

**ORDER: APPROVE LAFAYETTE COUNTY RESERVE  
AND TRUST FUND THIRD ANNUAL REPORT OF THE  
BOARD OF TRUSTEES**

Motion was made by Jeff Busby, duly seconded by Chad McLarty, to approve Lafayette County Reserve and Trust Fund Third Annual Report of the Board of Trustees.

The vote on the motion was as follows:

Supervisor Mike Pickens, voted yes  
Supervisor Jeff Busby, voted yes  
Supervisor Robert Blackmon, voted yes  
Supervisor Chad McLarty, voted yes  
Supervisor Mike Roberts, voted yes

After the vote, President Busby, declared the motion carried, this the 6<sup>th</sup> day of July, 2015.

  
\_\_\_\_\_  
Jeff Busby, President  
Board of Supervisors

  
\_\_\_\_\_  
Sherry Wall, Chancery Clerk

LAFAYETTE COUNTY RESERVE AND TRUST FUND  
ANNUAL REPORT OF THE BOARD OF TRUSTEES  
MARCH 31, 2015

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## LETTER OF TRANSMITTAL

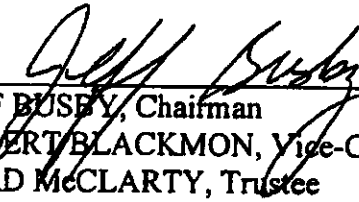
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Board of Trustees of the Lafayette County Reserve and Trust Fund  
Lafayette County, Mississippi  
June 22, 2015

To the Board of Supervisors, Lafayette County, Mississippi

We have the honor of transmitting to you the Annual Report of the Board of Trustees of the Lafayette County Reserve and Trust Fund for the fiscal year ending March 31, 2015.

Respectfully,

  
\_\_\_\_\_  
JEFF BUSBY, Chairman  
ROBERT BLACKMON, Vice-Chairman  
CHAD McCLARTY, Trustee  
MIKE PICKENS, Trustee  
MIKE ROBERTS, Trustee

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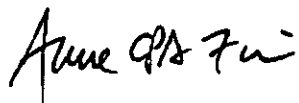
**INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

To the Board of Trustees  
Lafayette County Reserve and Trust Fund  
Lafayette County, Mississippi

We have compiled the Statements of Assets, Liabilities and Trust Equity - Cash Basis of the Lafayette County Reserve and Trust Fund as of March 31, 2015 and 2014, and the related Statements of Support, Revenues, Expenses and Changes in Trust Equity - Cash Basis and the Statements of Cash Flows and for the years and period then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide assurance that there are no material modifications that should be made to the financial statements.



Aune CPA Firm  
Certified Public Accountants  
Oxford, Mississippi  
June 18, 2015

LAFAYETTE COUNTY RESERVE AND TRUST FUND  
 STATEMENTS OF ASSETS, LIABILITIES AND TRUST EQUITY - CASH BASIS  
 MARCH 31, 2015 and 2014

	<u>Assets</u>	
	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents	\$ 511,247	\$ 13,142
Investments – Marketable Securities (Note 2)	20,629,737	20,723,529
Prepaid Bond Interest	<u>-</u>	<u>26,805</u>
 Total Assets	 <u>\$ 21,140,984</u>	 <u>\$ 20,763,476</u>

Liabilities and Trust Equity

Liabilities (Note 4)	\$ -	\$ -
Trust Equity:		
Initial Contribution	20,000,000	20,000,000
Unrealized Gain on Marketable Securities, net (Note 2)	791,870	463,156
Undistributed Earnings	<u>349,114</u>	<u>300,320</u>
Total Trust Equity	<u>21,140,984</u>	<u>20,763,476</u>
Total Liabilities and Trust Equity	<u>\$ 21,140,984</u>	<u>\$ 20,763,476</u>

See accompanying notes and accountants' report.

LAFAYETTE COUNTY RESERVE AND TRUST FUND  
STATEMENTS OF SUPPORT, REVENUES, EXPENSES and  
CHANGES IN TRUST EQUITY – CASH BASIS  
FOR THE YEARS ENDED MARCH 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Support and Revenue:</b>		
Interest and dividend income	\$ 402,883	\$ 325,534
Capital gain distributions	87,192	-
Net realized gains on sale of marketable securities	<u>209,334</u>	<u>19,017</u>
Total Support and Revenue (Note 3)	699,409	344,551
<b>Expenses:</b>		
Investment fees	<u>83,782</u>	<u>66,070</u>
Net Earnings – Cash Basis	615,627	278,481
<b>Other additions to Trust Equity:</b>		
Unrealized gain on marketable securities, net (Note 2)	328,715	370,076
Distribution to County (Note 5)	<u>(566,834)</u>	<u>-</u>
Increase in Trust Equity	377,508	648,557
Trust Equity, Beginning of Year	<u>20,763,476</u>	<u>20,114,919</u>
Trust Equity, End of Year	<u>\$ 21,140,984</u>	<u>\$ 20,763,476</u>

See accompanying notes and accountants' report.

LAFAYETTE COUNTY RESERVE AND TRUST FUND  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 615,627	\$ 278,481
Adjustment for noncash items:		
Net gains on sale of marketable securities	( 209,334)	( 19,017)
Cash provided by operations	<u>406,293</u>	<u>259,464</u>
 <b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	16,031,639	15,461,124
Purchase of marketable securities	( 15,532,803)	( 15,900,697)
Return of principal distributions on stocks	28,644	86,389
Amortization of bond premiums	104,361	85,685
Prepaid bond interest purchased	( 9,851)	( 41,489)
Prepaid bond interest collected	<u>36,656</u>	<u>48,325</u>
Cash used by investing activities	<u>658,646</u>	<u>( 260,663)</u>
 <b>Cash flows from financing activities:</b>		
Distribution to County	<u>( 566,834)</u>	<u>-</u>
 Net increase (decrease) in cash and cash equivalents	498,105	( 1,199)
 Cash and cash equivalents, beginning of year	<u>13,142</u>	<u>14,341</u>
 Cash and cash equivalents, end of year	<u>\$ 511,247</u>	<u>\$ 13,142</u>

See accompanying notes and accountants' report.



LAFAYETTE COUNTY RESERVE AND TRUST FUND  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

**Organization and Nature of Activities**

The Lafayette County Reserve and Trust Fund (the Trust) was formed pursuant to Senate Bill 2945, as approved by the Governor and the State of Mississippi (the Act) during the 2012 Regular Session of the Mississippi Legislature, and the related Trust Agreement made and entered into effective as of September 4, 2012 by the Board of Supervisors of Lafayette County, Mississippi. The purpose of the Trust is to fulfill the obligations of the Board of Supervisors under the Act for the benefit of the people of the County and the continued improvement and maintenance of the County, and for providing for the fiscal security and sustained revenue for the County and its citizens. The Trust was funded from the Lafayette County General Fund on November 20, 2012, using a portion of the proceeds received by Lafayette County in 2011 for of the termination of the lease and sale of the real and personal property related to the Baptist Memorial Hospital – North Mississippi facilities located on South Lamar Boulevard, Oxford, Mississippi.

**Basis of Accounting**

The Trust's financial statements are prepared on a modified cash method of accounting. Under this method, revenues are recognized at the time of receipt and expenditures are recognized when disbursed. Consequently, financial condition, activities and increases in trust equity are not presented in accordance with generally accepted accounting principles.

**Income Taxes**

The Trust is exempt from income taxes under the provisions of Internal Revenue Code Section 115(1) and similar provisions of Mississippi law. Therefore, no provision for income tax expense has been made.

**Use of Estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents**

The Trust considers all highly liquid investments with a maturity of one year or less to be cash equivalents.

**Cost basis of marketable securities**

The cost basis of marketable securities consists of the total purchase cost including premiums and transaction fees. The cost basis is adjusted to amortize the bond premium over the life of the bond from acquisition date to disposition date, using the yield-to-maturity method. The amortization of bond premiums is recognized as a reduction in the bond interest income received.

LAFAYETTE COUNTY RESERVE AND TRUST FUND  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2015

**NOTE 2 – INVESTMENTS-MARKETABLE SECURITIES**

Investments in marketable securities consist of the following:

	Amortized Cost	Market Value March 31, 2015	Percentage of Portfolio	Unrealized Gain (Loss)
Stocks (75)	\$ 7,010,638	\$ 7,771,279	38%	\$ 760,641
Bonds (18)	4,586,426	4,595,320	22%	8,894
Mutual funds (13)	<u>8,240,802</u>	<u>8,263,137</u>	40%	<u>22,335</u>
Total	<u>\$19,837,866</u>	<u>\$ 20,629,736</u>	100%	<u>\$ 791,870</u>

Cost amounts include transaction fees charged on the purchase of the investment. Premiums paid at the purchase of bonds are included in the cost amount and are amortized over the life of the bond using the yield-to-maturity method. Market values are exclusive of accrued interest of \$ 19,987 and were obtained from the brokerage firm's March 31, 2015 monthly report.

**Concentrations**

No single investment security exceeded 5% of total assets at March 31, 2015.

**NOTE 3 – RETURN ON ASSETS**

Return on assets consists of the following for the year ended	<u>3/31/2015</u>	<u>3/31/2014</u>
Realized investment income:		
Interest income collected	\$ 162,042	\$ 174,942
Less amortization of bond premiums	( 104,361)	( 85,685)
Dividends received	345,202	236,277
Capital gain distributions	87,192	-
Net realized gains on sale of investments	<u>209,334</u>	<u>19,017</u>
Total realized investment income	699,409	344,551
Investment Fees paid	( 83,782)	( 66,070)
Increase in value of securities	<u>328,715</u>	<u>370,076</u>
Net Return on Assets	<u>\$ 944,342</u>	<u>\$ 648,557</u>
Average Assets	<u>\$ 20,952,230</u>	<u>\$ 20,439,197</u>
Return on Assets	4.507%	3.173%

**NOTE 4 – MANAGEMENT AND GENERAL EXPENSES**

The Lafayette County General Fund paid accounting and attorney fees during the reporting period related to the Trust. The Trust will reimburse the Lafayette County General Fund for this expense. These expenses will be recognized in the Statement of Support, Revenue and Expenses in the period in which the Trust reimburses the Lafayette County General Fund.

LAFAYETTE COUNTY RESERVE AND TRUST FUND  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2015

**NOTE 5 – DISTRIBUTION TO LAFAYETTE COUNTY GENERAL FUND**

Pursuant to the Trust Agreement, the Board of Trustees is required annually to calculate the earnings component as defined in the Trust Agreement and report such earnings to the Board of Supervisors. The earnings component is considered to be an amount equal to three percent (3%) of the amount of the Full Fund. After calculating the earnings component, the Board of Trustees is authorized to expend from the earnings component amounts required in connection with the management by the Board of Trustees of the Fund, including, but not limited to, payments for accounting fees, legal fees, consulting fees, and Investment Managers or Fund management fees. However, no distribution shall be made if the full Fund balance falls below the initial deposit to the Fund.

As described in note 3 above, the Lafayette County General Fund paid accounting and attorney fees of the Trust in its first fiscal year. The Trust will reimburse the County General Fund for these expenses, which will reduce the earnings component of the Trust for the fiscal year in which the reimbursement is made.

The Board of Trustees is required to report to the Board of Supervisors the earnings component and the expenditures therefrom on or before July 1<sup>st</sup>, and thereafter the funds comprising the earnings component may be transferred from the Trust to the general fund of Lafayette County at the direction of the Clerk and upon a vote of the Board of Supervisors and shall be available for appropriation and spending by the Board of Supervisors.

The maximum amount distributable as of March 31, 2015 is as follows:

(1)	Fund Balance, 3/31/15	\$ 21,140,984
	Initial Trust Deposit	<u>(20,000,000)</u>
	Excess Fund Balance	<u>\$ 1,140,984</u>
(2)	Earnings Component (3% of Fund Balance, 3/31/15)	\$ 634,230
	Less fees and expenses:	
	Investment fees	<u>( 83,781)</u>
	Net Earnings	<u>\$ 550,449</u>
	Distributable amount (lessor of (1) or (2))	<u>\$ 550,449</u>