

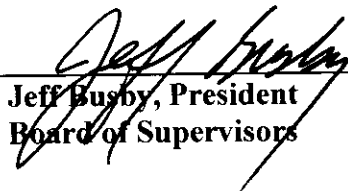
**ORDER: ACCEPT THE ANNUAL REPORT OF THE BOARD OF TRUSTEES
FOR LAFAYETTE COUNTY RESERVE AND TRUST FUND**

Motion was made by Kevin Frye, duly seconded by Mike Roberts, to accept the Annual Report of the Board of Trustees for Lafayette County Reserve and Trust Fund.


The vote on the motion was as follows:

Supervisor Kevin Frye, voted yes
Supervisor Jeff Busby, voted yes
Supervisor David Rikard, voted yes
Supervisor Chad McLarty, voted yes
Supervisor Mike Roberts, voted yes

After the vote, President Busby, declared the motion carried, this the 5th day of July, 2016.



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, 2016**

LAFAYETTE COUNTY RESERVE AND TRUST FUND

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LETTER OF TRANSMITTAL

June 20, 2016

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

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 ended March 31, 2016.

Respectfully,

JEFF BUSBY, Chairman
CHAD McCLARTY, Vice-Chairman
KEVIN FRYE, Trustee
DAVID RIKARD, Trustee
MIKE ROBERTS, Trustee

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Trustees
Lafayette County Reserve and Trust Fund
Oxford, Mississippi

Management is responsible for the accompanying financial statements of the Lafayette County Reserve and Trust Fund which comprise the statements of assets, liabilities, and trust equity—modified cash basis as of March 31, 2016 and 2015, and the related statements of support, revenues, expenses, and changes in trust equity—modified cash basis and cash flows—modified cash basis for the years then ended, and the related notes to financial statements in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We draw attention to Note 1 of the notes to financial statements which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Oxford, Mississippi
June 20, 2016

Watkins Ward and Stafford, PLLC

BASIC FINANCIAL STATEMENTS

**LAFAYETTE COUNTY RESERVE AND TRUST FUND
STATEMENTS OF ASSETS, LIABILITIES, AND
TRUST EQUITY – MODIFIED CASH BASIS**

	<u>March 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 510,823	\$ 511,247
Investments in marketable securities (see Note 2)	<u>19,288,586</u>	<u>20,629,737</u>
Total Assets	\$ <u>19,799,409</u>	\$ <u>21,140,984</u>
<u>Trust Equity</u>		
Initial Contribution	\$ 20,000,000	\$ 20,000,000
Net unrealized gain on marketable securities (see Note 2)	7,461	791,870
Undistributed earnings (deficit)	<u>(208,052)</u>	<u>349,114</u>
Total Trust Equity	\$ <u>19,799,409</u>	\$ <u>21,140,984</u>

See accompanying notes and independent accountants' compilation report.

**LAFAYETTE COUNTY RESERVE AND TRUST FUND
STATEMENTS OF SUPPORT, REVENUES, EXPENSES, AND
CHANGES IN TRUST EQUITY – MODIFIED CASH BASIS**

	For the years ended March 31,	
	2016	2015
<u>Support and Revenues</u>		
Interest and dividend income	\$ 473,294	\$ 402,883
Capital gain distributions	74,380	87,192
Net realized gain (loss) on sale of marketable securities	(465,264)	209,334
Total Support and Revenues	<u>82,410</u>	<u>699,409</u>
<u>Expenses</u>		
Investment fees	<u>89,127</u>	<u>83,782</u>
Net Earnings	(6,717)	615,627
<u>Other Changes in Trust Equity</u>		
Net unrealized gain (loss) on marketable securities (see Note 2)	(784,409)	328,715
Distribution to County (see Note 5)	<u>(550,449)</u>	<u>(566,834)</u>
Net Change in Trust Equity	(1,341,575)	377,508
Trust Equity, Beginning of Year	<u>21,140,984</u>	<u>20,763,476</u>
Trust Equity, End of Year	<u>\$ 19,799,409</u>	<u>\$ 21,140,984</u>

See accompanying notes and independent accountants' compilation report.

**LAFAYETTE COUNTY RESERVE AND TRUST FUND
STATEMENTS OF CASH FLOWS – MODIFIED CASH BASIS**

	For the years ended March 31,	
	2016	2015
<u>Cash flows from operating activities</u>		
Net earnings	\$ (6,717)	\$ 615,627
Adjustment to reconcile net earnings to net cash provided by operating activities:		
Net (gain) loss on sale of marketable securities	465,264	(209,334)
Cash provided by operating activities	<u>458,547</u>	<u>406,293</u>
<u>Cash flows from investing activities</u>		
Proceeds from sale of investments	15,830,705	16,031,639
Purchase of marketable securities	(15,829,582)	(15,532,803)
Return of principal distributions on stock	26,390	28,644
Amortization of bond premiums	60,640	104,361
Merger distributions and adjustments	3,325	-
Prepaid bond interest purchased	-	(9,851)
Prepaid bond interest collected	-	36,656
Cash provided by investing activities	<u>91,478</u>	<u>658,646</u>
<u>Cash flows from financing activities</u>		
Distribution to County	<u>(550,449)</u>	<u>(566,834)</u>
Net change in cash and cash equivalents	(424)	498,105
Cash and Cash Equivalents, Beginning of Year	<u>511,247</u>	<u>13,142</u>
Cash and Cash Equivalents, End of Year	\$ <u>510,823</u>	\$ <u>511,247</u>

See accompanying notes and independent accountants' compilation report.

LAFAYETTE COUNTY RESERVE AND TRUST FUND

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

A. Financial Reporting Entity

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 as the result 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 in Oxford, Mississippi.

B. Modified Cash Basis of Accounting

The Trust's financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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.

C. Cash and cash equivalents

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

D. Fair Value of Financial Instruments

All financial instruments for which it is practical to estimate fair value are carried as such in the accompanying financial statements.

E. 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.

F. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

LAFAYETTE COUNTY RESERVE AND TRUST FUND

Notes to Financial Statements

Note 2 – Investments in Marketable Securities

Investments in marketable securities consist of the following at the fiscal year end:

	<u>Amortized Cost</u>	<u>Market Value 3/31/2016</u>	<u>Unrealized Gain (Loss)</u>	<u>Percentage of Portfolio</u>
Stocks (43)	\$ 4,575,115	\$ 4,373,340	\$ (201,775)	23%
Mutual funds (37)	11,680,224	11,882,296	202,072	62%
Bonds (12)	3,025,786	3,032,950	7,164	16%
Total	\$ 19,281,125	\$ 19,288,586	\$ 7,461	100%

Cost amounts include transaction fees charged on the purchase of the investment. Premiums paid at the purchase of bonds 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 \$12,907 and were obtained from the brokerage firm's March 31, 2016 monthly report.

Changes in market values for all the investments of the Trust are as follows:

	<u>Unrealized Gain (Loss) 3/31/2016</u>	<u>Unrealized Gain (Loss) 3/31/2015</u>	<u>Unrealized Change in Asset Value</u>
Stocks	\$ (201,775)	\$ 760,641	\$ (962,416)
Mutual funds	202,072	8,894	193,178
Bonds	7,164	22,335	(15,171)
Total	\$ 7,461	\$ 791,870	\$ (784,409)

Concentrations

No single investment security exceeded 5% of total assets of the Trust at March 31, 2016.

Note 3 – 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, Revenues, Expenses and Changes in Trust Equity in the period in which the Trust reimburses the Lafayette County General Fund.

LAFAYETTE COUNTY RESERVE AND TRUST FUND

Notes to Financial Statements

Note 4 – Return on Assets

The Trust's return on assets for the last two fiscal years is as follows:

	For the Years Ended:	
	3/31/2016	3/31/2015
Realized investment income:		
Interest income collected	\$ 96,344	\$ 162,042
Less: Amortization of bond premiums	(60,640)	(104,361)
Dividends received	437,590	345,202
Capital gain distributions	74,380	87,192
Net realized gain (loss) on sale of investments	(465,264)	209,334
Total realized investment income	82,410	699,409
Investment fees paid	(89,127)	(83,782)
Unrealized gain (loss) in value of investments	(784,409)	328,715
Net Return on Assets	\$ (791,126)	\$ 944,342
Average Assets	\$ 20,018,747	\$ 20,952,230
Return on Assets	(3.9519%)	4.5071%

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 1st, 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.

LAFAYETTE COUNTY RESERVE AND TRUST FUND

Notes to Financial Statements

Note 5 – Distribution to Lafayette County General Fund (Continued)

The maximum amount distributable as of March 31, 2016 is as follows:

A) Trust Equity, 3/31/2016	\$ 19,799,409
Initial Trust Deposit	<u>(20,000,000)</u>
Excess (Deficiency) Trust Equity	<u>(200,591)</u>
 B) Earnings Component (3% of Trust Equity, 3/31/2016)	593,982
Less: Fees and Expenses	<u>(89,127)</u>
Net Earnings	<u>504,855</u>
 Distributable amount (lessor of A or B)	<u>\$ 0</u>

Since the Trust Equity at 3/31/2016 was less than the Initial Trust Deposit, no amount will be distributed to the County for earnings in the 2016 fiscal year, per the Trust Agreement.

The allowable distributions to the County over the prior three fiscal years are as follows:

Allowable Distribution for:	
FYE 3/31/2013	\$ -
FYE 3/31/2014	566,834
FYE 3/31/2015	<u>550,449</u>
Total Amount Distributed To Date:	<u>\$ 1,117,283</u>

The distributions are actually disbursed by the Trust and received by the County in the following fiscal year of the allowable distribution determination.

Note 6 – Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codifications (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. In the absence of actively quoted prices and observable inputs, the Trust estimates prices based on available historical data and near term future pricing information that reflects its market assumptions. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 - Quoted market prices in active markets for identical assets and liabilities.
- Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs that are not corroborated by market data.

LAFAYETTE COUNTY RESERVE AND TRUST FUND
Notes to Financial Statements

Note 6 – Fair Value Measurements (Continued)

Fair values of assets measured on a recurring basis at March 30, 2016 and 2015 are as follows:

<u>March 30, 2016</u>	<u>Fair Value</u>	<u>Level 1</u>
Fixed Income:		
Corporate bonds	\$ 3,032,950	\$ 3,032,950
Equities:		
Stocks and other equities	4,373,340	4,373,340
US equity mutual funds	11,882,296	11,882,296
Total Investments	\$ 19,288,586	\$ 19,288,586
<u>March 30, 2015</u>	<u>Fair Value</u>	<u>Level 1</u>
Fixed Income:		
Corporate bonds	\$ 4,595,320	\$ 4,595,320
Equities:		
Stocks and other equities	7,771,279	7,771,279
US equity mutual funds	8,263,137	8,263,137
Total Investments	\$ 20,629,736	\$ 20,629,736

Investment securities

Fair value of investment securities is determined by reference to quoted market prices and other relevant information generated by market transactions.

Note 7 – 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.

Note 8 – Subsequent Events

Events that occur after the Statement of Assets, Liabilities, and Trust Equity – Modified Cash Basis date but before the financial statements are available to be issued, must be evaluated for recognition and disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Assets, Liabilities, and Trust Equity – Modified Cash Basis date require disclosure in the accompanying notes. Management of the Lafayette County Reserve and Trust Fund evaluated the activity of the Trust through June 20, 2016, the date the financial statements were available to be issued, and determined that there were no subsequent events that should be noted in the financial statements.