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**Lincoln County, Mississippi**  
Audited Financial Statements  
and Special Reports  
For the Year Ended  
September 30, 2014

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Lincoln County, Mississippi**  
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## Lincoln County Location in Mississippi



Lincoln County was formed on April 7, 1870 from parts of Lawrence, Pike, Franklin, Copiah and Amite Counties in the Piney Woods soil area of the southwest part of Mississippi. It was named for Abraham Lincoln, 16<sup>th</sup> President of the United States. Its county seat is Brookhaven. It is possible that Brookhaven was named for Brookhaven, New York, home of Samuel Jayne, who emigrated to the present site of Old Brook around 1818. Or it could have been named for the Brooks family, builders of the first house in Brookhaven.

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## FINANCIAL REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Lincoln County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lincoln 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 basic financial statements of the County's primary government as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lincoln County, Mississippi, as of September 30, 2014, and the respective changes in financial position 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 Management's Discussion and Analysis, 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*

Management 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.

### *Other Information*

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 November 13, 2015, on our consideration of the Lincoln 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 Lincoln County, Mississippi's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC  
November 13, 2015

Certified Public Accountants

## FINANCIAL STATEMENTS

**LINCOLN COUNTY, MISSISSIPPI**  
Statement of Net Position  
September 30, 2014

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Cash	\$ 8,006,937
Property tax receivable	10,633,059
Accounts receivable (net of allowance for uncollectibles of \$899,747)	735,957
Fines receivable (net of allowance for uncollectibles of \$9,621,355)	2,699,118
Capital leases receivable	234,845
Intergovernmental receivables	470,645
Capital assets:	
Land and construction in progress	725,279
Other capital assets, net	75,567,709
<b>Total Assets</b>	<u><u>99,073,549</u></u>
<b>LIABILITIES</b>	
Claims payable	628,212
Intergovernmental payables	353,394
Matured bonds and interest payable	15,000
Accrued interest payable	60,548
Amounts held in custody for others	147,234
Other payables	73,169
Long-term liabilities	
Due within one year:	
Capital debt	633,582
Non-capital debt	103,171
Due in more than one year:	
Capital debt	2,875,105
Non-capital debt	1,308,323
<b>Total Liabilities</b>	<u><u>6,197,738</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax for future reporting period	10,633,059
Capital leases for future reporting period	64,845
<b>Total Deferred Inflows of Resources</b>	<u><u>10,697,904</u></u>
<b>NET POSITION</b>	
Net Investment in capital assets	72,784,301
Restricted:	
Expendable:	
General government	247,511
Debt service	329,305
Public safety	82,024
Public works	4,574,133
Culture and recreation	349,726
Other purposes	397,002
Unrestricted	3,413,905
<b>Total Net Position</b>	<u><u>\$ 82,177,907</u></u>

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 5,808,607	1,360,378	21,733		(4,426,496)
Public safety	4,199,553	712,067	191,696		(3,295,790)
Public works	5,352,160	1,403,556	724,661		(3,223,943)
Health and welfare	258,257		38,641		(219,616)
Culture and recreation	732,718				(732,718)
Conservation of natural resources	177,326				(177,326)
Interest on long-term debt	210,609				(210,609)
Total Governmental Activities	<u>16,739,230</u>	<u>3,476,001</u>	<u>976,731</u>	<u>0</u>	<u>(12,286,498)</u>
General revenues:					
Property taxes				\$	10,022,338
Road & bridge privilege taxes					448,414
Grants and contributions not restricted to specific programs					1,709,057
Unrestricted interest income					105,188
Miscellaneous					309,539
Total General Revenues					<u>12,594,536</u>
Changes in Net Position					<u>308,038</u>
Net Position - Beginning, as previously reported					81,646,076
Prior period adjustment					223,793
Net Position - Beginning, as restated					<u>81,869,869</u>
Net Position - Ending				\$	<u>82,177,907</u>

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

**LINCOLN COUNTY, MISSISSIPPI**

Balance Sheet - Governmental Funds  
September 30, 2014

Exhibit 3

	<u>Major Fund</u>		Total Governmental Funds
	General Fund	Other Governmental Funds	
<b>ASSETS</b>			
Cash	\$ 1,719,565	6,287,372	8,006,937
Property tax receivable	7,228,223	3,404,836	10,633,059
Accounts receivable (net of allowance for uncollectibles of \$899,747)		735,957	735,957
Fines receivable (net of allowance for for uncollectibles of \$9,621,355)	2,699,118		2,699,118
Capital lease receivables	234,845		234,845
Intergovernmental receivables	247,576		247,576
Due from other funds	254,199	200,407	454,606
Total Assets	<u>\$ 12,383,526</u>	<u>10,628,572</u>	<u>23,012,098</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Claims payable	\$ 226,661	401,551	628,212
Intergovernmental payables	353,394		353,394
Due to other funds	200,558	30,979	231,537
Matured bonds and interest payable		15,000	15,000
Amounts held in custody for others	147,234		147,234
Other payables	73,169		73,169
Total Liabilities	<u>1,001,016</u>	<u>447,530</u>	<u>1,448,546</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	7,228,223	3,404,836	10,633,059
Unavailable revenue -fines	2,699,118		2,699,118
Unavailable revenue - capital leases receivable	234,845		234,845
Unavailable revenue - solid waste receivables		735,957	735,957
Total Deferred Inflows of Resources	<u>10,162,186</u>	<u>4,140,793</u>	<u>14,302,979</u>
Fund balances:			
Restricted:			
General government		247,511	247,511
Public safety		82,024	82,024
Public works		4,574,133	4,574,133
Culture and recreation		349,726	349,726
Economic development and assistance		143,529	143,529
Debt service		389,853	389,853
Other purposes		253,473	253,473
Unassigned	1,220,324		1,220,324
Total Fund Balances	<u>1,220,324</u>	<u>6,040,249</u>	<u>7,260,573</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,383,526</u>	<u>10,628,572</u>	<u>23,012,098</u>

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

**LINCOLN COUNTY, MISSISSIPPI**

Exhibit 3-1

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,260,573
Amounts reported for governmental services 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 \$130,068,429.	76,292,988
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,435,075
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(4,920,181)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(60,548)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	170,000
Total Net Position - Governmental Activities	\$ <u><u>82,177,907</u></u>

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

**LINCOLN COUNTY, MISSISSIPPI**

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2014

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 6,972,832	3,049,506	10,022,338
Road and bridge privilege taxes		448,414	448,414
Licenses, commissions and other revenue	592,843	13,076	605,919
Fines and forfeitures	668,279	750	669,029
Intergovernmental revenues	759,204	1,926,584	2,685,788
Charges for services	195,440	1,750,797	1,946,237
Interest income	104,531	657	105,188
Miscellaneous revenues	115,584	187,545	303,129
<b>Total Revenues</b>	<u>9,408,713</u>	<u>7,377,329</u>	<u>16,786,042</u>
<b>EXPENDITURES</b>			
Current:			
General government	5,101,364	513,572	5,614,936
Public safety	3,318,187	741,948	4,060,135
Public works		4,914,231	4,914,231
Health and welfare	258,257		258,257
Culture and recreation	103,374	571,147	674,521
Conservation of natural resources	177,326		177,326
Debt service:			
Principal	34,885	725,777	760,662
Interest	3,657	212,972	216,629
<b>Total Expenditures</b>	<u>8,997,050</u>	<u>7,679,647</u>	<u>16,676,697</u>
Excess of Revenues over (under) Expenditures	<u>411,663</u>	<u>(302,318)</u>	<u>109,345</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-term capital debt issued	220,521	151,686	372,207
Proceeds from sale of capital assets	2,640	14,040	16,680
Transfers in		472,928	472,928
Transfers out	(472,928)		(472,928)
<b>Total Other Financing Sources and Uses</b>	<u>(249,767)</u>	<u>638,654</u>	<u>388,887</u>
<b>Net Changes in Fund Balances</b>	<u>161,896</u>	<u>336,336</u>	<u>498,232</u>
Fund Balances - Beginning, as previously reported	810,151	5,708,397	6,518,548
Prior period adjustment	248,277	(4,484)	243,793
Fund Balances - Beginning, as restated	<u>1,058,428</u>	<u>5,703,913</u>	<u>6,762,341</u>
Fund Balances - Ending	<u>\$ 1,220,324</u>	<u>6,040,249</u>	<u>7,260,573</u>

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

**LINCOLN COUNTY, MISSISSIPPI**

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	\$ 498,232
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 \$974,089 did not exceed depreciation of \$1,794,940 in the current period.	(820,851)
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 loss of \$3,590 plus the proceeds from the sale of \$16,680 in the current period.	(20,270)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	190,427
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	64,389
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 of debt repayment of \$760,662 exceeded debt proceeds of \$372,207.	388,455
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from change in fund balances by the principal collections on the capital leases.	10,000
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:	
The amount of increase in compensated absences	(8,364)
The amount of decrease in accrued interest payable	6,020
Change in Net Position of Governmental Activities	\$ <u>308,038</u>

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

**LINCOLN COUNTY, MISSISSIPPI**  
Statement of Fiduciary Assets and Liabilities  
September 30, 2014

Exhibit 5

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 579,494
Due from other funds	20,535
Other receivables	<u>224,365</u>
Total Assets	<u>\$ 824,394</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 426,196
Intergovernmental payables	154,594
Due to other funds	<u>243,604</u>
Total Liabilities	<u>\$ 824,394</u>

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

**Lincoln County, Mississippi**

Notes to the Financial Statements  
For the year ended September 30, 2014

## Lincoln County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2014

### (1) Summary of Significant Accounting Policies

#### A. Financial Reporting Entity

Lincoln County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Lincoln County, Mississippi to present these financial statements on the primary government and its component units which have a significant operational or financial relationship 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/Collector
- Sheriff

#### B. 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. 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.

The Statement of Net Position presents the financial condition of the governmental 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

## Lincoln County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2014

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

### C. Measurement Focus and Basis of Accounting

The Government-wide 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 assets 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.

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 judgements, are recognized only when

## Lincoln County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2014

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 Fund:

General Fund- This fund is used to account for and report all financial resources not accounted for and reported in another fund.

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 Project 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.

### FIDUCIARY FUND TYPES

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

#### D. Account Classifications

The account 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.

#### E. Deposits

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality

## Lincoln County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2014

or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand and demand deposits.

### F. Receivables

Receivables are reported net of allowances for uncollectible accounts, where applicable.

### G. 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.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

### H. 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 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.

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. 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:

# Lincoln County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2014

	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.

## I. 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) until then. The County does not have any deferred outflow of resources.

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 and so will not be recognized as an inflow of resources (revenue) until then. The County has a deferred inflow which is presented as a deferred inflow for unavailable revenue.

Property taxes for future reporting period - Unavailable revenue - property tax - 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.

Capital leases for future reporting period - Unavailable revenue - capital leases - 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

## Lincoln County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2014

available.

Unavailable revenue - solid waste fees - 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.

### J. 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 governmental activities Statement of Net Position. Bond premiums and discounts, as well as issuance costs, 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.

### K. Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

1. 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 improvements of those assets.
2. 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.
3. Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

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

## Lincoln County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2014

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 items 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. Currently, there is no nonspendable fund balance.

*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 the 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. Currently, there is no committed fund balance.

*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 the policy adopted by the county. Currently, there is no assigned fund balance.

*Unassigned fund balance* is the residual classification for the General Fund. This

## Lincoln County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2014

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 District'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.

### L. 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.

# Lincoln County, Mississippi

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

M. 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 the expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. 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. 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.

O. Changes in Accounting Standards

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

(2) Prior Period Adjustment

Exhibit 2 - Statement of Activities

Explanation	Amount
See explanation below.	\$ 248,277
See explanation below.	(4,484)
To adjust for net effects of establishment of lease receivable.	(20,000)
Total	\$ <u>223,793</u>

## Lincoln County, Mississippi

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

### Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances

Major Fund	Explanation	Amount
General Fund	To adjust for the net effect of prior year establishment of interfund transactions.	\$ 248,277
Other Governmental Funds	To adjust for the net effect of prior year receivable.	(4,484)
Total		<u>\$ 243,793</u>

#### (3) Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2014, was \$8,006,937 in the governmental funds and \$579,494 in the fiduciary funds. The bank balance was \$8,861,628. 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 the 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.

#### (4) Interfund Transactions and Balances

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

##### A. Due From/To Other Funds:

**Lincoln County, Mississippi**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 27,422
General Fund	Fiduciary Funds	226,777
Other Governmental Funds	General Fund	180,078
Other Governmental Funds	Other Governmental Funds	3,502
Other Governmental Funds	Fiduciary Funds	16,827
Fiduciary Funds	General Fund	20,480
Fiduciary Funds	Other Governmental Funds	55
Total		<u>\$ 475,141</u>

Amounts listed are the tax revenue, justice court, and circuit clerk fees collected but not settled until October 2014. These were also to move expenses to another fund and to correct settlement of taxes reported in the incorrect fund. All interfund balances are expected to be repaid within one year.

**B. Transfers In/Out:**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ <u>472,928</u>

The principal purpose of the interfund transfers was to provide funds for 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.

**(5) Intergovernmental Receivables**

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Tax Collector - Legislative Tax Credit	\$ <u>247,576</u>

**(6) Capital Assets**

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

# Lincoln County, Mississippi

## Notes to the Financial Statements For the year ended September 30, 2014

### Governmental activities:

	Balance Oct. 1, 2013	Additions	Deletions	Completed Construction	Adjustments	Balance Sept. 30, 2014
<b>Non-depreciable capital assets:</b>						
Land	\$ 555,123					555,123
Construction in progress	2,977,541	616,361		(3,423,746)		170,156
<b>Total non-depreciable capital assets</b>	<b>3,532,664</b>	<b>616,361</b>	<b>0</b>	<b>(3,423,746)</b>	<b>0</b>	<b>725,279</b>
<b>Depreciable capital assets:</b>						
Infrastructure	179,670,536			3,423,746		183,094,282
Buildings	12,078,914					12,078,914
Improvements other than buildings	1,161,585					1,161,585
Mobile equipment	6,864,912	92,333	197,131		360,516	7,120,630
Furniture and equipment	989,763	5,956	10,720		54,540	1,039,539
Property under capital leases	1,296,805	259,439			(415,056)	1,141,188
<b>Total depreciable capital assets</b>	<b>202,062,515</b>	<b>357,728</b>	<b>207,851</b>	<b>3,423,746</b>	<b>0</b>	<b>205,636,138</b>
<b>Less accumulated depreciation for:</b>						
Infrastructure	115,160,117	987,214				116,147,331
Buildings	6,685,065	228,172				6,913,237
Improvements other than buildings	231,881	46,463				278,344
Mobile equipment	5,062,844	310,224	177,418		177,398	5,373,048
Furniture and equipment	822,794	67,505	10,163		53,995	934,131
Property under capital leases	498,369	155,362			(231,393)	422,338
<b>Total accumulated depreciation</b>	<b>128,461,070</b>	<b>1,794,940</b>	<b>187,581</b>	<b>0</b>	<b>0</b>	<b>130,068,429</b>
<b>Total depreciable capital assets, net</b>	<b>73,601,445</b>	<b>(1,437,212)</b>	<b>20,270</b>	<b>3,423,746</b>	<b>0</b>	<b>75,567,709</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 77,134,109</b>	<b>(820,851)</b>	<b>20,270</b>	<b>0</b>	<b>0</b>	<b>76,292,988</b>

Adjustments were made to correctly present capital assets at year end.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<b>Governmental Activities:</b>	
General government	\$ 278,033
Public safety	235,344
Public works	1,223,366
Culture and recreation	58,197

## Lincoln County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2014

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

Description of Commitment:	Remaining Financial Commitment	Expected Date of Completion
Greenview Trail	*	
Big Creek Road	*	

\* These projects are State Aid LSBP handled through State Aid.

### (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 Lessee:

The County has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$14,342 for the year ended September 30, 2014. The future lease payments for these leases are as follows:

**Lincoln County, Mississippi**

Notes to the Financial Statements  
For the year ended September 30, 2014

Year Ending September 30,	Amount
2015	\$ 9,882
2016	9,387
2017	7,902
2018	3,480
Total	<u>\$ 30,651</u>

(9) Capital Leases

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2014:

Classes of Property	Governmental Activities	
Building - Spec Building	\$ <u>200,000</u>	Original Cost

The future minimum lease receivables and the present value of the net minimum lease receivable as of September 30, 2014, are as follows:

Year Ending September 30,	Principal	Interest
2015	\$ 10,000	3,814
2016	10,000	3,814
2017	10,000	3,814
2018	10,000	3,814
2019	10,000	3,814
2020 - 2021	120,000	45,775
Total	<u>\$ 170,000</u>	<u>64,845</u>

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as

## Lincoln County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2014

of September 30, 2014:

Classes of Property	Governmental Activities
Mobile equipment	\$ 847,253
Furniture and equipment	229,496
Other improvement	64,439
Total	1,141,188
Less: Accumulated depreciation	(422,338)
Total	\$ 718,850

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

Year Ending September 30,	Principal	Interest
2015	\$ 292,283	21,754
2016	278,373	14,510
2017	211,970	8,223
2018	125,027	3,219
2019	34,198	914
Total	\$ 941,851	48,620

### (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
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
Jail bond	\$ 930,000	3.62-3.65%	05/2018
Industrial taxable bond	1,140,000	5.5-6.25%	12/2025
Industrial park bond	1,635,000	4.50%	12/2016
Total General Obligation Bonds	\$ 3,705,000		

## Lincoln County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2014

### B. Limited Obligation Bonds:

Tax Increment bonds	\$	<u>54,575</u>	4.65%	04/2016
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### C. Capital Leases:

IBM i5 Series Computer	\$	128,852	2.07%	08/17
Caterpillar loader		58,438	2.03%	06/16
John Deere excavator		86,916	2.03%	06/16
John Deere motor grader		89,920	3.98%	06/17
E-911 equipment		220,339	4.00%	06/18
Sheriff vehicle		40,703	1.91%	06/18
Courthouse boiler		61,374	1.91%	06/19
Sheriff Office equipment		112,768	3.43%	12/18
Kubota tractor		89,012	1.91%	06/18
Tractor		<u>53,529</u>	1.91%	06/18
Total Capital Leases	\$	<u>941,851</u>		

### D. Other Loans:

Industrial Park Building CAP loan	\$	<u>61,617</u>	4.00%	06/2017
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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		Limited Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 390,000	166,374	27,075	2,584	27,395	2,453
2016	405,000	149,535	27,500	1,325	28,512	1,336
2017	430,000	132,055			5,710	246
2018	445,000	113,652				
2019	210,000	94,459				
2020 - 2024	1,225,000	309,086				
2025 - 2027	600,000	36,550				
Total	\$ <u>3,705,000</u>	<u>1,001,711</u>	<u>54,575</u>	<u>3,909</u>	<u>61,617</u>	<u>4,035</u>

# Lincoln County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2014

## 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 by 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 less than 1% 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	Balance Sept. 30, 2014	Amount due within one year
<u>Governmental Activities:</u>					
General obligation bonds	\$ 4,130,000		425,000	3,705,000	390,000
Limited obligation bonds	81,225		26,650	54,575	27,075
Capital leases	849,447	372,207	279,803	941,851	292,283
Other loans	90,826		29,209	61,617	27,395
Compensated absences	148,774	8,364		157,138	
Total	<u>\$ 5,300,272</u>	<u>380,571</u>	<u>760,662</u>	<u>4,920,181</u>	<u>736,753</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid which is generally the General Fund and the Road Maintenance Fund.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2014, \$940,000 of bonds outstanding were considered defeased.

## (11) 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.

## Lincoln County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2014

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.

Hospital Revenue Bond Contingencies - The county issues revenue bonds to provide funds for constructing and improving capital facilities of the King's Daughter Hospital. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the County remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the County is secondarily pledged in case of default by the hospital. The principal amount of Hospital Revenue Bonds, Series 1998 outstanding at September 30, 2014, is \$4,120,000. On September 20, 2012, King's Daughters Hospital entered into an agreement with Lincoln County to issue \$4,120,000 of Hospital Revenue Bonds, 2012 Series, which were primarily used to advance refund the Hospital Revenue Bonds, Series 1998. As of September 30, 2014, the balance on the refunding bond was \$2,780,000.

### (12) No Commitment Debt (Not Included in the Financial Statements)

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the County's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description		Balance at September 30, 2014
Bogue Chitto Volunteer Fire Dept. Truck Lease Purchase	\$	78,584
Hog Chain Volunteer Fire Dept. Truck Lease Purchase		12,097
Ruth Volunteer Fire Dept. Truck Lease Purchase		44,146
East Lincoln Volunteer Fire Dept. Truck Lease Purchase		19,804
Total	\$	<u>154,631</u>

### (13) Jointly Governed Organizations

The county participates in the following jointly governed organizations:

## Lincoln County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2014

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The governing body is a 40 member board of directors, with four appointed by the Lincoln County Board of Supervisors. The County appropriated \$67,779 for the support of the district in fiscal year 2014.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lincoln County Board of Supervisors appoints one of the ten members of the board of commissioners. The County appropriated \$50,000 for the support of the district in fiscal year 2014.

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The governing body is a 27 member board of trustees, with six appointed by the Lincoln County Board of Supervisors. The County appropriated \$1,185,225 for the maintenance and support of the college in fiscal year 2014.

### (14) Defined Benefit Pension Plan

#### Plan Description

Lincoln County 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 of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

#### Funding Policy

At September 30, 2014, PERS members are 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 the 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 \$765,840, \$667,547, and \$576,348, respectively, equal to the required contributions for each year.

## Lincoln County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2014

### (15) 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 Lincoln County evaluated the activity of the county, through the date the financial statements were available to be issued, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements.

The county issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing
10-30-14	2.90%	\$ 2,500,000	General Obligation Bonds
03-04-15	1-4%	\$ 1,225,000	General Obligation Bonds
05-22-15	1.9%	\$ 91,316	Lease Purchase (Dump Truck - District 4)
10-01-15	1.81%	\$ 79,978	Lease Purchase (Dump Truck - District 1)

REQUIRED SUPPLEMENTARY INFORMATION

**Lincoln County, Mississippi**  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 6,219,650	6,724,448	6,724,448	0
Licenses, commissions and other revenue	682,474	597,813	597,813	0
Fines and forfeitures	642,077	679,428	679,428	0
Intergovernmental revenues:	776,649	759,204	759,204	0
Charges for services	50,000	198,240	198,240	0
Interest income	68,000	130,565	100,586	(29,979)
Miscellaneous revenues	48,000	81,205	111,184	29,979
Total Revenues	<u>8,486,850</u>	<u>9,170,903</u>	<u>9,170,903</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,486,929	5,182,048	4,704,997	477,051
Public safety	2,979,328	3,159,632	3,159,632	0
Health and welfare	267,786	258,257	258,257	0
Conservation of natural resources	107,212	103,374	103,374	0
Economic development and assistance	217,400	209,661	177,326	32,335
Debt service:				
Principal			33,690	(33,690)
Interest			4,854	(4,854)
Bond issue costs				0
Total Expenditures	<u>8,058,655</u>	<u>8,912,972</u>	<u>8,442,130</u>	<u>470,842</u>
Excess of Revenues over (under) Expenditures	<u>428,195</u>	<u>257,931</u>	<u>728,773</u>	<u>470,842</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued		117,183	107,753	(9,430)
Proceeds from sale of capital assets			2,640	2,640
Compensation for loss of capital assets			6,789	6,789
Transfers out			(472,928)	(472,928)
Total Other Financing Sources and Uses	<u>0</u>	<u>117,183</u>	<u>(355,746)</u>	<u>(472,929)</u>
Net Change in Fund Balance	428,195	375,114	373,027	(2,087)
Fund Balances - Beginning	<u>1,581,978</u>	<u>716,541</u>	<u>754,289</u>	<u>37,748</u>
Fund Balances - Ending	<u>\$ 2,010,173</u>	<u>1,091,655</u>	<u>1,127,316</u>	<u>35,661</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule

## Lincoln County, Mississippi

Notes to the Required Supplementary Information  
For the year ended September 30, 2014

### 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).

## Lincoln County, Mississippi

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2014

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

	<u>Governmental Fund Types</u>
	<u>General Fund</u>
Budget (Cash Basis)	\$ 373,027
Increase (Decrease)	
Net adjustments for revenue accruals	(211,131)
	<u>                    </u>
GAAP Basis	\$ <u>161,896</u>

## OTHER INFORMATION

**Lincoln County, Mississippi**  
 Schedule of Surety Bonds for County Officials  
 For the Year Ended September 30, 2014

UNAUDITED

Name	Position	Company	Bond
Jerry Wilson	Supervisor District 1	Brierfield Insurance Company	\$100,000
Jimmy Diamond	Supervisor District 2	Brierfield Insurance Company	\$100,000
Nolan Earl Williamson	Supervisor District 3	Brierfield Insurance Company	\$100,000
Eddie Brown	Supervisor District 4	Brierfield Insurance Company	\$100,000
Dedley Nations	Supervisor District 5	Brierfield Insurance Company	\$100,000
David Fields	County Administrator	FCCI Insurance Company	\$100,000
Tilmon Bishop	Chancery Clerk	Brierfield Insurance Company	\$100,000
Deborah A. Brent	Purchase Clerk	Western Surety	\$75,000
Patricia Hart	Receiving Clerk	Western Surety	\$75,000
Kenneth Britt	Assistant Receiving Clerk	Western Surety	\$50,000
Krysten L Butler	Assistant Receiving Clerk	Western Surety	\$50,000
George Clark	Assistant Receiving Clerk	Western Surety	\$50,000
Cathi B Easley	Assistant Receiving Clerk	Western Surety	\$50,000
Harvey Fairman	Assistant Receiving Clerk	Western Surety	\$50,000
Karen Gayten	Assistant Receiving Clerk	Western Surety	\$50,000
Gayra L James	Assistant Receiving Clerk	Western Surety	\$50,000
Roy Lackland	Assistant Receiving Clerk	Western Surety	\$50,000
Jerry McGehee	Assistant Receiving Clerk	Western Surety	\$50,000
Ricky W Nations	Assistant Receiving Clerk	Western Surety	\$50,000
Johathan T Powell	Assistant Receiving Clerk	Western Surety	\$50,000
Wiley B Sasser	Assistant Receiving Clerk	Western Surety	\$50,000
Carol N Smith	Assistant Receiving Clerk	Western Surety	\$50,000
Abby Thornton	Assistant Receiving Clerk	Western Surety	\$50,000
Henry Williams	Assistant Receiving Clerk	Western Surety	\$50,000
Kelly Bessonette	Inventory Control Clerk	Western Surety	\$75,000
Krysten L Butler	Assisstant Inventory Clerk	Western Surety	\$50,000
Lawrence Porter	Constable	Brierfield Insurance Company	\$50,000
William Boyd	Constable	Brierfield Insurance Company	\$50,000
Dustin Bairfield	Circuit Clerk	Brierfield Insurance Company	\$100,000
Steve Rushing	Sheriff	Brierfield Insurance Company	\$100,000
Christopher King	Justice Court Judge	Brierfield Insurance Company	\$50,000
Micheal Poetery	Justice Court Judge	Brierfield Insurance Company	\$50,000
Sharon S Lofton	Justice Court Clerk	Western Surety	\$50,000
Melanie Green	Deputy Justice Court Clerk	Western Surety	\$50,000
Tiffani H Jones	Deputy Justice Court Clerk	Western Surety	\$50,000
Venecia J Lee	Deputy Justice Court Clerk	Western Surety	\$50,000
Lindsey W Mayes	Deputy Justice Court Clerk	Western Surety	\$50,000
Rita Goss	Tax Collector-Assessor	Brierfield Insurance Company	\$100,000

## SPECIAL REPORTS

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Supervisors  
Lincoln 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, each major fund, and the aggregate remaining fund information of Lincoln 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 November 13, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lincoln County'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 Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 Responses to be a material weakness. Finding 2014-001.

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 deficiency described in the accompanying Schedule of Findings and Responses to be a significant deficiency. Finding 2014-002

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lincoln 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*.

## **Lincoln County's Response to Findings**

Lincoln County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Lincoln 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard PC  
November 13, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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  
Lincoln County, Mississippi

We have examined Lincoln 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 Lincoln 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 Lincoln 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.

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

1929 SPILLWAY ROAD  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

This report is intended for use in evaluating the central purchasing system and inventory control system of Lincoln 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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
November 13, 2015

Certified Public Accountants

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

**Schedule 1**

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

**Lincoln County, Mississippi**  
 Schedule of Emergency Purchases  
 For the Year Ended September 30, 2014

**Schedule 2**

Date	Item Purchased	Amount Paid	Vendor	Reason for Purchase
10-08-13	Motor - District 4	\$ 11,163	Prestridge & Sons Auto	Motor unrepairable, had to be replaced
10-08-13	Motor - District 1	14,336	Fambelt Equipment	Motor unrepairable, had to be replaced
12-18-13	Repairs - Front End Loader	18,377	Puckett Machinery	Equipment was vandalized
04-07-14	Courthouse Boiler	64,439	Terry Trane	Boiler was unrepairable
05-22-14	Motor	8,064	Farmbelt Equipment	Motor unrepairable, had to be replaced
07-21-14	Motor - District 1	8,000	Sullivan Ford	Motor unrepairable, had to be replaced
08-25-14	Motor and pump - District 3	6,747	K&S Industrial	Motor and pump were unrepairable, had to be replaced
08-28-14	Motor - District 2	10,550	JA Watts Equipment	Motor unrepairable, had to be replaced

**Lincoln County, Mississippi**

**Schedule 3**

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

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

LIMITED INTERNAL CONTROL  
AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Lincoln County, Mississippi

In planning and performing our audit of the financial statements of Lincoln County, Mississippi for the year ended September 30, 2014, we considered Lincoln 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 Lincoln 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 November 13, 2015, on the financial statements of Lincoln County, Mississippi.

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

The results of our review procedures and compliance tests identified certain areas and immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal control and operating efficiency. Our finding, recommendation, and your response are disclosed below:

**Board of Supervisors.**

1. Synopsis of audit report was not published.

Finding:

Section 7-7-221(1), Miss. Code Ann. (1972), requires the County to publish a synopsis of the annual audit of the fiscal and financial affairs of the county in a local newspaper as soon as

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BRANDON, MISSISSIPPI 39047  
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possible after the county receives the report. As previously reported, the County did not publish the synopsis for the 2010, 2011, 2012 and 2013 audit report as required by state statute.

Recommendation:

The County should publish a synopsis as required by state statute.

Board of Supervisors' Response:

We will publish the synopsis.

**Sheriff.**

2. Sheriff's Office should make timely deposits, provide for a review of settlements and bank reconciliations, and identify funds currently unaccounted for.

Finding:

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets and revenue. We identified the following deficiencies in internal controls:

- A. Bond and process receipts were not deposited timely. Often times there was only one deposit per month or twice a month.
- B. Some of the deposit reports in the computerized accounting system did not agree to the actual deposits as recorded in the bank statements.
- C. The settlements to the Chancery Clerk and Justice Court, along with the bank reconciliations were not being reviewed by the Sheriff.
- D. During audit testwork, it was noted that the actual settlement to the Chancery Clerk for June 2014 collections was \$3,386, but the cash receipts ledger in the computer system totaled \$3,611. This difference of \$225 was identified as nine receipts of \$25 bond fees received in cash. These monies were not deposited into the bank account or settled. As of the current date, these receipts are unaccounted for.

These weaknesses are 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, a review of settlements and bank reconciliations is done by the Sheriff with providing initials or signature as evidence of review for proper checks and balances, and the receipts that were unaccounted for should be followed up on and addressed.

Sheriff's Response:

New rules and guidelines are being put into place to include the following:

1. Weekly deposits will be done and documented.

2. Receipts and deposit journal will be balanced monthly and documented.
3. Bank statement will be balanced to include being reconciled with computer.
4. Sheriff will sign off on the verification of weekly deposits and monthly clearance to county along with bank statement.

The receipts identified by audit were verified by the written receipt books and the following discovered:

1. Receipts were actually made in July 2014 but when entered into the computer they were incorrectly entered with a June date. June was correct, but July was off by \$225.00. The amount will be settled with the county to reflect the error.
2. Per discussion with the auditor, the computer entries will not be corrected. Computer copies will be printed and written documentation will be kept to show the proper corrections. Sheriff will settle the amount with the county to correct the data error.

### **Board of Supervisors.**

3. Controls Over Payroll Should Be Strengthened.

#### Finding:

An effective internal control system over payroll should ensure deductions are properly withheld and rates of pay are correct. During the audit test-work, we noted that in some employees amounts of taxes withheld were not in agreement with the amounts on the tax withholding forms in the employee personnel files.

The lack of internal control over payroll could lead to employees having excess taxes withheld and/or being over paid.

#### Recommendation:

Internal controls over payroll should be implemented to verify that withholdings are properly withheld and rates of pay are correct.

#### Board of Supervisors' Response:

Will make every effort to improve our files and update where needed.

Lincoln 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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
November 13, 2015

Certified Public Accountants

## SCHEDULE OF FINDINGS AND RESPONSES

## Lincoln County, Mississippi

### Schedule of Findings and Responses For the Year Ended September 30, 2014

#### Section I: Summary of Auditor's Results

##### Financial Statements:

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
  - a. Material weakness identified? No.
  - b. Significant deficiency identified? None reported.
3. Noncompliance material to financial statements noted? No.

#### Section II: Financial Statement Findings

The results of our tests disclosed the following finding related to the financial statements that are required to be reported by *Government Auditing Standards*.

Board of Supervisors

##### **Material Weakness - Finding 2014-001**

##### Criteria:

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include adequate detail to document the compilation of individual fund balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures/expenses, proper classification of revenues and expenditures/expenses, proper posting of transactions, proper classification of restricted net position and fund balances, accurate reporting of debt and the inclusion of all required disclosures in the notes to the financial statements.

##### Condition:

We noted the following deficiencies in the financial statement preparation and reporting:

- a. Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* was not properly implemented. The statement creates new sections within the Statement of Net Position containing Deferred Inflows of Resources and Deferred Outflows of Resources which were not presented on the statement, and also required note disclosures pertaining to the statement were omitted. Also, the statement prohibits the use of the term deferred revenue which was presented in error on the Statement of Net Position.

- b. Required note disclosure explaining the \$272,609 of Intergovernmental Receivables presented within Other Governmental Funds was not presented.
- c. Claims payable was reported at an erroneous amount of \$1,391,994 which was within a dollar of the amount reported in the 2013 Financial Statements. The supporting documentation presented contained a total amount to be accrued of \$707,859, which was a difference of \$684,135.
- d. Capital lease debt of \$112,768 was omitted from the Financial Statements. This was debt issued for radios for the Sheriff's office with Motorola.
- e. The beginning fund balance for both General Fund and total governmental funds did not agree to the amount previously reported as the ending amount within the 2013 Financial Statements. The amount contained a difference of \$180,000.
- f. Interfund payables was not presented on the Statement of Fiduciary Assets and Liabilities; however, the notes to the financial statements indicated that the Agency Funds owed other funds \$243,871.
- g. Various other items in the notes to the financial statements contained errors including classes of property under capital leases and related depreciation, the annual requirements to amortize outstanding debt and the long term debt amounts reported as due within one year.

Cause:

Management does not have personnel that possess the necessary qualifications and training to prepare financial statements in accordance with generally accepted accounting principles. The County hired an outside CPA Firm to prepare the financial statements.

Effect:

Audit adjustments to correct these errors in the county's financial statement and notes to the financial statements were proposed to management and made to the financial statements with management's approval.

Recommendation:

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures/expenses, proper classification of revenues and expenditures/expenses, proper posting of transactions, proper classification of net position and fund balances, accurate reporting of debt and the inclusion of all required disclosures in the notes to the financial statements.

Response:

We are contracting with a new accounting firm for next year's financial statement preparation.

Board of Supervisors

**Significant Deficiency - Finding 2014-002**

Criteria:

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

Condition:

During our review of the IS controls of Lincoln County, we noted that the County has not established a disaster recovery process including a complete plan and documented test of this plan. Lincoln County is currently using an automated system to perform daily back-ups of the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise.

Cause:

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. An example is routinely verifying the veracity of back up medium as a part of the process of conducting a formal, documented test of the recoverability of critical systems in a timely manner. This should be done periodically (at least annually) as a 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. Lincoln County is not performing the aforementioned procedures.

Effect:

As a result, Lincoln County cannot fully ensure that the County's information systems can be restored in a timely manner. Failure to maintain an adequate recovery plan could impede the agency's ability to regain computer operation in the event of a disaster. Without proper assurance that back-up 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 building, servers, and staff. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation:

We recommend that Lincoln 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 updated when needed in order to maintain readiness for a disaster scenario.

Response:

We will make an effort to develop a plan in the coming year.