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Lincoln County, Mississippi
Audited Financial Statements
and Special Reports
For the Year Ended
September 30, 2015

Fortenberry & Ballard, PC
Certified Public Accountants

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, 16th 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.

Lincoln County, Mississippi
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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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the County adopted Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position as of October 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, the Schedule of the County’s Proportionate Share of the Net Pension Liability, the Schedule of the County’s Contributions, 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 December 14, 2016, 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
December 14, 2016

Certified Public Accountants

FINANCIAL STATEMENTS

LINCOLN COUNTY, MISSISSIPPI**Exhibit 1**

Statement of Net Position

September 30, 2015

	Primary Government Governmental Activities
ASSETS	
Cash	\$ 9,468,397
Property tax receivable	10,247,799
Accounts receivable (net of allowance for uncollectibles of \$947,286)	775,052
Fines receivable (net of allowance for uncollectibles of \$10,107,425)	2,749,918
Capital leases receivable	221,031
Intergovernmental receivables	476,008
Other receivables	963
Capital assets:	
Land and construction in progress	1,664,280
Other capital assets, net	75,136,876
Total Assets	<u>100,740,324</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	2,453,245
Total Deferred Outflows of Resources	<u>2,453,245</u>
LIABILITIES	
Claims payable	1,079,481
Intergovernmental payables	390,896
Amounts held in custody for others	111,813
Accrued interest payable	95,228
Other liabilities	61,031
Long-term liabilities	
Due within one year:	
Capital debt	734,450
Non-capital debt	127,572
Due in more than one year:	
Capital debt	4,866,696
Non-capital debt	1,242,070
Net pension liability	12,656,415
Total Liabilities	<u>21,365,652</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes	10,247,799
Capital leases	61,031
Total Deferred Inflows of Resources	<u>10,308,830</u>
NET POSITION	
Net investment in capital assets	71,200,010
Restricted:	
Expendable:	
General government	67,169
Public safety	74,639
Public works	3,767,913
Culture and recreation	2,336,851
Economic development	143,529
Other purposes	253,599
Debt service	47,254
Unrestricted	(6,371,877)
Total Net Position	<u>\$ 71,519,087</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, 2015

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Primary Government Governmental Activities
<u>Primary government:</u>					
Governmental activities:					
General government	\$ 5,318,234	669,587	86,269		(4,562,378)
Public safety	3,935,247	1,194,718	152,777		(2,587,752)
Public works	6,794,309	1,429,966	997,157	732,372	(3,634,814)
Health and welfare	258,574		93,657		(164,917)
Culture and recreation	617,851	12,538	65,179		(540,134)
Conservation of natural resources	92,936				(92,936)
Economic development and assistance	197,896				(197,896)
Interest on long-term debt	269,920				(269,920)
Pension expense	1,589,726				(1,589,726)
Total Governmental Activities	19,074,693	3,306,809	1,395,039	732,372	(13,640,473)
General revenues:					
Property taxes				\$ 10,157,429	
Road & bridge privilege taxes				450,443	
Grants and contributions not restricted to specific programs				1,368,075	
Unrestricted interest income				119,672	
Miscellaneous				385,430	
Total General Revenues				12,481,049	
Changes in Net Position					(1,159,424)
Net Position - Beginning, as originally reported					82,177,907
Prior Period Adjustments					(9,499,396)
Net Position - Beginning, as restated					72,678,511
Net Position - Ending					\$ 71,519,087

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

LINCOLN COUNTY, MISSISSIPPI

Exhibit 3

Balance Sheet - Governmental Funds

September 30, 2015

	Major Funds			
	General Fund	Ball Park Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 1,982,500	2,471,204	5,014,693	9,468,397
Property tax receivable	6,687,154		3,560,645	10,247,799
Accounts receivable (net of allowance for uncollectibles of \$947,286)			775,052	775,052
Fines receivable (net of allowance for for uncollectibles of \$10,107,425)	2,749,918			2,749,918
Capital leases receivable	221,031			221,031
Intergovernmental receivables	254,834			254,834
Other receivables	963			963
Due from other funds	254,199		200,301	454,500
Total Assets	<u>12,150,599</u>	<u>2,471,204</u>	<u>9,550,691</u>	<u>24,172,494</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Claims payable	190,355	493,481	395,645	1,079,481
Intergovernmental payables	390,896			390,896
Due to other funds	202,347		30,979	233,326
Amounts held in custody for others	111,813			111,813
Other payables	61,031			61,031
Total Liabilities	<u>956,442</u>	<u>493,481</u>	<u>426,624</u>	<u>1,876,547</u>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	6,687,154		3,560,645	10,247,799
Unavailable revenue - solid waste user fees			775,052	775,052
Unavailable revenue - fines	2,749,918			
Unavailable revenue - capital leases	221,031			221,031
Total Deferred Inflows of Resources	<u>9,658,103</u>	<u>-</u>	<u>4,335,697</u>	<u>13,993,800</u>
Fund balances:				
Restricted for:				
General government			67,169	67,169
Public safety			74,639	74,639
Public works			3,767,913	3,767,913
Culture and recreation		1,977,723	359,128	2,336,851
Economic development and assistance			143,529	143,529
Debt service			142,482	142,482
Other purposes			253,599	253,599
Unassigned	1,536,054		(20,089)	1,515,965
Total Fund Balances	<u>1,536,054</u>	<u>1,977,723</u>	<u>4,788,370</u>	<u>8,302,147</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,150,599</u>	<u>2,471,204</u>	<u>9,550,691</u>	<u>24,172,494</u>

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

LINCOLN COUNTY, MISSISSIPPIExhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2015

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 8,302,147
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.	76,801,156
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
Solid waste receivable	775,052
Fines receivable	2,749,918
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(6,970,788)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(95,228)
Deferred outflows/inflows of resources related to pension reported in governmental activities are not financial resources and therefore, are not reported in the funds.	2,453,245
Net pension liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(12,656,415)
Capital leases reported as deferred outflows of resources not available to pay for current period expenditures and, therefore, are not reported in the funds.	160,000
	<u> </u>
Total Net Position - Governmental Activities	\$ <u><u>71,519,087</u></u>

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

LINCOLN COUNTY, MISSISSIPPIExhibit 4Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2015

	Major Funds			Total
	General	Ball Park	Other	Total
	Fund	Construction	Governmental	Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 7,156,744		3,000,685	10,157,429
Road and bridge privilege taxes			450,443	450,443
Licenses, commissions and other revenue	682,222		13,655	695,877
Fines and forfeitures	481,251		200	481,451
Intergovernmental revenues	999,739		2,495,747	3,495,486
Charges for services	260,588		1,778,998	2,039,586
Interest income	117,532		2,140	119,672
Miscellaneous revenues	89,149		229,408	318,557
Total Revenues	9,787,225	-	7,971,276	17,758,501
EXPENDITURES				
Current:				
General government	4,950,640		482,903	5,433,543
Public safety	3,276,156		838,656	4,114,812
Public works			6,666,549	6,666,549
Health and welfare	258,574			258,574
Culture and recreation		1,109,158	696,267	1,805,425
Conservation of natural resources	101,373			101,373
Economic development and assistance	197,896			197,896
Debt service:				
Principal	94,639		688,766	783,405
Interest	7,359		197,718	205,077
Other			28,363	28,363
Total Expenditures	8,886,637	1,109,158	9,599,222	19,595,017
Excess of Revenues over (under) Expenditures	900,588	(1,109,158)	(1,627,946)	(1,836,516)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		2,500,000	290,864	2,790,864
Refunding bonds issued			1,225,000	1,225,000
Compensation for loss of capital assets			79,315	79,315
Lease principal payments	10,000			10,000
Debt service principal - refunding bonds			(1,140,000)	(1,140,000)
Discount on bonds issued			(19,804)	(19,804)
Transfers in	30,355	586,881	565,394	1,182,630
Transfers out	(557,928)		(624,702)	(1,182,630)
Total Other Financing Sources and Uses	(517,573)	3,086,881	376,067	2,945,375
Net Changes in Fund Balances	383,015	1,977,723	(1,251,879)	1,108,859
Fund Balances - Beginning, as previously reported	1,220,324	-	6,040,249	7,260,573
Prior period adjustment	(67,285)			(67,285)
Fund Balance - Beginning, as restated	1,153,039	-	6,040,249	7,193,288
Fund Balances - Ending	\$ 1,536,054	1,977,723	4,788,370	8,302,147

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

LINCOLN COUNTY, MISSISSIPPIExhibit 4-1

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2015

Net change in fund balances - total governmental funds \$ 1,108,859

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay additions	2,313,360	
Depreciation expense	<u>(1,792,750)</u>	520,610

In the statement of activities, only the gain on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.

Net gain or loss of capital assets	66,873	
Compensation for loss of capital assets	<u>(79,315)</u>	(12,442)

Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.

50,800

Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.

39,095

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position.

Payments of debt principal	783,405	
Long-term debt issued	(2,790,864)	
Refunding bonds issued	(1,225,000)	
Payments of principal of refunding bonds	1,140,000	
Discount on bonds issued	<u>19,804</u>	(2,072,655)

Some items reported in the statement of activities related to the implementation of GASB 68 are not reported as revenues/expenditures in the Governmental Funds. These include:

Recording pension expense for the current year	(1,589,726)	
Recording of contributions made prior to the measurement date	612,175	
Recording of contributions made subsequent to the measurement date	<u>206,491</u>	(771,060)

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 received increase financial resources. Thus, the change in net position differs from the change in fund balances by the principal collections on the capital assets.

(10,000)

Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenue/expenditures in the governmental funds. These activities are:

Change in accrued interest payable	(34,680)	
Change in compensated absences	23,848	
Amortization of discounts	<u>(1,800)</u>	(12,632)

Rounding difference		<u>1</u>
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Change in net position of governmental activities		<u>\$ (1,159,424)</u>
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The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2015

Exhibit 5

		Agency Funds
ASSETS		
Cash	\$	579,088
Other receivables		224,366
Due from other funds		22,431
Total Assets	\$	<u>825,885</u>
LIABILITIES		
Amounts held in custody for others	\$	399,922
Intergovernmental payables		182,358
Due to other funds		243,605
Total Liabilities	\$	<u>825,885</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, 2015

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

(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 significant operational or financial relationships to 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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

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, 2015

activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each 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, deferred inflows of resources, fund equity, revenues and expenditures. 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.

D. 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 satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental fund 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 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

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

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

Ball Park Construction Fund - This fund is to account for bond proceeds and money from other sources used for the construction of a ball park.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, in a purely custodial capacity, until distributed to other governmental units or designated beneficiaries.

E. Account Classifications

The account classifications used in the financial statements conform to the board classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

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

G. Receivables

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

H. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

I. 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 and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	n/a
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 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.

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2015

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. 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.

M. Equity Classifications

Government-wide Financial Statements:

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

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

Net Position Flow Assumption:

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

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, or unassigned. The following are descriptions of fund classifications used by the County:

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.

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

Fund Balance Flow Assumption:

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

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

N. 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.

O. Intergovernmental Revenues in Governmental Funds

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

P. 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.

Lincoln County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

Q. 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. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into the financial statements and notes.

(2) Prior Period Adjustment

A summary of the significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (9,625,568)
Deferred outflows - contributions after measurement date	193,457
Total prior period adjustment related to GASB 68 and 71	(9,432,111)
2. See explanation below.	(67,285)
Total Prior Period Adjustments	\$ (9,499,396)

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

Major Fund	Explanation	Amount
General Fund	Reinstatement of cash due to prior year error	\$ 67,285

(3) Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2015, was \$9,468,397 in the governmental funds and \$579,088 in the fiduciary funds. The bank balance was \$10,514,841. 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

Lincoln County, Mississippi

Notes to the Financial Statements

For the Year Ended September 30, 2015

holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2015:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 27,422
	Agency Funds	226,777
Other Governmental Funds	General Fund	179,971
	Other Governmental Funds	3,502
	Agency Funds	16,828
Agency Funds	General Fund	22,376
	Other Governmental Funds	55
Total		<u>\$ 476,931</u>

Amounts listed are ad valorem collections not settled until October 2015. Also, incorrect settlement of prior period ad valorem taxes was noted.

Lincoln County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 30,355
Ball park Construction Fund	Other Governmental Funds	586,881
Other Governmental Funds	General Fund	557,928
	Other Governmental Funds	7,466
Total		<u>\$ 1,182,630</u>

Amounts payable to general fund are loans to other funds to be repaid. Amounts payable to all other Funds are prior period posting errors to wrong fund.

(5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2015 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative Credit	\$ <u>254,834</u>

(6) Capital Assets

Capital assets activity for the year ended September 30, 2015, was as follows:

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

Governmental activities:

	Balance Oct. 1, 2014	Additions	Deletions	Completed Construction	Balance Sept. 30, 2015
Non-depreciable capital assets:					
Land	\$ 555,123				555,123
Construction in progress	170,156	1,647,429		(708,428)	1,109,157
Total non-depreciable capital assets	725,279	1,647,429	0	(708,428)	1,664,280
Depreciable capital assets:					
Infrastructure	183,094,282			708,428	183,802,710
Buildings	12,078,914	116,777			12,195,691
Improvements other than buildings	1,161,585				1,161,585
Mobile equipment	7,120,630	206,716	116,185		7,211,161
Furniture and equipment	1,039,539	55,783	8,231		1,087,091
Property under capital leases	1,141,188	286,655			1,427,843
Total depreciable capital assets	205,636,138	665,931	124,416	708,428	206,886,081
Less accumulated depreciation for:					
Infrastructure	116,147,331	983,526			117,130,857
Buildings	6,913,237	232,728			7,145,965
Improvements other than buildings	278,344	46,466			324,810
Mobile equipment	5,373,048	308,008	104,566		5,576,490
Furniture and equipment	934,131	38,489	7,408		965,212
Property under capital leases	422,338	183,533			605,871
Total accumulated depreciation	130,068,429	1,792,750	111,974	0	131,749,205
Total depreciable capital assets, net	75,567,709	(1,126,819)	12,442	708,428	75,136,876
Governmental activities capital assets, net	\$ 76,292,988	520,610	12,442	0	76,801,156

Depreciation expense was charged to the functions as follows:

	Amount
Governmental Activities:	
General government	\$ 266,584
Public safety	211,181
Public works	1,261,277
Culture and recreation	53,708
Total depreciation expense	\$ 1,792,750

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

(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, 2015, to January 1, 2016. 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, 2015. The future lease payments for these leases are as follows:

Year Ending September 30,	Amount
2016	\$ 9,387
2017	7,902
2018	3,480
Total	\$ <u>20,769</u>

(9) Capital Leases

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2015:

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

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, 2015, are as follows:

Year Ending September 30,	Principal	Interest
2016	\$ 10,000	3,814
2017	10,000	3,814
2018	10,000	3,814
2019	10,000	3,814
2020	10,000	3,814
2021	110,000	41,961
Total	\$ <u>160,000</u>	<u>61,031</u>

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

Classes of Property	Governmental Activities
Mobile equipment	\$ 1,006,759
Furniture and equipment	356,645
Other improvement	<u>64,439</u>
Total	1,427,843
Less: Accumulated depreciation	<u>(605,871)</u>
Total	\$ <u>821,972</u>

The following is a schedule by years of the total payments due as of September 30, 2015:

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

Year Ending September 30,		Principal	Interest
2016	\$	349,292	19,085
2017		284,204	11,483
2018		198,600	5,140
2019		98,876	1,481
Total	\$	<u>930,972</u>	<u>37,189</u>

(10) Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2015

for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2015, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers 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, 2015, 2014 and 2013 were \$818,666, \$765,840 and \$667,547, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the County reported a liability of \$12,656,415 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the County's proportion was 0.081876 percent, which was an increase of 0.002576 from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$1,589,726. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 194,776
Net difference between projected and actual earnings on pension plan investments	740,536
Change of assumptions	1,090,307
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	221,135
County contributions subsequent to the measurement date	206,491
Total	\$ <u>2,453,245</u>

\$206,491 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ 738,891
2017	738,891
2018	583,839
2019	185,134
Total	\$ <u>2,246,755</u>

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Lincoln County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	0.25%
Real Assets	10%	4.00%
Private Equity	8%	6.15%
Cash	1%	-0.50%
Total	<u>100%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Lincoln County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2015

Sensitivity to the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1- percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 16,682,314	\$ 12,656,415	\$ 9,315,671

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

(11) Long-Term Debt

Debt outstanding as of September 30, 2015, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
Jail bond	\$ 710,000	3.62-3.65%	05/2018
Refunding bonds	1,135,000	1.0-4.0%	06/2025
Industrial park bond	1,540,000	4.5%	12/2026
Public improvement	2,500,000	2.9%	11/2034
Total General Obligation Bonds	\$ <u>5,885,000</u>		
B. Limited Obligation Bonds:			
Tax Increment bonds	\$ <u>28,500</u>	4.65%	04/2016
C. Capital Leases:			
IBM i5 Series Computer	\$ 85,547	2.07%	08/17
Caterpillar loader	25,299	2.03%	06/16
John Deere excavator	37,628	2.03%	06/16

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

John Deere motor grader	58,720	3.98%	06/17
E-911 equipment	166,059	4.00%	06/18
Sheriff vehicle	30,132	1.91%	06/18
Courthouse boiler	48,952	1.91%	06/19
Sheriff Office equipment	91,709	3.43%	12/18
Kubota tractor	65,895	1.91%	06/18
Tractor	39,627	1.91%	06/18
Dump truck	85,868	1.90%	06/19
Kubota tractor with mower	89,639	1.81%	08/19
Kubota tractor with mower	<u>105,897</u>	1.81%	08/19
Total Capital Leases	\$ <u><u>930,972</u></u>		

D. Other Loans:

Industrial Park Building CAP loan	\$ <u><u>11,030</u></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
2016	\$ 475,000	226,440	28,500	674	11,030	86
2017	530,000	174,232				
2018	545,000	156,125				
2019	310,000	137,468				
2020	330,000	127,915				
2021 - 2025	1,860,000	463,907				
2026 - 2030	995,000	185,749				
2031 - 2035	840,000	62,786				
Total	\$ <u><u>5,885,000</u></u>	<u><u>1,534,622</u></u>	<u><u>28,500</u></u>	<u><u>674</u></u>	<u><u>11,030</u></u>	<u><u>86</u></u>

Legal Debt Margin

The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased by 20% whenever a County issues bonds to repair or replace washed out or collapsed bridges on

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2015

the public roads of the county. As of September 30, 2014, the amount of outstanding debt was equal to less than 1.6% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amount due within one year
<u>Governmental Activities:</u>					
General obligation bonds	\$ 3,705,000	3,725,000	1,545,000	5,885,000	475,000
Limited obligation bonds	54,575		26,075	28,500	28,500
Capital leases	941,851	290,864	301,743	930,972	349,292
Other loans	61,617		50,587	11,030	11,030
Compensated absences	157,138		23,848	133,290	
Total	\$ 4,920,181	4,015,864	1,947,253	6,988,792	863,822
Less: Discounts		(19,804)	(1,800)	(18,004)	(1,800)
Total long-term liabilities	\$ 4,920,181	3,996,060	1,945,453	6,970,788	862,022

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, 2015, \$930,000 of bonds outstanding were considered defeased.

(12) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balance and net position at September 30, 2015:

Fund	Deficit Amount
Reappraisal Fund	\$ 5,682
Emergency 911 Fund	10,041
Law Library Fund	592
Grand Gulf Fund	3,774

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

(13) Contingencies

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

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

Medical Center Revenue Bond (Note) Contingencies - The County issues revenue bonds to provide funds for constructing and improving capital facilities of the King's Daughter Medical Center. Revenue bonds are reported as a liability of the medical center because such debt is payable primarily from the medical center'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 medical center. On September 20, 2012, King's Daughter Medical Center entered into an agreement with Lincoln County to issue \$4,120,000 of Medical Center Revenue Bonds, 2012 Series, which were primarily used to advance refund the Medical Center Revenue Bonds, 1998 Series. As a result of the refinancing, King's Daughter Medical Center paid off the bonds and was legally released as the obligor of the Medical Center Revenue Bonds, 1998 Series. As of September 30, 2015, the balance on the Medical Center Revenue Bonds, 2012 Series, bond was \$2,105,000.

(14) No Commitment Debt (Not Included in 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 mora 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:

Lincoln County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

Description		Balance at September 30, 2015
Bogue Chitto Volunteer Fire Dept. Truck Lease Purchase	\$	68,607
Ruth Volunteer Fire Dept. Truck Lease Purchase		33,745
East Lincoln Volunteer Fire Dept. Truck Lease Purchase		16,147
Total	\$	<u>118,499</u>

(15) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

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 2015.

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 2015.

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 2015.

(16) Effect of Deferred Amount on Net Position

The unrestricted net position amount of (\$6,593,013) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$2,232,109 balance of deferred outflow of resources, at September 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$6,593,013) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from property taxes and capital leases. The \$10,308,830 balance of deferred inflow of resources, at September 30, 2015 will be recognized as a revenue and will increase the unrestricted net position over the next few years.

Lincoln County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

(17) 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	Source of Financing
10/2015	1.81%	\$ 79,978	Capital lease	Ad valorem taxes
05/2016	2.27%	\$ 178,987	Capital lease	Ad valorem taxes
05/2016	2.27%	\$ 165,000	Capital lease	Ad valorem taxes
05/2016	1.81%	\$ 86,441	Capital lease	Ad valorem taxes

REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN COUNTY, MISSISSIPPI

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

General Fund

For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Property taxes	\$ 7,228,223	\$ 7,162,131	\$ 7,162,131	\$ -
Licenses, commissions and other revenue	682,474	671,725	671,725	-
Fines and forfeitures	642,077	482,049	482,049	-
Intergovernmental revenues	776,649	981,215	981,215	-
Charges for services	50,000	260,588	260,588	-
Interest income	68,000	107,840	107,840	-
Miscellaneous revenues	48,000	107,062	107,062	-
Total Revenues	<u>9,495,423</u>	<u>9,772,610</u>	<u>9,772,610</u>	<u>-</u>
Expenditures by Major Budgetary Function				
General government	4,802,680	4,977,859	4,977,859	-
Public safety	3,011,347	3,305,542	3,305,542	-
Health and welfare	259,881	258,246	258,246	-
Conservation of natural resources	107,212	101,830	101,830	-
Economic development and assistance	218,900	202,396	202,396	-
Debt service:				
Principal		69,674	69,674	
Interest		7,397	7,397	-
Total Expenditures	<u>8,400,020</u>	<u>8,922,944</u>	<u>8,922,944</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,095,403</u>	<u>849,666</u>	<u>849,666</u>	<u>-</u>
Other Financing Sources (Uses)				
Other financing sources		2,729	2,729	-
Other financing uses		(557,928)	(557,928)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(555,199)</u>	<u>(555,199)</u>	<u>-</u>
Net Change in Fund Balance	<u>1,095,403</u>	<u>294,467</u>	<u>294,467</u>	<u>-</u>
Fund Balances - Beginning, as previously reported	2,010,173	1,091,655	1,127,316	35,661
Prior period adjustment		15,080	(20,581)	(35,661)
Fund Balances - Beginning, as restated	<u>2,010,173</u>	<u>1,106,735</u>	<u>1,106,735</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 3,105,576</u>	<u>\$ 1,401,202</u>	<u>\$ 1,401,202</u>	<u>-</u>

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

Lincoln County, Mississippi

Schedule of the County's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	2015	2014
County's proportion of the net pension liability (asset) \$	12,656,415	9,625,568
County's proportionate share of the net pension liability (asset)	0.081876%	0.079300%
County's covered - employee payroll	5,197,879	4,862,476
County's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	243.49%	197.96%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

The notes to the required supplementary information are an integral part of this schedule.

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However GASB 68 was implemented in FYE 15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

Lincoln County, Mississippi
Schedule of the County's Contributions
PERS
Last 10 Fiscal Years*

	2015	2014
Contractually required contribution	\$ 818,666	765,840
Contributions in relation to the contractually required contribution	818,666	765,840
Contribution deficiency (excess)	\$ -	-
County's covered - employee payroll	5,197,879	4,862,476
Contributions as a percentage of covered - employee payroll	15.75%	15.75%

The notes to the required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

Lincoln County, Mississippi

Notes to the Required Supplementary Information For the year ended September 30, 2015

1. Budgets

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, 2015

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	<u>Governmental Fund Types</u>
	<u>General Fund</u>
Budget (Cash Basis)	\$ 294,467
Increase (Decrease)	
Net adjustments for revenue	18,073
Net adjustments for expenditures	36,306
Other reconciling items	34,169
GAAP Basis	<u>\$ 383,015</u>

2. Pension Schedules

A. Changes in benefit terms

None.

B. Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

OTHER INFORMATION

LINCOLN COUNTY, MISSISSIPPI

Schedule of Surety Bonds for County Officials

For the Year Ended September 30, 2015

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 Poetry	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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 14, 2016.

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 a material weaknesses and other deficiencies that we consider to be 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 deficiencies described in the accompanying schedule of findings and responses as finding 2016-001 and 2016-002 to be material weaknesses.

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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 as finding 2016-003 to be a significant deficiency.

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*.

However, we noted certain matters that we reported to the management of Lincoln County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated December 14, 2016, included with this document.

Lincoln County, Mississippi's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Lincoln County, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Fortenberry & Ballard, PC

Fortenberry & Ballard PC
December 14, 2016

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, 2015. 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, 2015.

The results of audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

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Finding 1 - Inventory Control Clerk

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, costs, locations, acquisition dates, disposition dates, methods of disposition, and other relevant information. The presence of these data elements in capital asset records help identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation. The information is also very important to the financial reporting process.

Condition:

We noted a difference totaling \$5,483,020 between capital assets prepared by the financial statement preparer and county records. All asset classifications had discrepancies of various amounts over/under stated amounts noted by the financial statement preparer. Particularly, construction-in-progress appears to not be recorded during project activity.

Cause:

These errors in the capital asset records were caused by failure to implement internal control procedures to ensure that all items are recorded, valued properly, and classified properly in the county's capital asset records.

Effect:

Failure to maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation:

Audit adjustments to correct these discrepancies 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.

Response:

We will make every effort to comply

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.

This report is intended for use in evaluating Lincoln County, Mississippi's compliance with the aforementioned requirements, 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
December 14, 2016

Certified Public Accountants

Lincoln County, Mississippi

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2015

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, 2015

Schedule 2

Date	Item Purchased	Amount Paid	Vendor	Reason for Emergency Purchase
10-07-14	Equipment repairs	\$12,183	MS Ag Company	Replacement of tractor rear end due to gears not pulling
11-17-14	Equipment repairs	\$6,371	Farmbelt Equipment	Replacement of tractor motor and various component repairs
11-24-14	Equipment repairs	\$6,802	JWH Equipment	Replacement of tractor transmission
03-20-15	Server	\$27,485	Premise, Inc.	Appraisal computer service crashed
07-14-15	Equipment repairs	\$6,384	Puckett Machinery	District-wide chip spreader radiator replacement

Lincoln County, Mississippi**Schedule 3**

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2015

Date	Item Purchased	Amount Paid	Vendor
03-09-15	Electronic Poll Book Tablet System	\$35,482	Election Systems & Software

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, 2015, 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 December 14, 2016, on the financial statements of Lincoln County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of 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 controls and operating efficiency. Our findings, recommendations, and your responses 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 possible after the County receives the report. As previously reported, the County

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did not publish the synopsis for the 2010, 2011, 2012, 2013 and 2014 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 make every effort to comply.

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. Reconciled bank statement cash at September 30, 2015 does not match cash journal cash total.

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.

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. As reported in the prior audit, some employees amounts 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:

We will make every effort to comply.

The 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
December 14, 2016

Certified Public Accountants

SCHEDULE OF FINDINGS AND RESPONSES

Lincoln County, Mississippi

Schedule of Findings and Responses For the Year Ended September 30, 2015

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? Yes.
 - b. Significant deficiencies identified? Yes.
3. Noncompliance material to financial statements noted? No.

Section II: Financial Statement Findings

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

Board of Supervisors

Material Weakness - Finding 2015-001

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 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 interfund payables where Agency Funds owed other funds \$243,871. These funds are presumably owed by Copiah-Lincoln Community College to other funds for overpayment of ad valorem revenues by the County to the Community College. No evidentiary matter has been provided noting where these overpayments occurred. Offsetting this amount to a large degree is an Other Receivable booked in the prior audit period totaling \$224,366 to balance the agency fund statement.

Cause:

This amount is a carry over amount from the prior period audit where adjustments were proposed and made to cover an over settlement of cash to the community college.

Effect:

Failure to properly record interfund items can result in the overstatement/understatement of net position of various fund types.

Recommendation:

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.

Response:

Will comply.

Board of Supervisors

Material Weakness - Finding 2015-002

Criteria:

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, costs, locations, acquisition dates, disposition dates, methods of disposition, and other relevant information. The presence of these data elements in capital asset records help identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation. The information is also very important to the financial reporting process.

Condition:

We noted a difference totaling \$5,483,020 between capital assets prepared by the financial statement preparer and county records. All asset classifications had discrepancies of various amounts over/under stated amounts noted by the financial statement preparer. Particularly, construction-in-progress appears to not be recorded during project activity.

Cause:

These errors in the capital asset records were caused by failure to implement internal control procedures to ensure that all items are recorded, valued properly, and classified properly in the county's capital asset records.

Effect:

Failure to maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation:

Audit adjustments to correct these discrepancies 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.

Response:

We will make every effort to comply.

Board of Supervisors

Significant Deficiency - Finding 2015-003

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. As recorded in the prior year audit, Lincoln County is not currently performing these 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 every effort to comply.