


**ORDER: ACCEPT THE MARCH 31, 2018 AUDIT REPORT FROM WATKINS,
WARD AND STAFFORD, PLLC FOR THE LAFAYETTE COUNTY
RESERVE AND TRUST**

Motion was made by David Rikard, duly seconded by Chad McLarty, to accept the March 31, 2018 Audit report from Watkins, Ward and Stafford, PLLC for the Lafayette County Reserve and Trust.

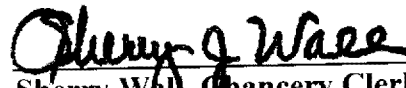
The vote on the motion was as follows:

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 2nd day of July, 2018.



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, 2018**

LAFAYETTE COUNTY RESERVE AND TRUST FUND

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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, 2018 and 2017, and the related Statements of Support, Revenues, Expenses, and Changes in Trust Equity-Modified Cash Basis and Statement of Cash Flows-Modified Cash Basis for the years then ended, and the related notes to the 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 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 1, 2018

FINANCIAL STATEMENTS

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

	March 31,	
	2018	2017
<u>Assets</u>		
Cash and cash equivalents	\$ 441,145	\$ 1,248,063
Investments in marketable securities	<u>20,947,554</u>	<u>19,924,624</u>
 Total Assets	 <u>\$ 21,388,699</u>	 <u>\$ 21,172,687</u>
 <u>Trust Equity</u>		
Initial Contribution	\$ 20,000,000	\$ 20,000,000
Net unrealized gain (loss) on marketable securities	(35,098)	627,039
Undistributed earnings	<u>1,423,797</u>	<u>545,648</u>
 Total Trust Equity	 <u>\$ 21,388,699</u>	 <u>\$ 21,172,687</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,	
	2018	2017
<u>Support and Revenues</u>		
Interest and dividend income	\$ 479,880	\$ 528,319
Capital gain distributions	81,765	26,384
Net realized gain on sale of marketable securities	1,020,752	267,517
Total Support and Revenues	<u>1,582,397</u>	<u>822,220</u>
<u>Expenses</u>		
Investment fees	<u>69,068</u>	<u>68,520</u>
Net Earnings	1,513,329	753,700
<u>Other Changes in Trust Equity</u>		
Net unrealized gain (loss) on marketable securities	(662,136)	619,578
Distribution to County	<u>(635,181)</u>	<u>-</u>
Net Change in Trust Equity	216,012	1,373,278
Trust Equity, Beginning of Year	<u>21,172,687</u>	<u>19,799,409</u>
Trust Equity, End of Year	<u>\$ 21,388,699</u>	<u>\$ 21,172,687</u>

See accompanying notes and independent accountants' compilation report

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

	<u>For the years ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities</u>		
Net earnings	\$ 1,513,329	\$ 753,700
Adjustment to reconcile net earnings to net cash provided by operating activities:		
Net gain on sale of marketable securities	(1,020,752)	(267,517)
Cash provided by operating activities	<u>492,577</u>	<u>486,183</u>
<u>Cash flows from investing activities</u>		
Proceeds from sale of investments	9,330,382	9,297,401
Purchase of marketable securities	(10,042,333)	(9,110,165)
Return of principal distributions on stock	47,637	57,969
Amortization of bond premiums		5,852
Cash provided by investing activities	<u>(664,314)</u>	<u>251,057</u>
<u>Cash flows from financing activities</u>		
Distribution to County	<u>(635,181)</u>	<u>-</u>
Net change in cash and cash equivalents	(806,918)	737,240
Cash and Cash Equivalents, Beginning of Year	<u>1,248,063</u>	<u>510,823</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 441,145</u></u>	<u><u>1,248,063</u></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 3/31/2018</u>	<u>Unrealized Gain (Loss)</u>	<u>Percentage of Portfolio</u>
Fixed Income:				
Bond Mutual Funds (14)	\$ 10,610,329	\$ 10,398,487	\$ (211,842)	50%
Exchange Traded Products (2)	1,878,703	1,811,880	(66,823)	9%
US Treasury Bonds (1)	578,021	579,002	981	3%
Equities:				
Stocks and other equities (68)	2,129,975	1,967,814	(162,161)	9%
Equity mutual funds (12)	3,934,668	4,381,878	447,210	21%
Exchange Traded Products (4)	1,850,956	1,808,493	(42,463)	9%
Total	\$ 20,982,652	\$ 20,947,554	\$ (35,098)	100%

Cost amounts include transaction fees charged on the purchase of the investment. Premiums paid towards 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 were obtained from the brokerage firm's March 31, 2018 monthly report.

The Trust has open short sale contracts as of March 31, 2018. The amounts shown above for stock securities have been reduced by the amounts of these contracts.

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

	<u>Unrealized Gain (Loss) 3/31/2018</u>	<u>Unrealized Gain (Loss) 3/31/2017</u>	<u>Unrealized Change in Asset Value</u>
Fixed Income:			
Bond Mutual Funds	\$ (211,842)	\$ (108,130)	\$ (103,712)
Exchange Traded Products	(66,823)	(43,321)	(23,502)
US Treasury Bonds	981	-	981
Equities:			
Stocks and other equities	(162,161)	20,044	(182,205)
Equity mutual funds	447,210	685,609	(238,399)
Exchange Traded Products	(42,463)	72,837	(115,300)
Total	\$ (35,098)	\$ 627,039	\$ (662,137)

Concentrations

No single investment security exceeded 5% of total assets of the Trust at March 31, 2018.

LAFAYETTE COUNTY RESERVE AND TRUST FUND

Notes to Financial Statements

Note 3 – Management and General Expenses

The Lafayette County General Fund has paid all legal and accounting fees since the inception of the trust. The expense 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. The board approved a motion to reimburse the Lafayette County General Fund for fees incurred through March 31, 2017 which amounted to \$49,649, but the distribution has not been made to date. The amount due to Lafayette County General Fund by the trust as of March 31 is as follows:

	<u>2018</u>	<u>2017</u>
Accounting fees	\$ 27,224	\$ 19,274
Attorney fees	<u>32,880</u>	<u>30,375</u>
Total	<u><u>60,104</u></u>	<u><u>49,649</u></u>

Note 4 – Return on Assets

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

	For the Years Ended:	
	<u>3/31/2018</u>	<u>3/31/2017</u>
Realized investment income:		
Interest income collected	\$ 437	\$ 22,765
Less: Amortization of bond premiums		(5,853)
Dividends received	479,443	511,407
Capital gain distributions	81,765	26,384
Net realized gain on sale of investments	<u>1,020,752</u>	<u>267,517</u>
Total realized investment income	1,582,397	822,220
Investment fees paid	(69,068)	(68,520)
Unrealized gain (loss) in value of investments	<u>(662,136)</u>	<u>619,578</u>
Net Return on Assets	<u><u>\$ 851,193</u></u>	<u><u>\$ 1,373,278</u></u>
Average Assets	<u>\$ 20,436,089</u>	<u>\$ 20,589,215</u>
Return on Assets	<u><u>4.1651%</u></u>	<u><u>6.6699%</u></u>

LAFAYETTE COUNTY RESERVE AND TRUST FUND

Notes to Financial Statements

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 has paid all accounting and attorney fees incurred by the Trust since inception. 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.

The maximum distributable amount as of March 31, 2018 is as follows:

A) Trust Equity, 3/31/2018	\$ 21,388,699
Initial Trust Deposit	<u>(20,000,000)</u>
Excess (Deficiency) Trust Equity	<u>1,388,699</u>
 B) Earnings Component (3% of Trust Equity, 3/31/2018)	<u>641,661</u>
 Maximum Distributable amount (lessor of A or B)	<u>\$ 641,661</u>

The distributions made to the County in prior years are as follows:

Distribution for:	
FYE 3/31/2013	\$ -
FYE 3/31/2014	566,834
FYE 3/31/2015	550,449
FYE 3/31/2016	-
FYE 3/31/2017	<u>635,181</u>
Total Amount of Distributions to Date:	<u>\$ 1,752,464</u>

LAFAYETTE COUNTY RESERVE AND TRUST FUND

Notes to Financial Statements

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

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.

Fair values of assets measured on a recurring basis at March 31, 2018 and 2017 are as follows:

March 31, 2018	Value	Level 1
Fixed Income:		
Bond Mutual Funds	\$ 10,398,487	\$ 10,398,487
Exchange Traded Products	1,811,880	1,811,880
US Treasury Bonds	579,002	579,002
Equities:		
Stocks and other equities	1,967,814	1,967,814
Equity mutual funds	4,381,878	4,381,878
Exchange Traded Products	1,808,493	1,808,493
Total Investments	\$ 20,947,554	\$ 20,947,554
	Fair	
	Value	Level 1
March 31, 2017		
Fixed Income:		
Bond Mutual Funds	\$ 10,288,865	\$ 10,288,865
Exchange Traded Products	1,835,382	1,835,382
Equities:		
Stocks and other equities	1,934,419	1,934,419
Equity mutual funds	4,393,889	4,393,889
Exchange Traded Products	1,472,069	1,472,069
Total Investments	\$ 19,924,624	\$ 19,924,624

LAFAYETTE COUNTY RESERVE AND TRUST FUND

Notes to Financial Statements

Note 6 – Fair Value Measurements (Continued)

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 1, 2018, 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.