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Lincoln County, Mississippi
Audited Financial Statements
and Special Reports
For the Year Ended
September 30, 2017

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, 2017, 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, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of the County's Contributions 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

Lincoln County, Mississippi, 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 May 2, 2019, 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
May 2, 2019

Certified Public Accountants

FINANCIAL STATEMENTS

LINCOLN COUNTY, MISSISSIPPI
Statement of Net Position
September 30, 2017

Exhibit 1

	Primary Government
	Governmental Activities
ASSETS	
Cash	\$ 9,556,922
Property tax receivable	11,778,410
Accounts receivable (net of allowance for uncollectibles of \$1,280,943)	1,048,044
Fines receivable (net of allowance for uncollectibles of \$10,678,742)	3,074,767
Capital leases receivable	193,403
Intergovernmental receivables	457,198
Other receivables	4,667
Capital assets:	
Land and construction in progress	728,088
Other capital assets, net	77,716,640
Total Assets	<u>104,558,139</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	2,037,645
Total Deferred Outflows of Resources	<u>2,037,645</u>
LIABILITIES	
Claims payable	2,450,405
Intergovernmental payables	378,197
Accrued interest payable	65,421
Amounts held in custody for others	112,148
Long-term liabilities	
Net pension liability	13,454,975
Due within one year:	
Capital debt	728,348
Non-capital debt	260,865
Due in more than one year:	
Capital debt	4,056,269
Non-capital debt	2,367,300
Total Liabilities	<u>23,873,928</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,504,625
Deferred revenues - property taxes	11,778,410
Deferred revenues - capital leases	53,403
Total Deferred Inflows of Resources	<u>13,336,438</u>
NET POSITION	
Net investment in capital assets	73,660,111
Restricted for:	
Expendable:	
General government	418,552
Public safety	107,782
Public works	3,646,405
Culture and recreation	518,175
Economic development and assistance	486,920
Debt service	100,994
Self-funded health	254,149
Unrestricted	(9,807,670)
Total Net Position	<u>\$ 69,385,418</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, 2017

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Primary
					Government
					Governmental
					Activities
Primary government:					
Governmental activities:					
General government	\$ 5,159,694	1,653,759	187,035		(3,318,900)
Public safety	4,447,723	374,725	149,917		(3,923,081)
Public works	6,633,035	1,579,874	1,700,576	1,391,343	(1,961,242)
Health and welfare	141,876		42,624		(99,252)
Culture and recreation	977,168	10,864	104,500		(861,804)
Conservation of natural resources	64,810				(64,810)
Economic development and assistance	2,380,512				(2,380,512)
Interest on long-term debt	193,781				(193,781)
Pension expense	1,830,646				(1,830,646)
Total Governmental Activities	<u>21,829,245</u>	<u>3,619,222</u>	<u>2,184,652</u>	<u>1,391,343</u>	<u>(14,634,028)</u>
General revenues:					
Property taxes					\$ 10,994,837
Road & bridge privilege taxes					454,551
Grants and contributions not restricted to specific programs					1,082,951
Unrestricted interest income					161,410
Miscellaneous					738,034
Total General Revenues					<u>13,431,783</u>
Changes in Net Position					<u>(1,202,245)</u>
Net Position - Beginning, as previously reported					71,025,426
Prior period adjustment					<u>(437,763)</u>
Net Position - Beginning, as restated					<u>70,587,663</u>
Net Position - Ending					<u>\$ 69,385,418</u>

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

LINCOLN COUNTY, MISSISSIPPI

Balance Sheet - Governmental Funds

September 30, 2017

Exhibit 3

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 2,055,647	\$ 7,501,275	\$ 9,556,922
Property tax receivable	7,084,237	4,694,173	11,778,410
Accounts receivable (net of allowance for uncollectibles of \$1,280,943)		1,048,044	1,048,044
Fines receivable (net of allowance for uncollectibles of \$10,678,742)	3,074,767		3,074,767
Capital lease receivable	193,403		193,403
Intergovernmental receivables	237,683		237,683
Other receivables	4,667		4,667
Due from other funds		187,608	187,608
Advances to other funds	254,199	30,929	285,128
Total Assets	<u>\$ 12,904,603</u>	<u>\$ 13,462,029</u>	<u>\$ 26,366,632</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALNCES			
Liabilities:			
Claims payable	262,563	2,187,842	2,450,405
Intergovernmental payables	378,197		378,197
Amounts held in custody for others	112,148		112,148
Due to other funds	211,643		211,643
Advances from other funds	10,599	30,979	41,578
Total Liabilities	<u>975,150</u>	<u>2,218,821</u>	<u>3,193,971</u>
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	7,084,237	4,694,173	11,778,410
Unavailable revenue - solid waste user fees		1,048,044	1,048,044
Unavailable revenue - fines	3,074,767		3,074,767
Unavailable revenue - capital lease	193,403		193,403
Total Deferred Inflows of Resources	<u>10,352,407</u>	<u>5,742,217</u>	<u>16,094,624</u>
Fund Balances:			
Nonspendable:			
Advances	10,599		10,599
Restricted for:			
General government		418,552	418,552
Public safety		107,782	107,782
Public works		3,646,405	3,646,405
Culture and recreation		518,175	518,175
Economic development and assistance		486,920	486,920
Debt service		166,415	166,415
Self-funded health		254,149	254,149
Unassigned	1,566,447	(97,407)	1,469,040
Total Fund Balances	<u>1,577,046</u>	<u>5,500,991</u>	<u>7,078,037</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,904,603</u>	<u>\$ 13,462,029</u>	<u>\$ 26,366,632</u>

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

LINCOLN COUNTY, MISSISSIPPIExhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2017

Total Fund Balance - Governmental Funds	\$	7,078,037
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$134,789,382.	78,444,728
---	------------

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Solid waste receivable	1,048,044
Fines receivable	3,074,767

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,412,782)
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Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(13,454,975)
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Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(65,421)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	2,037,645
Deferred inflows of resources related to pensions	(1,504,625)

Capital leases reported as deferred outflows of resources not available to pay current period expenditures and, therefore, are not reported in the funds.	<u>140,000</u>
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Total Net Position - Governmental Activities	\$	<u><u>69,385,418</u></u>
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The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY, MISSISSIPPIExhibit 4

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

For the Year Ended September 30, 2017

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 7,058,964	3,935,873	10,994,837
Road and bridge privilege taxes		454,551	454,551
Licenses, commissions and other revenue	576,520	10,864	587,384
Fines and forfeitures	488,212	472	488,684
Intergovernmental revenues	750,438	3,908,508	4,658,946
Charges for services	377,777	1,712,708	2,090,485
Interest income	160,977	433	161,410
Miscellaneous revenues	195,540	560,471	756,011
Total Revenues	<u>9,608,428</u>	<u>10,583,880</u>	<u>20,192,308</u>
EXPENDITURES			
Current:			
General government	4,751,382	462,440	5,213,822
Public safety	3,779,453	934,525	4,713,978
Public works		7,355,412	7,355,412
Health and welfare	141,876		141,876
Culture and recreation		898,050	898,050
Conservation of natural resources	104,447		104,447
Economic development and assistance	260,917	2,119,595	2,380,512
Debt service:			
Principal	23,931	863,132	887,063
Interest	905	193,977	194,882
Total Expenditures	<u>9,062,911</u>	<u>12,827,131</u>	<u>21,890,042</u>
Excess of Revenues over			
(under) Expenditures	<u>545,517</u>	<u>(2,243,251)</u>	<u>(1,697,734)</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		442,767	442,767
Long-term non-capital debt issued		1,555,000	1,555,000
Proceeds from sale of capital assets		37,814	37,814
Refunding bonds issued		1,385,000	1,385,000
Payment to bond refunding escrow agent		(1,360,955)	(1,360,955)
Transfers in		677,942	677,942
Transfers out	(611,615)	(66,327)	(677,942)
Lease principal payments	10,000		10,000
Total Other Financing Sources (Uses)	<u>(601,615)</u>	<u>2,671,241</u>	<u>2,069,626</u>
Net Changes in Fund Balances	<u>(56,098)</u>	<u>427,990</u>	<u>371,892</u>
Fund Balances - Beginning	<u>1,633,144</u>	<u>5,073,001</u>	<u>6,706,145</u>
Fund Balances - Ending	<u>\$ 1,577,046</u>	<u>5,500,991</u>	<u>7,078,037</u>

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

LINCOLN COUNTY, MISSISSIPPIExhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017

Net Changes in Fund Balances - Governmental Funds	\$ 371,892
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$2,092,709 exceeded depreciation expense of \$1,934,979 in the current period.	157,730
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In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$7,978 and the proceeds from the sale of \$37,814 in the current period.	(29,836)
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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.	229,409
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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.	223,260
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Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$3,382,767 exceeded debt repayments of \$887,063 and refunded debt principal of \$1,335,000.	(1,160,704)
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Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:

Change in accrued interest payable	2,901
Change in compensated absences	28,289
Amortization of discounts	(1,800)

In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from change in fund balances by the principal collections on the capital leases.	(10,000)
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Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(1,830,646)
Recording of contributions made during the year	817,260

Change in Net Position of Governmental Activities	\$ <u>(1,202,245)</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, 2017

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 790,403
Other receivables	224,366
Due from other funds	24,035
Advances to other funds	55
Total Assets	\$ <u>1,038,859</u>
LIABILITIES	
Amounts held in custody for others	\$ 506,818
Intergovernmental payables	288,436
Advances from other funds	243,605
Total Liabilities	\$ <u>1,038,859</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, 2017

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

(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 with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

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's 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 consists of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

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 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 balances, 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.

C. Measurement Focus and Basis of Accounting

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

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 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 used to account for and report all financial resources not accounted and reported in another fund.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

Capital 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, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications

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

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

E. Deposits

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

F. Receivables

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

G. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

H. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

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

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

I. Deferred Outflows/Inflows of Resources

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

Deferred outflows related to pensions - This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 15 for additional details.

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) 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 - When an asset is recorded in the governmental fund financial statements but the revenues is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Deferred inflows related to pensions - This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 16 for additional details.

J. 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.

K. 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 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.

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. 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.”

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.

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2017

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

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

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.

M. 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.

Lincoln County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

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.

N. 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.

O. 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.

P. Change in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73*. The provisions of these standards have been incorporated into the financial statements and notes.

Lincoln County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

(2) Prior Period Adjustments

A summary of the significant net position adjustments are as follows:

Exhibit 2 - Statement of Activities - Governmental Activities

<u>Explanation</u>	<u>Amount</u>
<u>Governmental Activities</u>	
1. To correct amount reported in capital assets.	\$ (73,412)
2. To correct deferred outflows of resources.	(221,136)
3. To correct deferred inflows of resources.	(143,215)
Total prior period adjustments	<u>\$ (437,763)</u>

(3) Deposits

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$9,556,922 in the governmental funds and \$790,403 in the fiduciary funds. The bank balance was \$10,347,325. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. 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). 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.

Lincoln County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2017:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 187,608
Agency Funds	General Fund	24,035
Total		<u>\$ 211,643</u>

The receivables represent the tax revenue collected in September 2017, but not settled until October 2017. Also, the incorrect settlement of prior period ad valorem tax.

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 611,615
	Other Governmental Funds	66,327
Total		<u>\$ 677,942</u>

C. Advances from/to Other Funds:

<u>Advances to</u>	<u>Advances from</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 27,422
	Agency Funds	226,777
Other Governmental Funds	General Fund	10,599
	Other Governmental Funds	3,502
	Agency Funds	16,828
Agency Funds	Other Governmental Funds	55
Total		<u>\$ 285,183</u>

Lincoln County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2017

(5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2017 consisted of the following:

Governmental Activities:

<u>Description</u>		<u>Amount</u>
Legislative Credit	\$	237,683
Agency Fund Net (prior year item)		219,515
Total	\$	<u>457,198</u>

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2017

(6) Capital Assets

Capital assets activity for the year ended September 30, 2017, was as follows:

Governmental activities:

	Balance Oct. 1, 2016	Additions	Deletions	Adjustments	Balance Sept. 30, 2017
Non-depreciable capital assets:					
Land	\$ 555,123	172,965			728,088
Construction in progress	3,229,012			(3,229,012)	0
Total non-depreciable capital assets	3,784,135	172,965	0	(3,229,012)	728,088
Depreciable capital assets:					
Infrastructure	184,371,483	1,259,211			185,630,694
Buildings	12,195,691			3,229,012	15,424,703
Improvements other than buildings	1,161,585				1,161,585
Mobile equipment	7,671,509	386,178	244,698	266,260	8,079,249
Furniture and equipment	1,056,116	31,588	21,773	75,794	1,141,725
Property under capital leases	1,181,671	242,767		(356,372)	1,068,066
Total depreciable capital assets	207,638,055	1,919,744	266,471	3,214,694	212,506,022
Less accumulated depreciation for:					
Infrastructure	118,142,658	1,036,990			119,179,648
Buildings	7,378,693	297,310			7,676,003
Improvements other than buildings	371,276	46,466			417,742
Mobile equipment	5,739,272	410,297	217,039	131,310	6,063,840
Furniture and equipment	939,994	32,963	19,596	75,038	1,028,399
Property under capital leases	460,051	110,953		(147,254)	423,750
Total accumulated depreciation	133,031,944	1,934,979	236,635	59,094	134,789,382
Total depreciable capital assets, net	74,606,111	(15,235)	29,836	3,155,600	77,716,640
Governmental activities capital assets, net	\$ 78,390,246	157,730	29,836	(73,412)	78,444,728

Adjustments were made to correctly present capital assets.

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

Depreciation expense was charged to the functions as follows:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 260,501
Public safety	217,917
Public works	1,338,807
Culture and recreation	117,754
Total depreciation expense	<u>\$ 1,934,979</u>

(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, 2017, to January 1, 2018. 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 \$9,486 for the year ended September 30, 2017. The future minimum lease payments for these leases are as follows:

Year Ending September 30,	Amount
2018	\$ <u>4,373</u>

Lincoln County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2017

(9) Capital Leases

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2017:

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, 2017, are as follows:

Year Ending September 30,	Principal	Interest
2018	\$ 10,000	3,814
2019	10,000	3,814
2020	10,000	3,814
2021	10,000	3,814
2022	10,000	3,814
2023 - 2027	50,000	19,070
2027 - 2031	40,000	15,263
Total	\$ <u>140,000</u>	<u>53,403</u>

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2017

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

Classes of Property	Governmental Activities
Mobile equipment	\$ 890,841
Furniture and equipment	112,786
Other improvements	64,439
Total	1,068,066
Less: Accumulated depreciation	(423,750)
Total	\$ 644,316

The following is a schedule by years of the total payments due as of September 30, 2017:

Year Ending September 30,	Principal	Interest
2018	\$ 276,513	10,732
2019	292,868	5,999
2020	51,889	593
2021	4,712	11
Total	\$ 625,982	17,335

(10) Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) 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

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2017

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 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, 2017, 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, 2017 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, 2017, 2016 and 2015 were \$817,260, \$839,504 and \$818,666, respectively, equal to the required contributions for each year.

Lincoln County, Mississippi

Notes to the Financial Statements

For the Year Ended September 30, 2017

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

At September 30, 2017, the County reported a liability of \$13,454,975 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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. The County's proportionate share used to calculate the September 30, 2017 net pension liability was 0.080940 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.002216 percent from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2017, the County recognized pension expense of \$1,830,646. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	98,177
Net difference between projected and actual earnings on pension plan investments		1,039,604
Change of assumptions	13,742	
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	1,816,293	366,844
County contributions subsequent to the measurement date	207,610	
Total	\$ 2,037,645	1,504,625

\$207,610 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2017

Year ending September 30:

2018	\$	480,187
2019		129,001
2020		(23,878)
2021		(259,900)
Total	\$	<u>325,410</u>

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.25 - 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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, 2017, are summarized in the following table:

Lincoln County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2017

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27%	4.60%
International Equity	18%	4.50%
Emerging Markets Equity	4%	4.75%
Global	12%	4.75%
Fixed Income	18%	0.75%
Real Assets	10%	3.50%
Private Equity	8%	5.10%
Emerging Debt	2%	2.25%
Cash	1%	0.00%
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. 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.

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	\$ 17,647,098	\$ 13,454,975	\$ 9,974,602

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

Lincoln County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2017

(11) Long-Term Debt

Debt outstanding as of September 30, 2017, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
Jail bond	\$ 245,000	3.62-3.65%	05/2018
Refunding bonds	935,000	1.00-4.00%	06/2025
District 2 gravel pit	200,000	2.60%	12/2024
Refunding Industrial Park II	1,375,000	2.00%	12/2026
Road bonds	775,000	2.50-2.60%	06/2027
Building bonds - Ability Works	780,000	3.00%	06/2032
Public improvement	2,365,000	2.90%	11/2034
Total General Obligation Bonds	\$ <u>6,675,000</u>		
B. Capital Leases:			
E-911 equipment	\$ 50,798	4.00%	06/18
Sheriff vehicle	8,376	1.91%	06/18
Courthouse boiler	23,320	1.91%	06/19
Sheriff Office equipment	47,400	3.43%	12/18
Kubota tractor	18,316	1.91%	06/18
Tractor	11,014	1.91%	06/18
Dump truck	40,833	1.90%	06/19
Kubota tractor with mower	52,759	1.81%	08/19
Kubota tractor with mower	44,660	1.81%	08/19
International dump truck	42,376	1.81%	10/19
Backhoe	65,413	1.81%	09/20
Kubota and mower	87,060	1.87%	12/20
Mack dump truck	133,657	1.67%	09/19
Total Capital Leases	\$ <u>625,982</u>		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2017

Governmental Activities:

Year Ending September 30,	General Obligation Bonds	
	Principal	Interest
2018	\$ 714,500	177,459
2019	474,500	159,805
2020	494,500	147,991
2021	509,500	135,195
2022	519,500	121,780
2023 - 2027	2,432,500	392,123
2028 - 2032	1,005,000	155,277
2033 - 2035	525,000	23,126
Total	\$ 6,675,000	1,312,756

Legal Debt Margin

The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased by 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2017, the amount of outstanding debt was equal to less than 2.17% of the latest property assessments.

Current Refunding

On October 13, 2016, the County issued \$1,385,000 in general obligation refunding bonds with an average interest rate of 2.00% to refund \$1,335,000 of the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
General Obligation Industrial Park Bonds, Series 2006	4.50%	\$ 1,335,000

The County refunded the Series 2006 General Obligation Industrial Park Bonds to reduce its total debt service payments over the next ten years by \$119,296 and to obtain an economic gain of \$106,612 (difference between the present values of the debt service payments of the old and new debt).

Lincoln County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

Prior Year Defeasance of Debt

In prior years, the County defeased certain general obligation bonds by placing the proceeds of 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, 2017, \$245,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

	Balance Oct. 1, 2016	Additions	Reductions	Refunded	Balance Sept. 30, 2017	Amount due within one year
<u>Governmental Activities:</u>						
General obligation bonds	\$ 5,410,000	3,140,000	540,000	(1,335,000)	6,675,000	714,500
Capital leases	730,278	242,767	347,063		625,982	276,513
Compensated absences	154,493		28,289		126,204	
Total	\$ 6,294,771	3,382,767	915,352	(1,335,000)	7,427,186	991,013
Less: Discounts	(16,204)		(1,800)		(14,404)	(1,800)
Total long-term liabilities	\$ 6,278,567	3,382,767	913,552	(1,335,000)	7,412,782	989,213

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.

(12) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balance and net position at September 30, 2017:

Fund	Deficit Amount
Emergency 911 Fund	\$ 36,180
Litter and Solid Waste Fund	3,378
Manufacture Blvd Repaying Fund	57,849

Lincoln County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

(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.

(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 moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the County's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description		Balance at September 30, 2017
Bogue Chitto Volunteer Fire Dept. Truck Lease Purchase	\$	47,468
Ruth Volunteer Fire Dept. Truck Lease Purchase		11,689
East Lincoln Volunteer Fire Dept. Truck Lease Purchase		8,389
New Sight Volunteer Fire Lease Purchase		150,116
Zetus Volunteer Fire Lease Purchase		162,842
Total	\$	<u>380,504</u>

Lincoln County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2017

(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 \$73,427 for the support of the district in fiscal year 2017.

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 2017.

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 \$1,266,928 for the maintenance and support of the college in fiscal year 2017.

(16) Effect of Deferred Amount on Net Position

The unrestricted net position amount of (\$9,807,670) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$207,610 resulting from County contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The \$1,830,035 balance of deferred outflow of resources, at September 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$9,807,670) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from property taxes. The \$11,778,410 balance of deferred inflow of resources, at September 30, 2017 will be recognized as a revenue and will increase the unrestricted net position over the next few years.

The unrestricted net position amount of (\$9,807,670) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from capital leases. The \$53,403 balance of deferred inflow of resources, at September 30, 2017 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, 2017

The unrestricted net position amount of (\$9,807,670) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,504,625 balance of deferred inflow of resources, at September 30, 2017 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

(16) Tax Abatements

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement 77, *Tax Abatement Disclosures*. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Lincoln County Board of Supervisors negotiates property tax abatements on an individual basis. All abatements are for ten years and are for economic development purposes. The County had tax abatement agreements with 15 entities as of September 30, 2017.

The County had the following type of tax abatement, which does not provide for the abatement of school or state tax levies.

Sections 27-31-101 and 27-31-105, Miss. Code (Ann.) 1972 - All allowable property tax levies.

There are fifteen companies that have tax abatements under these statutes.

Category	% of Taxes Abated During the Fiscal Year	Amount of taxes Abated During the Fiscal Year
Economic development projects	37.40%	\$ 408,338

(17) Purchasing and Compliance Testing

The Mississippi Office of the State Auditor (OSA) has elected to perform limited procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the County's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>. OSA's report will include a Purchasing Report and Limited Compliance Review Report.

Lincoln County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2017

(18) 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
10/16/17	2.15%	\$ 62,014	Capital lease	Ad valorem taxes
10/16/17	2.15%	41,989	Capital lease	Ad valorem taxes
12/20/17	2.75%	900,000	General obligation bond	Ad valorem taxes
02/08/18	3.00 - 3.50%	5,000,000	General obligation bond	Ad valorem taxes
08/15/18	2.95%	56,063	Capital lease	Ad valorem taxes
08/15/18	2.95%	103,872	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, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 6,747,345	7,064,012	7,064,012	-
Licenses, commissions and other revenue	650,500	580,404	580,404	-
Fines and forfeitures	475,000	518,842	518,842	-
Intergovernmental revenues	980,500	750,438	750,438	-
Charges for services	30,000	393,377	393,377	-
Interest income	41,000	160,975	160,975	-
Miscellaneous revenues	-	203,893	203,893	-
Total Revenues	<u>8,924,345</u>	<u>9,671,941</u>	<u>9,671,941</u>	<u>-</u>
Expenditures				
Current:				
General government	5,254,418	5,418,352	5,425,127	(6,775)
Public safety	3,263,397	3,706,271	3,706,271	-
Health and welfare	153,160	142,129	142,129	-
Conservation of natural resources	108,180	104,141	104,141	-
Economic development and assistance	268,900	260,962	260,962	-
Total Expenditures	<u>9,048,055</u>	<u>9,631,855</u>	<u>9,638,630</u>	<u>(6,775)</u>
Excess of Revenues over (under) Expenditures	<u>(123,710)</u>	<u>40,086</u>	<u>33,311</u>	<u>(6,775)</u>
Other Financing Sources (Uses)				
Other financing sources	<u>-</u>	<u>1,639</u>	<u>1,639</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>-</u>	<u>1,639</u>	<u>1,639</u>	<u>-</u>
Net Change in Fund Balance	<u>(123,710)</u>	<u>41,725</u>	<u>34,950</u>	<u>(6,775)</u>
Fund Balances - Beginning	<u>500,000</u>	<u>1,370,875</u>	<u>1,633,144</u>	<u>262,269</u>
Fund Balances - Ending	<u>\$ 376,290</u>	<u>1,412,600</u>	<u>1,668,094</u>	<u>255,494</u>

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

Lincoln County, MississippiSchedule of the County's Proportionate Share of the Net Pension Liability
PERS

Last 10 Fiscal Years*

	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	\$ 13,454,975	14,853,738	12,656,415	9,625,568
County's proportionate share of the net pension liability (asset)	0.08094%	0.083156%	.081876%	0.079300%
County's covered - employee payroll	5,188,938	5,319,708	5,115,124	4,847,867
County's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	259.30%	279.22%	247.43%	198.55%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	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 year 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 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

	2017	2016	2015	2014
Contractually required contribution	\$ 817,260	839,504	818,666	765,840
Contributions in relation to the contractually required contribution	817,260	839,504	818,666	765,840
Contribution deficiency (excess)	\$ -	-	-	-
County's covered - employee payroll	5,188,938	5,330,184	5,197,879	4,862,476
Contributions as a percentage of covered - employee payroll	15.75%	15.75%	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 Statement No. 68 was implemented for the fiscal year ended September 30, 2015, 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, 2017

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 - 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) 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 supplementary 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, 2017

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

	<u>Governmental Fund Types</u>
	<u>General Fund</u>
Budget (Cash Basis)	\$ 34,950
Increase (Decrease)	
Net adjustments for revenue	(55,152)
Net adjustments for expenditures	(35,896)
GAAP Basis	\$ <u>(56,098)</u>

2. Pension Schedules

A. Changes of assumptions.

2015

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

Lincoln County, Mississippi

Notes to the Required Supplementary Information
For the Year Ended September 30, 2017

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The Wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

B. Change in Benefit Provisions.

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

SUPPLEMENTARY INFORMATION

LINCOLN COUNTY, MISSISSIPPI

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Transportation			
Passed-through Mississippi Department of Transportation			
Highway Planning and Construction	20.205	N/A	\$ 68,510
Total passed-through Mississippi Department of Transportation			<u>68,510</u>
Total U.S. Department of Transportation			<u>68,510</u>
Delta Regional Authority			
Direct Award			
Delta Area Economic Development	90.201		<u>850,137</u>
Total Delta Area Economic Development			<u>850,137</u>
U.S. Department of Homeland Security			
Passed-through the Mississippi Emergency Management Agency			
Emergency Management Performance Grants	97.042	N/A	42,538
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4268-DR-MS	<u>111,114</u>
Total passed-through the Mississippi Emergency Management Agency			<u>153,652</u>
Total U.S. Department of Homeland Security			<u>153,652</u>
 Total Expenditures of Federal Awards			 \$ <u><u>1,072,299</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**Note A - Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

OTHER INFORMATION

LINCOLN COUNTY, MISSISSIPPI

Schedule of Surety Bonds for County Officials

For the Year Ended September 30, 2017

UNAUDITED

Name	Position	Company	Bond
Jerry Wilson	Supervisor District 1	Brierfield Insurance Company	\$100,000
Bobby Watts	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
Doug Falvey	Supervisor District 5	Brierfield Insurance Company	\$100,000
David Fields	County Administrator	FCCI Insurance Company	\$100,000
Tillmon 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
Janice Haley	Receiving Clerk	Western Surety	\$75,000
Eric Ates	Assistant Receiving Clerk	Western Surety	\$50,000
Kenneth Britt	Assistant Receiving Clerk	Western Surety	\$50,000
Eddie Brown	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
Annie Johnson	Assistant Receiving Clerk	Western Surety	\$50,000
Jim Jordan	Assistant Receiving Clerk	Western Surety	\$50,000
Roy Lackland	Assistant Receiving Clerk	Western Surety	\$50,000
James May	Assistant Receiving Clerk	Western Surety	\$50,000
Jerry McGehee	Assistant Receiving Clerk	Western Surety	\$50,000
Gerri Miller	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
Larry Rice	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
Adams Tanksley	Assistant Receiving Clerk	Western Surety	\$50,000
Abby Thornton	Assistant Receiving Clerk	Western Surety	\$50,000
Amanda Warren	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	Assistant Inventory Clerk	Western Surety	\$50,000
Kelly Porter	Constable	Brierfield Insurance Company	\$50,000
W. Lavon 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
Joe Poetry	Justice Court Judge	Brierfield Insurance Company	\$50,000
Sharon Loftin	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
Blake Pickering	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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 2, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lincoln County, Mississippi'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 questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding 2017-001 and 2017-002 to be a material weaknesses.

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BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

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 questioned costs as finding 2017-003 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*.

Lincoln's County Responses to Findings

Lincoln County, Mississippi's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard PC
May 2, 2019

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE AS REQUIRED BY UNIFORM GUIDANCE

Members of the Board of Supervisors
Lincoln County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Lincoln County, Mississippi's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on Lincoln County, Mississippi's major federal program for the year ended September 30, 2017. Lincoln County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Lincoln County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on Lincoln County, Mississippi's compliance.

Opinion on the Major Federal Program

In our opinion, Lincoln County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of Lincoln County, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lincoln County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lincoln County, Mississippi's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
May 2, 2019

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Lincoln County, Mississippi

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2017

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

Federal Awards:

4. Internal control over financial reporting:
 - a. Material weaknesses identified? No.
 - b. Significant deficiency identified? None
5. Types of auditor's report issued on compliance .for major federal programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? No.
7. Identification of major federal program:

CFDA Numbers:	Name of Federal Program or Cluster
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90.201	Delta Area Economic Development
--------	---------------------------------

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No.
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.516(b)? 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 2017-001

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, proper classification of revenues and expenditures, 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.

Chancery Clerk

Material Weakness - Finding 2017-002

2017-002.

Criteria:

According to Section 9-5-133, Miss. Code Ann. (1972), the Clerk of the Chancery Court shall have power, with the approbation of the court, or of the judge in vacation, to appoint one or more deputies, who shall take the oath of office, and who thereupon shall have power to do and perform all the acts and duties of which their principal may lawfully do. Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing and delivery of warrants by the Chancery Clerk until sufficient funds are present upon which these warrants may be drawn.

Condition:

All or part of eight Chancery Clerk employee salaries were paid by the County rather than the Clerk. Salaries and related benefits paid in fiscal year 2017 by the County totaled \$162,821.52 which should have been paid by the Chancery Clerk. It was noted that warrants for Chancery Clerk employees' payroll were repeatedly issued throughout the year when a sufficient cash balance did not exist in the Chancery Clerk's Payroll Clearing Fund. Effectively, the Chancery Clerk received an interest-free loan from the County to the Chancery Clerk.

Cause:

The Chancery Clerk failed to reimburse the County for all the salaries and related employee expenses. Fund balance adequacy was not considered when the Chancery Clerk issued these warrants.

Effect:

Payment of these salaries and related expenses by the County resulted in an illegal diversion of public funds and an unauthorized interest-free loan from the County to the Chancery Clerk.

Recommendation:

The Chancery Clerk should reimburse the County \$162,521.52 for the fiscal year 2017 salaries and related expenses plus all amounts paid by the County for Chancery employees subsequent to September 30, 2017. Additionally, the Chancery Clerk should implement procedures to ensure sufficient cash is available in the Chancery Clerk's Payroll Clearing Fund prior to issuance of warrants upon this fund.

Significant Deficiency - Finding 2017-003

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.

Section III: Federal Awards Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

AUDITEE'S CORRECTIVE ACTION PLAN

Lincoln County Board of Supervisors

Lincoln County Mississippi
P.O. Box 555 • 301 South First Street • Brookhaven, Mississippi 39602-0555
Telephone 601/835-3421 • Fax 601/835-3423

Board of Supervisors

Dist. 1 Jerry Wilson
Dist. 2 Bobby Watts
Dist. 3 Nolan Williamson
Dist. 4 Eddie Brown
Dist. 5 Doug Falvey

Chancery Clerk

Tillmon Bishop

Board Attorney

Robert O. Allen

County Administrator

David A. Fields

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), Lincoln County has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended September 30, 2017:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2017-001	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: David Fields, Administrator Phone Number: 601-835-3421</p> <p>b. Corrective Action Planned: To withhold 4.0% of Ad Valorem collections for Copiah-Lincoln Community College for the next four (4) years to recover the over-settlement from the prior years.</p> <p>c. Anticipated Completion Date: June 2023</p>
2017-002	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Tillmon Bishop, Chancery Clerk Phone Number: 601-835-3421</p> <p>b. Corrective Action Planned: Currently, my representation and I are communicating with the Office of the State Auditor regarding the particulars of this finding. At this time, the matter is still pending as we work through efforts to resolve the matter with the Office of the State Auditor.</p> <p>c. Anticipated Completion Date: Not applicable without resolution</p>

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AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), Lincoln County has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended September 30, 2017:

Finding

Corrective Action Plan Details

2017-003

a. Name of Contact Person Responsible for Corrective Action

Name: David Fields, Administrator

Phone Number: 601-835-3421

b. Corrective Action Planned: Disaster Recovery Procedures are in place and the IT Department is preparing the written Policy and Testing documents.

c. Anticipated Completion Date: January 2020

SUMMARY OF PRIOR AUDIT FINDINGS

Lincoln County Board of Supervisors

Lincoln County Mississippi
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SUMMARY OF PRIOR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), Lincoln County has prepared and hereby submits the following summary of prior year audit findings follow up as of September 30, 2017:

Finding

2016-001

2016-002

2016-003

Status

Not Corrected (See Finding 2017-001)

Corrected

Not Corrected (See Finding 2017-002)