1.74%	02/2018
Durapatcher	34,860	1.85%	12/2017
(11) Vehicles	103,341	1.43%	02/2016
2014 International Model 4300 Knuckleboom	86,332	1.59%	06/2018
Copier – Circuit Court	14,776	2.22%	05/2019
Caterpillar 12M2 Motor Grader – Road	232,024	2.04%	07/2017
E-911 Vesta Pallas Hardware System	69,650	1.87%	09/2017
2014 Ford F350 Pickup	22,889	1.83%	03/2017
Caterpillar 12M2 Motor Grader – Bridge	<u>232,024</u>	2.04%	07/2017
Total Capital Leases	<u>\$ 2,004,402</u>		
C. Other Loans:			
MDA CAP Loan – S. Industrial Park Drainage	\$ 121,430	3.00%	04/2016
MDA CAP Loan – Agricultural Center	381,841	2.00%	04/2024
MDA CAP Loan – CertainTeed Plant Upgrades	<u>637,412</u>	N/A	N/A
Total Other Loans	<u>\$ 1,140,683</u>		

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

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	
	Principal	Interest
2015	\$ 4,040,000	1,002,049
2016	3,355,000	874,016
2017	3,080,000	778,609
2018	3,160,000	711,187
2019	3,265,000	637,130
2020 – 2024	14,545,000	2,031,419
2025 – 2029	6,140,000	257,415
Total	\$ <u>37,585,000</u>	<u>6,291,825</u>

Year Ending September 30	Other Loans	
	Principal	Interest
2015	\$ 117,191	9,844
2016	140,272	26,449
2017	101,798	23,480
2018	104,502	20,775
2019	107,280	17,997
2020 – 2024	558,646	45,657
2025 – 2029	10,994	7,528
Total	\$ <u>1,140,683</u>	<u>151,730</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is 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, 2014, the amount of outstanding debt was equal to 6.15% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

	Balance Oct. 1, 2013	Additions	Reductions	Adjustments	Balance Sept. 30, 2014	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 487,049		11,780		475,269	
General obligation bonds	41,855,000		4,270,000		37,585,000	4,040,000
Less:						
Deferred amt on refunding	(2,695,010)		(232,920)	2,462,090	0	
Add:						
Premiums	378,597		36,807		341,790	
Capital leases	1,916,021	590,256	501,875		2,004,402	575,590
Other loans	549,055	705,317	96,114	(17,575)	1,140,683	117,191
Total	\$ <u>42,490,712</u>	<u>1,295,573</u>	<u>4,683,656</u>	<u>2,444,515</u>	<u>41,547,144</u>	<u>4,732,781</u>

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

	Balance <u>Oct. 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	Balance <u>Sept. 30, 2014</u>	Amount due within one <u>year</u>
Business-type Activities:						
Compensated absences	\$ <u>142,405</u>	<u>12,227</u>	<u> </u>	<u> </u>	<u>154,632</u>	<u> </u>
Total	\$ <u>142,405</u>	<u>12,227</u>	<u>0</u>	<u>0</u>	<u>154,632</u>	<u>0</u>

Compensated absences will be paid from the fund from which the employees' 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 \$61,250 was paid for the year ended September 30, 2014.

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 \$7,000 was paid for the year ended September 30, 2014.

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2014:

<u>Fund</u>	<u>Deficit Amount</u>
10 th Judicial District Drug Court	\$ (2,438)
CertainTeed – DIP Grant	(97,099)

(12) Contingencies.

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

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

(13) Joint Ventures.

The County participates in the following joint ventures:

Lauderdale County is 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 \$282,600 in fiscal year 2014. Complete financial statements for the East Mississippi Business

LAUDERDALE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Development Corporation can be obtained from P.O. Box 790; Meridian, MS 39302.

(14) 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 2014.

East Central Mississippi Planning Development District operates in a district composed of the counties of Clark, 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 contributed \$48,000 for financial support in fiscal year 2014.

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 contributed \$212,497 for financial support in fiscal year 2014.

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 contributed \$135,621 for financial support in fiscal year 2014.

Region Ten Mental Health-Mental Retardation Commission operates in a district 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 contributed \$144,354 for financial support in fiscal year 2014.

Mid-Mississippi Development District operates in a district composed of the counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was created to encourage, foster and facilitate economic development in member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The County contributed the minimal financial support in fiscal year 2014.

(15) Defined Benefit Pension Plan.

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

Funding Policy. At September 30, 2014, 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, 2014 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, 2014, 2013 and 2012 were \$1,667,476, \$1,548,801 and \$1,325,121, respectively, equal to the required contributions for each year.

LAUDERDALE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(16) 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 December 11, 2015, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2014, 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>
01/21/2015	1.84%	\$	9,368	Capital lease	Ad valorem taxes
04/01/2015	2.07%		159,922	Capital lease	Ad valorem taxes

LAUDERDALE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LAUDERDALE COUNTY

(This page left blank intentionally.)

LAUDERDALE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 12,985,917	12,933,661	12,933,661	
Licenses, commissions and other revenue	531,060	615,169	615,169	
Fines and forfeitures	1,007,200	1,069,926	1,069,926	
Intergovernmental revenues	1,534,608	1,634,693	1,634,693	
Charges for services	725,000	714,176	714,176	
Interest income	50,000	57,004	57,004	
Miscellaneous revenues	597,006	693,761	693,761	
Total Revenues	<u>17,430,791</u>	<u>17,718,390</u>	<u>17,718,390</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	6,937,993	6,844,732	6,844,732	
Public safety	8,441,074	8,513,003	8,513,003	
Health and welfare	955,772	1,022,737	1,022,737	
Conservation of natural resources	124,790	114,251	114,251	
Economic development and assistance	195,400	211,875	211,875	
Debt service:				
Principal	305,000	325,501	325,501	
Interest	42,800	44,834	44,834	
Bond issue costs	2,500	2,250	2,250	
Total Expenditures	<u>17,005,329</u>	<u>17,079,183</u>	<u>17,079,183</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>425,462</u>	<u>639,207</u>	<u>639,207</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	500	3,762	3,762	
Compensation for loss of capital assets	555,883	23,035	23,035	
Transfers in	27,052	566,920	566,920	
Transfers out	(1,012,897)	(999,568)	(999,568)	
Total Other Financing Sources and Uses	<u>(429,462)</u>	<u>(405,851)</u>	<u>(405,851)</u>	<u>0</u>
Net Change in Fund Balance	(4,000)	233,356	233,356	
Fund Balances - Beginning	<u>2,413,550</u>	<u>5,839,744</u>	<u>6,319,425</u>	<u>479,681</u>
Fund Balances - Ending	<u>\$ 2,409,550</u>	<u>6,073,100</u>	<u>6,552,781</u>	<u>479,681</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, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,667,502	1,714,698	1,714,698	
Road and bridge privilege taxes	931,627	837,553	837,553	
Licenses, commissions and other revenue	472	384	384	
Fines and forfeitures	108,081			
Intergovernmental revenues	758,263	986,865	986,865	
Miscellaneous revenues		3,313	3,313	
Total Revenues	<u>3,465,945</u>	<u>3,542,813</u>	<u>3,542,813</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,718,672	3,765,304	3,765,304	
Debt service:				
Principal	371,956	340,758	340,758	
Interest	24,591	21,692	21,692	
Total Expenditures	<u>3,115,219</u>	<u>4,127,754</u>	<u>4,127,754</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>350,726</u>	<u>(584,941)</u>	<u>(584,941)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		469,640	469,640	
Compensation for loss of capital assets		3,146	3,146	
Transfers in	116,951	43,476	43,476	
Transfers out		(12,920)	(12,920)	
Total Other Financing Sources and Uses	<u>116,951</u>	<u>503,342</u>	<u>503,342</u>	<u>0</u>
Net Change in Fund Balance	467,677	(81,599)	(81,599)	
Fund Balances - Beginning	<u>69,564</u>	<u>3,098,926</u>	<u>3,038,210</u>	<u>(60,716)</u>
Fund Balances - Ending	<u>\$ 537,241</u>	<u>3,017,327</u>	<u>2,956,611</u>	<u>(60,716)</u>

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, 2014
UNAUDITED

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 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 each major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	County Road Maintenance Fund
Budget (Cash Basis)	\$ 233,356	(81,599)
Increase (Decrease)		
Net adjustments for revenue accruals	(463,748)	1,983,826
Net adjustments for expenditure accruals	667,253	(2,019,852)
GAAP Basis	\$ 436,861	(117,625)

LAUDERDALE COUNTY

(This page left blank intentionally.)

LAUDERDALE COUNTY

SUPPLEMENTAL INFORMATION

LAUDERDALE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through the Mississippi Development Authority			
Community development block grant/state's program and non-entitlement grants in Hawaii*	14.228	R-103-038-03-KED	\$ 7,460
Community development block grant/state's program and non-entitlement grants in Hawaii*	14.228	R-103-038-04-KED	34,462
Community development block grant/state's program and non-entitlement grants in Hawaii*	14.228	1127-10-038-PF-01	54,561
Community development block grant/state's program and non-entitlement grants in Hawaii*	14.228	1130-13-038-ED-01	<u>1,053,461</u>
Total U.S. Department of Housing and Urban Development			<u>1,149,944</u>
U.S. Department of Justice/			
Bulletproof Vest Partnership Program			
	16.607	2011BUBX11058238	15,950
Passed through the Mississippi Department of Public Safety			
Edward bryne memorial justice assistance grant program			
	16.738	13NM1381	37,841
Criminal and juvenile justice and mental health collaboration program (Direct Award)			
	16.745	2011-MO-BX-0026	<u>82,555</u>
Total U.S. Department of Justice			<u>136,346</u>
U.S. Department of Transportation - Federal Highway Administration/			
Passed through Mississippi Department of Transportation			
Highway planning and construction			
	20.205	BR NB15 079 B(38)	<u>68,010</u>
Passed through Mississippi Department of Public Safety			
State and community highway safety			
	20.600	14-OP-138-1	28,176
National priority safety programs			
	20.616	14-MD-138-1	<u>108,035</u>
Subtotal			<u>136,211</u>
Total U.S. Department of Transportation			<u>204,221</u>
U.S. Department of Homeland Security/			
Passed through the Mississippi Emergency Management Agency			
Disaster grants - public assistance (Presidentially declared disasters)			
	97.036	FEMA-1604-DR-MS	49,698
Emergency management performance grants			
	97.042	12EMP	4,000
Emergency management performance grants			
	97.042	N/A	<u>60,854</u>
Subtotal			<u>114,552</u>
Staffing for adequate fire and emergency response (SAFER)			
	97.083	EMW-2010-FF-00615	<u>39,008</u>
Total U.S. Department of Homeland Security			<u>153,560</u>
Total Expenditures of Federal Awards			<u>\$ 1,644,071</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - Disaster grants - public assistance (Presidentially declared disasters)

The expenditures presented in this schedule represent current-year reimbursement of expenditures incurred in fiscal year 2005.

* Denotes major federal award program

LAUDERDALE COUNTY

OTHER INFORMATION

LAUDERDALE COUNTY

(This page left blank intentionally.)

LAUDERDALE COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2014
UNAUDITED

Name	Position	Company	Bond
Hank Florey	Supervisor District 1	Travelers	\$100,000
Wayman Newell	Supervisor District 2	State Farm Fire and Casualty	\$100,000
Josh Todd	Supervisor District 3	FCCI	\$100,000
Joe Norwood	Supervisor District 4	Travelers	\$100,000
Kyle Rutledge	Supervisor District 5	Liberty Mutual	\$100,000
Joe McCraney	County Administrator	Western Surety Company	\$100,000
David Engel	County Administrator	Liberty Mutual	\$100,000
Carolyn Mooney	Chancery Clerk	EMC Insurance Company	\$100,000
Tracey Rue	Purchase Clerk	Western Surety Company	\$75,000
Christy Jackson	Assistant Purchase Clerk	Travelers	\$50,000
Evelyn Cole	Receiving Clerk	EMC Insurance Company	\$75,000
Blanket Bond (12 employees)	Assistant Receiving Clerk	Travelers	\$50,000
Kim Poe	Inventory Control Clerk	EMC Insurance Company	\$75,000
Harris Wilder	Road Manager	EMC Insurance Company	\$50,000
Allen Greer Goldman	Road Manager	Liberty Mutual	\$50,000
Ondey Harris	Constable	EMC Insurance Company	\$50,000
Mike Myers	Constable	EMC Insurance Company	\$50,000
Tommy Coker	Constable	Liberty Mutual	\$50,000
Lee Roberts	Constable	Liberty Mutual	\$50,000
Donna Jill Johnson	Circuit Clerk	EMC Insurance Company	\$100,000
Deborah Massey	Deputy Circuit Clerk	EMC Insurance Company	\$50,000
Blanket Bond (5 employees)	Deputy Circuit Clerk	EMC Insurance Company	\$50,000
William Sollie	Sheriff	EMC Insurance Company	\$100,000
Blanket Bond (8 deputies)	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	EMC Insurance Company	\$50,000
Melvin Robinson	Justice Court Judge	EMC Insurance Company	\$50,000
Gerald Thompson	Justice Court Judge	EMC Insurance Company	\$50,000
Darrell Theall	Justice Court Judge	EMC Insurance Company	\$50,000
Richard Roberts	Justice Court Judge	Western Surety Company	\$50,000
Darlene Mayo	Justice Court Clerk	Western Surety Company	\$50,000
Nikita McFarland	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Blanket Bond (8 employees)	Deputy Justice Court Clerk	Travelers	\$50,000
Stanley Shannon	Tax Collector	EMC Insurance Company	\$100,000
Blanket Bond (10 employees)	Deputy Tax Collector	EMC Insurance Company	\$100,000
James Rainey	Tax Assessor	RLI	\$100,000
Blanket Bond (10 employees)	Deputy Tax Assessor	EMC Insurance Company	\$10,000

LAUDERDALE COUNTY

(This page left blank intentionally.)

LAUDERDALE COUNTY

SPECIAL REPORTS

LAUDERDALE COUNTY

(This page left blank intentionally.)



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
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, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 11, 2015. Our report includes a reference to other auditors. Other auditors audited the financial statements of the 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 or 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2014-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2014-002, 2014-003, 2014-004 and 2014-005 to be significant deficiencies.

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 December 11, 2015, included within this document.

Lauderdale County's Responses to Findings

Lauderdale County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Lauderdale County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



TOMMY STORY, CPA, CFE
Director, County Audit Section

December 11, 2015



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Supervisors
Lauderdale County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Lauderdale County, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2014. Lauderdale County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Lauderdale County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lauderdale County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lauderdale County, Mississippi's compliance.

Basis for Qualified Opinion on Community Development Block Grants/State's Program

As described in the accompanying Schedule of Findings and Questioned Costs, Lauderdale County, Mississippi did not comply with requirements regarding the Community development block grants/state's program as described in finding 2014-006 for the compliance requirement, Matching, Level of Effort, and Earmarking. Compliance with such requirements is necessary, in our opinion, for Lauderdale County, Mississippi to comply with the requirements applicable to that program.

Qualified Opinion on Community Development Block Grants/State's Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Lauderdale County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Community development block grants/state's program for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of Lauderdale County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lauderdale County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-006 to be a material weakness.

Lauderdale County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Lauderdale County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



TOMMY STORY, CPA, CFE
Director, County Audit Section

December 11, 2015



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
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 the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. 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 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:

Inventory Control Clerk.

1. **The Inventory Control Clerk should ensure all capital assets are recorded.**

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal controls over capital assets should include proper recording of additions in the fixed asset subsidiary records. During our audit we noted \$2,064,107 spent on maintenance of County roads that was included as construction in progress in error. The County recorded the value of one piece of equipment at \$750,101 when the actual cost was \$7,577. Also, four asset paid for in the current year with a total value of \$114,294 were not recorded in the County's asset subsidiary records. Failure to record all fixed asset additions in the proper reporting period could result in the reporting of

inaccurate amounts on the financial statements and increases the possibility of loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should properly record additions in the capital asset subsidiary records in the proper reporting period.

Inventory Control Clerk's Response

Regarding construction in progress, the internal auditor will communicate more closely with the County Engineer in determining what should and should not be booked as construction in progress.

The Inventory Control Clerk will be more diligent in recording capital assets in the subsidiary records with close review by the internal auditor.

Purchase Clerk.

2. State purchase law should be followed when making emergency purchases.

Finding

Section 31-7-13(b), Miss. Code Ann. (1972), states that purchases which involve an expenditure of more than Five Thousand Dollars (\$ 5,000.00) but not more than Fifty Thousand Dollars (\$ 50,000.00), exclusive of freight and shipping charges may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained. However, section 31-7-13(k), Miss. Code Ann. (1972), states that If the governing authority, or the governing authority acting through its designee, shall determine that an emergency exists in regard to the purchase of any commodities or repair contracts, so that the delay incident to giving opportunity for competitive bidding would be detrimental to the interest of the governing authority, then the provisions herein for competitive bidding shall not apply and any officer or agent of such governing authority having general or special authority therefor in making such purchase or repair shall approve the bill presented therefor, and he shall certify in writing thereon from whom such purchase was made, or with whom such a repair contract was made. At the board meeting next following the emergency purchase or repair contract, documentation of the purchase or repair contract, including a description of the commodity purchased, the price thereof and the nature of the emergency shall be presented to the board and shall be placed on the minutes of the board of such governing authority. During our audit we noted that the County did not obtain competitive bids for the purchase of a generator valued at \$36,620. The purchase order stated that this was an emergency purchase but we found no approval for this emergency purchase in the minutes of the Board of Supervisors. Failure to follow state purchase laws could result in the misappropriation or loss of public funds.

Recommendation

The Purchase Clerk should ensure that state purchase laws are followed regarding emergency purchases or competitive bids should be obtained.

Purchase Clerk's Response

The oversight occurred between the retirement of the County Administrator and the appointment of an interim County Administrator. Controls have been strengthened.

In our opinion, 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, 2014.

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.

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

A handwritten signature in blue ink that reads "Tommy Story". The signature is written in a cursive style with a horizontal line extending from the end of the name.

TOMMY STORY, CPA, CFE
Director, County Audit Section

December 11, 2015

LAUDERDALE COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2014

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

LAUDERDALE COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2014

Schedule 2

Date	Item Purchased	\$	Amount Paid	Vendor	Reason for Emergency Purchase
06/24/2014	230 KW Kohler Generator	\$	36,320	Taylor Power Systems	The current emergency generator that operated critical electrical systems during power outage with the Lauderdale Co Detention Facility had a complete failure to operate and need replacing.

LAUDERDALE COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2014

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
01/06/2014	DVM-800, In-Vehicle Digital Video Rear Mirror System	\$ 10,605	Digital-Ally
04/11/2014	DVM-800, In-Vehicle Digital Video Rear Mirror System	7,050	Digital-Ally
03/12/2014	Fire Alarm/Door Locking Systems	24,295	Simplex Grinnell, LP
03/14/2014	Simplex Fire & Access Systems Repairs and Replacement of parts	26,590	Simplex Grinnell, LP
06/02/2014	Wave Plus Instant Notification System 12 single buttons	8,569	Secure Tech Systems, Inc.
06/02/2014	Wave Plus Control Panel System 35 single buttons	11,863	Secure Tech Systems, Inc.



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
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, 2014, 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 December 11, 2015, 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 and Assistant Receiving Clerks.

1. Assistant Receiving Clerks should be bonded individually.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires each Assistant Receiving Clerk to execute a bond for \$50,000 to be payable. The Assistant Receiving Clerks were issued a blanket bond rather than individual bonds. Failure to issue individual bonds for each Assistant Receiving Clerk could result in the loss or misappropriation of public funds.

Recommendation

The Assistant Receiving Clerks' blanket bond should be cancelled and a new bond should be issued for each clerk.

Board of Supervisors' and Assistant Receiving Clerks' Response

I will comply.

Board of Supervisors and Circuit Clerk.

2. Deputy Circuit Clerks should be bonded individually.

Finding

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. The Deputy Circuit Clerks were issued under a blanket bond rather than individual bonds. Failure to issue individual bonds for each Deputy Circuit Clerk could result in the loss or misappropriation of public funds.

Recommendation

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

Board of Supervisors' and Circuit Clerk's Response

I will comply.

Circuit Clerk.

3. Circuit Clerk's Office should make timely deposits and settlements.

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets and revenue. As reported in the prior year's audit report, during our audit procedures we noted criminal receipts were not being deposited and settled timely. This weakness is due to inadequate internal controls surrounding the collection, depositing, and recording of revenue collected in the Circuit Clerk's Office. 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 settlements are made on a timely basis.

Circuit Clerk's Response

Will do better.

Board of Supervisors and Justice Court Clerk.

4. Deputy Justice Court Clerks should be bonded individually.

Finding

Section 9-11-29(2), Miss. Code Ann. (1972), requires every person appointed as clerk and deputy clerk of the Justice Court to execute a bond of \$50,000 to be payable. The Deputy Justice Court Clerks were issued under a blanket bond rather than individual bonds. Failure to issue individual bonds for each Deputy Justice Court Clerk could result in the loss or misappropriation of public funds.

Recommendation

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

Board of Supervisors' and Justice Court Clerk's Response

I will comply.

Justice Court Clerk.

5. Justice Court Clerk should implement proper internal controls by obtaining a separate cash drawer for each deputy clerk.

Finding

An effective system of internal controls over collection, recording, and disbursement of funds includes maintaining separate cash drawers for the clerk and each deputy clerk. As reported in the prior year's audit report, during testing performed in the Justice Court Clerk's office, it was noted that more than one deputy clerk uses one cash drawer to receipt collections in the Justice Court Clerk's Office. Inadequate controls surrounding the collections and disbursement of funds could result in the loss or misappropriation of public funds.

Recommendation

Justice Court Clerk should implement an effective system of internal controls by maintaining separate cash drawers for each deputy clerk.

Justice Court Clerk's Response

I don't have enough petty cash for each clerk to have her own cash drawer.

Board of Supervisors and Tax Collector.

6. Deputy Tax Collectors should be bonded individually.

Finding

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

Recommendation

The Deputy Tax Collectors' blanket bond should be cancelled and a new bond should be issued for each clerk.

Board of Supervisors' and Tax Collector's Response

I will comply.

Tax Collector.

7. A separate bank account should be maintained for garbage fee collections.

Finding

An effective system of internal controls 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. As reported in the prior two years' audit reports, we noted that solid waste user fees were being combined into the tax collector bank account with all of the tax collections. Failure to separate the account of the garbage user fees could result in the loss of misappropriation of public funds.

Recommendation

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

Tax Collector's Response

This procedure does not appear to be feasible at this time. Thank you.

Board of Supervisors and Tax Assessor.

8. Deputy Tax Assessors should be bonded individually.

Finding

Section 27-1-3, Miss. Code Ann. (1972), requires each Deputy Tax Assessor to execute a bond for \$10,000 to be payable. The Deputy Tax Assessors were issued under a blanket bond rather than individual bonds. Failure to issue individual bonds for each Deputy Circuit Clerk could result in the loss or misappropriation of public funds.

Recommendation

The Deputy Tax Assessors' blanket bond should be cancelled and a new bond should be issued for each clerk.

Board of Supervisors' and Tax Assessor's Response

I will comply.

Sheriff.

9. Sheriff's Office should make timely deposits.

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets and revenue. As reported in the prior year's audit report, we noted process receipts were not deposited timely. This weakness is due to inadequate internal controls surrounding the collection, depositing, and recording of revenue collected in the Sheriff's Office. 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 daily deposits are being made.

Sheriff's Response

New procedures will be implemented in order for timely deposits to be made.

Board of Supervisors.

10. The County should establish and test a disaster process.

Finding

During our review of the information systems controls of the County, we noted that the County has not established a disaster recovery process. As a result, the County cannot fully ensure that the information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions.

Control Objectives for Information and Related Technology (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

The County is currently creating back-up files, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that the County develop, implement, and test a plan to insure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including County personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

We also recommend that the County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

11. The County should implement a formal Information Security Policy.

Finding

The County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internet protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity I Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for the County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that the County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by County supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

For further clarification, simply saying that passwords need to be strong is not sufficient. In this case, the policy should state that passwords should be at least 8 characters for normal users and 13 characters for those users that have elevated privileges. In addition, complexity requiring numbers and special characters should also be specified.

Board of Supervisors' Response

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.



TOMMY STORY, CPA, CFE
Director, County Audit Section

December 11, 2015

LAUDERDALE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAUDERDALE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major federal programs: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiency identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Qualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | Yes |
| 7. | Identification of major federal programs: | |
| | a. CFDA 14.228, Community development block grant/state's program | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 2014-001. The County should establish controls to ensure the Schedule of Expenditures of Federal Awards is accurately prepared.

Finding

An effective system of internal control over federal award programs should include adequate subsidiary records documenting all revenues, expenditures, and identifying information for each federal award received. As a result of audit procedures performed, the following deficiencies were noted in the Schedule of Expenditures of Federal Awards (the Schedule):

LAUDERDALE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

- a. The expenditures for one program were overstated by \$180.
- b. Two programs, one with expenditures of \$1,053,461 and the other with expenditures of \$34,462 were not included on the Schedule.
- c. The ID number for one program was reported incorrectly on the Schedule.
- d. The program title, CFDA number, and identifying number were reported incorrectly for two programs on the Schedule.
- e. Two different awards for the same program were reported on the same line.

These errors were due to the County's lack of subsidiary records documenting the details and transactions relative to federal awards received. The failure to maintain adequate records increases the possibility of (1) reporting incorrect amounts of federal expenditures, (2) reporting incorrect grantors and/or pass-through entities, (3) reporting incorrect identifying information, as well as (4) improperly including or excluding a federal program on the Schedule of Expenditures of Federal Awards.

Recommendation

The County should maintain adequate subsidiary records documenting all revenues, expenditures, and other relative details of each federal award received.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

Significant Deficiency

2014-002. Lack of oversight for payments to the Medical Examiner for death investigation reports.

Finding

Section 41-61-75(1)(a) Miss. Code Ann. (1972), states a medical examiner shall receive One Hundred Twenty-five Dollars (\$125) for each completed report of investigation of death. An effective system of internal control over payments to the medical examiner for death investigations should include a documented review and approval of documents submitted for payment. As reported in the prior year's audit report, audit procedures noted the Board of Supervisors' did not approved the payments for death investigations in the official minutes. Failure to approve payments to the Medical Examiner for death investigation reports could result in the loss of public funds.

Recommendation

The Board of Supervisors should ensure that all payments to the Medical Examiner for death investigations be approved in the official minutes.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

LAUDERDALE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Inventory Control Clerk.

Significant Deficiency

2014-003. The Inventory Control Clerk should ensure all capital assets are recorded.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal controls over capital assets should include proper recording of additions in the fixed asset subsidiary records. During our audit we noted \$2,064,107 spent on maintenance of County roads that was included as construction in progress in error. The County recorded the value of one piece of equipment at \$750,101 when the actual cost was \$7,577. Also, four asset paid for in the current year with a total value of \$114,294 were not recorded in the County's asset subsidiary records. Failure to record all fixed asset additions in the proper reporting period could result in the reporting of inaccurate amounts on the financial statements and increases the possibility of loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should properly record additions in the capital asset subsidiary records in the proper reporting period.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

Board of Supervisors.

Significant Deficiency

2014-004. The County should create a rotation of backups offsite.

Finding

The County is currently using an automated system to perform daily back-ups of the AS400. Upon clarification of the backup processes, it was determined that the tapes should be taken offsite, as no other copy of County data was being stored at an off-site location. Without proper off-site storage of back-up files and applications, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that the County implement a plan to insure that all back-up files are taken offsite on a regular basis and stored in a safe and secure location. This process should be documented in the County's Disaster Recovery Plan. With close proximity of a bank it would be convenient and safe to place the backup tapes in the night deposit drop and then place them in a safe deposit box the next day. It is further recommended that tapes be kept at the bank for several days (e.g., two weeks), in case of a disaster situation that required recovery and problems in reading recovery tapes were experienced.

LAUDERDALE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

Significant Deficiency

2014-005. The County should improve its server room environment management.

Finding

The County's computer room is not a dedicated room with limited, controlled access and proper environmental equipment for electronic equipment. The room is secure in that there are people working during business hours in and around the computer. However, the computer is in the open and has the potential to be accessed by unauthorized personnel. Although the room does have air conditioning it does not have monitoring equipment for other conditions that can have an adverse effect on electronic equipment.

Recommendation

We recommend that the County establish an area specifically for computerized equipment that can be locked and provisioned with environmental control and monitoring equipment in relation to heat, humidity, and other conditions that might affect computerized equipment. This equipment should also have the capability to notify the proper personnel when these conditions vary outside of preset ranges. A log should also be maintained of visitors entering and exiting the computer room. In addition, access reviews should be completed on a periodic basis to determine that only authorized personnel have access to the computer room. Documentation of visitors to the computer room as well as periodic access reviews should be maintained for review by audit personnel.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

LAUDERDALE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section 3: Federal Award Findings and Questioned Costs

2014-006. The County should establish controls to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement.

Program: Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii, CFDA 14.228, 1130-13-038-ED-01; U.S. Department of Housing and Urban Development, Passed through Mississippi Development Authority

Questioned Costs: \$21,643

Material Weakness
Material Noncompliance

Compliance Requirement: Matching, Level of Effort, Earmarking

Finding

The terms of the award contract specify that CDBG funds must be drawn down in proportion with matching funds for each activity as applicable. The award budget requires the County to provide matching contributions of 2.31% of building improvement expenditures. During the fiscal year, the County incurred building improvement expenditures in the amount of \$936,944, 100% of which were reimbursed with federal CDBG funds. Failure to provide the required matching contribution resulted in the reporting of questioned costs in the amount of \$21,643. As a result, the County could be required to repay the amount in question and the County's ability to obtain future federal awards could be adversely affected.

Recommendation

Management should establish controls to ensure the County provides the matching contributions required by federal award contracts.

Auditee's Response

See Auditee's Corrective Action Plan.

LAUDERDALE COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN
AND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

LAUDERDALE COUNTY

(This page left blank intentionally.)

BOARD OF SUPERVISORS
HANK FLOREY, DISTRICT 1
WAYMAN NEWELL, DISTRICT 2
JOSH TODD, DISTRICT 3
JOE NORWOOD, DISTRICT 4
KYLE RUTLEDGE, DISTRICT 5



CAROLYN MOONEY
Chancery Clerk
CHERYL POLK
Interim County Administrator
J. RICHARD "RICK" BARRY
Board Attorney

410 Constitution Avenue, 11th Floor Meridian, MS 39301
Telephone: (601) 482-9746 Fax: (601) 482-9744
www.lauderdalecounty.org

November 3, 2015

CORRECTIVE ACTION PLAN

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Gentlemen:

Lauderdale County respectfully submits the following corrective action plan for the year ended September 30, 2014.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

14-1 Corrective Action Planned:

The internal auditor prepares the schedule for the audit. To ensure accurate reporting, an additional level of review by the county administrator will be added to the procedure for completing the schedule.

Anticipated Completion Date: September 30, 2015

Name of Contact Person Responsible for Corrective Action: Cheryl Polk, Interim County Administrator

14-2 Corrective Action Planned:

The county administrator reviews the monthly claim. The president of the board signs the reports. Payments are on the claims docket. Approval of the claims docket is recorded in the minutes.

Anticipated Completion Date: September 30, 2015

Name of Contact Person Responsible for Corrective Action: Cheryl Polk, Interim County Administrator

- 14-3 Corrective Action Planned:
Additions of capital assets will be properly recorded in the appropriate reporting period.

Anticipated Completion Date: September 30, 2015

Name of Contact Person Responsible for Corrective Action: Kim Poe, Inventory Clerk
- 14-4 Corrective Action Planned:
Back-up tapes will be dropped off nightly at a bank for offsite storage in a safe deposit box.

Anticipated Completion Date: December 31, 2015

Name of Contact Person Responsible for Corrective Action: Robert Wilson, Data Processing Department Head.
- 14-5 Corrective Action Planned:
A wall will be built around the network equipment and secured with a padlock. Only the IT department will have access to the equipment.

Anticipated Completion Date: November 30, 2015

Name of Contact Person Responsible for Corrective Action: Robert Wilson, Data Processing Department Head.

SECTION 3: FEDERAL AWARD FINDINGS

- 14-6 Corrective Action Planned:
The county provided the match in proportion to the CDBG expenditure. The remainder of the match will be provided prior to the project completion.

Anticipated Completion Date: October 31, 2014

Name of Contact Person Responsible for Corrective Action: Cheryl Polk, Interim County Administrator

Sincerely yours,


Kyle Rutledge
President of the Board of Supervisors

BOARD OF SUPERVISORS

HANK FLOREY, DISTRICT 1
WAYMAN NEWELL, DISTRICT 2
JOSH TODD, DISTRICT 3
JOE NORWOOD, DISTRICT 4
KYLE RUTLEDGE, DISTRICT 5



410 Constitution Avenue, 11th Floor Meridian, MS 39301
Telephone: (601) 482-9746 Fax: (601) 482-9744
www.lauderdalecounty.org

CAROLYN MOONEY
Chancery Clerk

CHERYL POLK
Interim County Administrator

J. RICHARD "RICK" BARRY
Board Attorney

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2014

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Gentlemen:

The Lauderdale County Board of Supervisors respectfully submits the following summary schedule of prior audit findings relative to federal audits.

- 13-5 The County should establish controls to ensure the Matching, Level of Effort, and Earmarking compliance requirement is met.

Finding

Program: Community development block grants/state's program, CFDA #14.228, Grant #R-103-038-03-KED, U.S. Department of Housing and Urban Development/Passed-through Mississippi Development Authority

Questioned Costs: \$105,000

Material Weakness
Material Non Compliance

Compliance Requirement: Matching

The 2013 OMB Circular A-133 Compliance Supplement and the Code of Federal Regulations, Title 24, Section 85.24(b)(7) specifies that cost and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of the grantees and sub-grantees or cost-type contractors. The County was unable to provide adequate documentation to support the in-kind contribution required by the terms of the award agreement. Failure to adequately document the County's in-kind contributions resulted in the reporting of questioned costs in the amount of \$105,000. As a result, the County could be required to make an actual dollar contribution to the federal government for the amount in question.

Recommendation

Management should establish controls to ensure that verifiable records are adequate and accurate and maintained to document all in-kind contributions required by federal award agreements.

Current Status

The Mississippi Development Authority reviewed the case and deemed the original documentation provided for support of the in-kind contribution as adequate to meet the matching compliance requirement.

Sincerely yours,


Kyle Rutledge
President of the Board of Supervisors