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Lincoln County, Mississippi
Audited Financial Statements
and Special Reports
For the Year Ended
September 30, 2018

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, 2018, 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, 2018, 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 Budgetary Comparison Schedules 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 June 29, 2021, 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 the effectiveness of Lincoln County, Mississippi's 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
June 29, 2021

Certified Public Accountants

FINANCIAL STATEMENTS

LINCOLN COUNTY, MISSISSIPPI
Statement of Net Position
September 30, 2018

Exhibit 1

	Primary Government
	Governmental Activities
ASSETS	
Cash	\$ 11,173,237
Property tax receivable	12,516,595
Accounts receivable (net of allowance for uncollectibles of \$1,136,675)	930,007
Fines receivable (net of allowance for uncollectibles of \$8,854,660)	5,043,053
Capital leases receivable	179,589
Intergovernmental receivables	449,179
Other receivables	6,046
Capital assets:	
Land and construction in progress	728,088
Other capital assets, net	77,551,166
Total Assets	<u>108,576,960</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,624,885
Total Deferred Outflows of Resources	<u>1,624,885</u>
LIABILITIES	
Claims payable	936,009
Intergovernmental payables	416,734
Accrued interest payable	81,441
Amounts held in custody for others	91,151
Long-term liabilities	
Net pension liability	14,203,227
Due within one year:	
Capital debt	596,865
Non-capital debt	412,700
Due in more than one year:	
Capital debt	3,695,349
Non-capital debt	7,887,386
Total Liabilities	<u>28,320,862</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,263,373
Deferred revenues - property taxes	12,516,595
Deferred revenues - capital leases	49,589
Total Deferred Inflows of Resources	<u>13,829,557</u>
NET POSITION	
Net investment in capital assets	73,987,040
Restricted for:	
Expendable:	
General government	627,778
Public safety	156,855
Public works	6,712,685
Culture and recreation	434,312
Economic development and assistance	357,569
Debt service	79,017
Self-funded health	254,837
Unrestricted	(14,558,667)
Total Net Position	<u>\$ 68,051,426</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, 2018

Exhibit 2

					Net (Expense) Revenue and Changes in Net Position
					Primary Government Governmental Activities
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 6,284,993	3,030,009	202,821		(3,052,163)
Public safety	4,401,923	660,365	149,274		(3,592,284)
Public works	7,854,355	1,248,778	1,874,628	552,226	(4,178,723)
Health and welfare	149,497		126,862		(22,635)
Culture and recreation	1,219,685	9,976	21,455		(1,188,254)
Conservation of natural resources	62,063				(62,063)
Economic development and assistance	1,497,767				(1,497,767)
Interest on long-term debt	214,722				(214,722)
Pension expense	1,786,774				(1,786,774)
Total Governmental Activities	23,471,779	4,949,128	2,375,040	552,226	(15,595,385)
General revenues:					
Property taxes				\$ 11,510,676	
Road & bridge privilege taxes				457,205	
Grants and contributions not restricted to specific programs				1,101,581	
Unrestricted interest income				252,399	
Miscellaneous				860,013	
Total General Revenues				14,181,874	
Changes in Net Position					(1,413,511)
Net Position - Beginning, as previously reported					69,385,418
Prior period adjustment					79,519
Net Position - Beginning, as restated					69,464,937
Net Position - Ending					\$ 68,051,426

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

LINCOLN COUNTY, MISSISSIPPIExhibit 3

Balance Sheet - Governmental Funds

September 30, 2018

	Major Funds		Other	Total
	General	Countywide	Governmental	Governmental
	Fund	Bridge	Funds	Funds
		Fund		
ASSETS				
Cash	\$ 2,075,218	2,696,366	6,401,653	11,173,237
Property tax receivable	7,467,717		5,048,878	12,516,595
Accounts receivable (net of allowance for uncollectibles of \$1,136,675)			930,007	930,007
Fines receivable (net of allowance for uncollectibles of \$8,854,660)	5,043,053			5,043,053
Capital lease receivable	179,589			179,589
Intergovernmental receivables	216,684		8,243	224,927
Other receivables	6,046			6,046
Due from other funds			168,025	168,025
Advances to other funds	254,199		30,929	285,128
Total Assets	\$ 15,242,506	2,696,366	12,587,735	30,526,607
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Claims payable	360,482	321,737	253,790	936,009
Intergovernmental payables	416,734			416,734
Due to other funds	187,323			187,323
Advances from other funds	10,599		30,979	41,578
Amounts held in custody for others	91,151			91,151
Total Liabilities	1,066,289	321,737	284,769	1,672,795
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	7,467,717		5,048,878	12,516,595
Unavailable revenue - solid waste user fees			930,007	930,007
Unavailable revenue - fines	5,043,053			5,043,053
Unavailable revenue - capital lease	179,589			179,589
Total Deferred Inflows of Resources	12,690,359	-	5,978,885	18,669,244
Fund Balances:				
Nonspendable:				
Advances	254,199			254,199
Restricted for:				
General government			627,778	627,778
Public safety			156,855	156,855
Public works		2,374,629	4,338,056	6,712,685
Culture and recreation			434,312	434,312
Economic development and assistance			357,569	357,569
Debt service			160,458	160,458
Self-funded health			254,837	254,837
Unassigned	1,231,659		(5,784)	1,225,875
Total Fund Balances	1,485,858	2,374,629	6,324,081	10,184,568
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,242,506	2,696,366	12,587,735	30,526,607

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, 2018

Total Fund Balance - Governmental Funds	\$	10,184,568
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 \$136,565,234.		78,279,254
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Solid waste receivable		930,007
Fines receivable		5,043,053
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(12,592,300)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(14,203,227)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.		(81,441)
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		1,624,885
Deferred inflows of resources related to pensions		(1,263,373)
Capital leases reported as deferred outflows of resources not available to pay current period expenditures and, therefore, are not reported in the funds.		<u>130,000</u>
Total Net Position - Governmental Activities	\$	<u><u>68,051,426</u></u>

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

LINCOLN COUNTY, MISSISSIPPIExhibit 4Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2018

	Major Funds		Other	Total
	General	Countywide	Governmental	Governmental
	Fund	Bridge	Funds	Funds
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 7,204,790		4,305,886	11,510,676
Road and bridge privilege taxes	559		456,646	457,205
Licenses, commissions and other revenue	650,488		9,976	660,464
Fines and forfeitures	425,557		200	425,757
Intergovernmental revenues	978,735	427	3,049,685	4,028,847
Charges for services	291,325		1,721,332	2,012,657
Interest income	194,345	30,889	27,165	252,399
Miscellaneous revenues	204,606		670,066	874,672
Total Revenues	9,950,405	31,316	10,240,956	20,222,677
EXPENDITURES				
Current:				
General government	5,474,506		889,539	6,364,045
Public safety	3,720,415		955,538	4,675,953
Public works		2,678,069	5,481,675	8,159,744
Health and welfare	149,497			149,497
Culture and recreation			1,124,849	1,124,849
Conservation of natural resources	104,121			104,121
Economic development and assistance	245,755		1,252,012	1,497,767
Debt service:				
Principal	21,597		995,609	1,017,206
Interest	425		196,477	196,902
Total Expenditures	9,716,316	2,678,069	10,895,699	23,290,084
Excess of Revenues over (under) Expenditures	234,089	(2,646,753)	(654,743)	(3,067,407)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			913,938	913,938
Long-term non-capital debt issued	250,000	5,000,000		5,250,000
Transfers in	4,026		830,685	834,711
Transfers out	(589,303)		(245,408)	(834,711)
Lease principal payments	10,000			10,000
Total Other Financing Sources and Uses	(325,277)	5,000,000	1,499,215	6,173,938
Net Changes in Fund Balances	(91,188)	2,353,247	844,472	3,106,531
Fund Balances - Beginning	1,577,046	21,382	5,479,609	7,078,037
Fund Balances - Ending	\$ 1,485,858	2,374,629	6,324,081	10,184,568

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, 2018

Net Changes in Fund Balances - Governmental Funds	\$ 3,106,531
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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 depreciation of \$1,914,466 exceeded capital outlays of \$1,684,131 in the current period. (230,335)

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 funds balances by the amount of the net loss. (14,658)

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. 1,968,286

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. (118,037)

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 \$6,163,938 exceeded debt repayments of \$1,017,206. (5,146,732)

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	(16,020)
Change in compensated absences	(30,986)
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)

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	(1,786,774)
Recording of contributions made during the year	867,014

Change in Net Position of Governmental Activities	\$ <u>(1,413,511)</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, 2018

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 986,274
Due from other funds	19,298
Advances to other funds	55
Other receivables	224,366
Total Assets	\$ <u><u>1,229,993</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 586,185
Intergovernmental payables	400,203
Advances from other funds	243,605
Total Liabilities	\$ <u><u>1,229,993</u></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, 2018

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2018

(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, 2018

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, deferred outflows of resources, 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, 2018

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.

Countywide Bridge Fund - This fund is used to account for monies from specific revenue sources that are restricted for bridge maintenance.

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

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2018

classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. Deposits

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

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2018

H. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

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

	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

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2018

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.

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.

Deferred Revenues - Property taxes/Unavailable revenue - property taxes - 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.

Deferred Revenues - Capital leases/Unavailable revenue - capital leases - When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

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 15 for additional details.

Unavailable Revenues - Solid Waste User Fees - When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Unavailable Revenues - Fines - When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

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

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2018

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.

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.

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2018

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

Nonspendable fund balance includes 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.

Lincoln County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2018

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.

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.

Lincoln County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2018

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. Changes in Accounting Standards

The County was supposed to implement the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. However, the County does not have an OPEB Plan.

(2) Prior Period Adjustment

A summary of the significant net position adjustment is 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.	\$ <u>79,519</u>

(3) Deposits

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$11,173,237 in the governmental funds and \$986,274 in the fiduciary funds. The bank balance was \$12,682,546. 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).

Lincoln County, Mississippi

Notes to the Financial Statements

For the Year Ended September 30, 2018

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.

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2018:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	\$ 168,025
Agency Funds	General Fund	19,298
Total		<u>\$ 187,323</u>

The receivables represent the tax revenue collected in September 2018, but not settled until October 2018. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 4,026
Other Governmental Funds	General Fund	589,303
	Other Governmental Funds	241,382
Total		<u>\$ 834,711</u>

The principal purpose of interfund transfers was to provide budgetary allotments. Other transfers were made to correct posting errors of the proceeds of various tax levies, as recommended by the Office of the State Auditor.

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2018

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>

The advances represent the incorrect settlement of prior period ad valorem tax.

(5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2018 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative Credit	\$ 210,544
Reimbursement for Housing Prisoners	6,140
Reimbursement State Aid Road	8,243
Agency Fund Net (prior year item)	224,252
Total	<u>\$ 449,179</u>

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2018

(6) Capital Assets

Capital assets activity for the year ended September 30, 2018, was as follows:

Governmental activities:

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments	Balance Sept. 30, 2018
Non-depreciable capital assets:					
Land	\$ 728,088				728,088
Construction in progress					0
Total non-depreciable capital assets	728,088	0	0	0	728,088
Depreciable capital assets:					
Infrastructure	185,630,694	1,318,916			186,949,610
Buildings	15,424,703				15,424,703
Improvements other than buildings	1,161,585				1,161,585
Mobile equipment	8,079,249	205,280	85,152	171,291	8,370,668
Furniture and equipment	1,141,725		68,561	112,786	1,185,950
Property under capital leases	1,068,066	159,935		(204,117)	1,023,884
Total depreciable capital assets	212,506,022	1,684,131	153,713	79,960	214,116,400
Less accumulated depreciation for:					
Infrastructure	119,179,648	1,063,368			120,243,016
Buildings	7,676,003	297,310			7,973,313
Improvements other than buildings	417,742	46,466			464,208
Mobile equipment	6,063,840	367,435	76,636	114,220	6,468,859
Furniture and equipment	1,028,399	14,555	62,419	111,659	1,092,194
Property under capital leases	423,750	125,332		(225,438)	323,644
Total accumulated depreciation	134,789,382	1,914,466	139,055	441	136,565,234
Total depreciable capital assets, net	77,716,640	(230,335)	14,658	79,519	77,551,166
Governmental activities capital assets, net	\$ 78,444,728	(230,335)	14,658	79,519	78,279,254

Adjustments were made to correctly present capital assets.

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2018

Depreciation expense was charged to the functions as follows:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 237,161
Public safety	117,751
Public works	207,701
Culture and recreation	1,351,853
Total depreciation expense	<u>\$ 1,914,466</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, 2018, to January 1, 2019. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2018:

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, 2018, are as follows:

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2018

Year Ending September 30,	Principal	Interest
2019	\$ 10,000	3,814
2020	10,000	3,814
2021	10,000	3,814
2022	10,000	3,814
2023	10,000	3,814
2024 - 2028	50,000	19,070
2029 - 2033	30,000	11,449
Total	\$ 130,000	49,589

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2018:

Classes of Property	Governmental Activities
Mobile equipment	\$ 846,659
Furniture and equipment	112,786
Other improvements	64,439
Total	1,023,884
Less: Accumulated depreciation	(323,644)
Total	\$ 700,240

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2018

The following is a schedule by years of the total payments due as of September 30, 2018:

Year Ending September 30,	Principal	Interest
2019	\$ 356,865	11,598
2020	117,590	4,488
2021	72,163	2,156
2022	40,596	572
Total	\$ 587,214	18,814

(9) 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 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

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2018

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, 2018, 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, 2018 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, 2018, 2017 and 2016 were \$867,014, \$817,260 and \$839,504, respectively, equal to the required contributions for each year.

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

At September 30, 2018, the County reported a liability of \$14,203,227 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018 net pension liability was 0.085392 percent, which was based on a measurement date of June 30, 2018. This was a decrease of 0.004452 percent from its proportionate share used to calculate the September 30, 2017 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended September 30, 2018, the County recognized pension expense of \$1,786,774. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Lincoln County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,564	
Net difference between projected and actual earnings on pension plan investments		255,492
Change of assumptions		
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	1,395,555	1,007,881
County contributions subsequent to the measurement date	215,766	
Total	\$ <u>1,624,885</u>	<u>1,263,373</u>

\$215,766 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

2019	\$ 256,857
2020	103,978
2021	(151,218)
2022	(63,871)
Total	\$ <u>145,746</u>

Actuarial assumptions. The total pension liability in the June 30, 2018 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

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2018

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

The actuarial assumptions used in the June 30, 2018 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, 2018, are summarized in the following table:

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 Estate	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.

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2018

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	\$ 18,701,574	\$ 14,203,227	\$ 10,464,506

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

(10) Long-Term Debt

Debt outstanding as of September 30, 2018, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
Refunding bonds	\$ 830,000	1.00-4.00%	06/2025
District 2 gravel pit	175,000	2.60%	12/2024
Refunding Industrial Park II	1,250,000	2.00%	12/2026
Road bonds	697,500	2.50-2.60%	06/2027
Building bonds - Ability Works	728,000	3.00%	06/2032
Public improvement	2,280,000	2.90%	11/2034
County buildings improvements	900,000	2.75%	10/2027
Road & bridge repairs	5,000,000	3.00-3.50%	02/2038
Total General Obligation Bonds	\$ 11,860,500		

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2018

B. Capital Leases:

Courthouse boiler	\$	10,099	1.91%	06/2019
Sheriff Office equipment		24,099	3.43%	12/2018
International dump truck		17,666	1.90%	06/2019
Kubota tractor with mower		25,461	1.81%	08/2019
Kubota tractor with mower		21,553	1.81%	08/2019
International dump truck		22,235	1.81%	10/2019
Backhoe		44,002	1.81%	09/2020
Kubota and mower		60,122	1.87%	12/2020
Mack dump truck		124,233	1.67%	09/2019
Dodge dump truck		32,683	2.15%	10/2019
Caterpillar mini excavator		48,269	2.15%	10/2021
Caterpillar mini excavator		54,961	2.95%	08/2022
Caterpillar backhoe		101,831	2.95%	08/2022
Total Capital Leases	\$	<u>587,214</u>		

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

Governmental Activities:

Year Ending September 30,	General Obligation Bonds	
	Principal	Interest
2019	\$ 654,500	419,295
2020	759,500	324,746
2021	783,500	303,188
2022	799,500	280,725
2023	822,500	257,328
2024 - 2028	3,703,000	923,716
2029 - 2033	2,338,000	486,955
2034 - 2038	2,000,000	144,604
Total	\$ <u>11,860,500</u>	<u>3,140,557</u>

Legal Debt Margin

The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then

Lincoln County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2018

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, 2018, the amount of outstanding debt was equal to less than 3.69% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligations 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 liability for the defeased bonds are not included in the County's financial statements. On September 30, 2018, \$330,000 of bonds were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2018:

	Balance Oct. 1, 2017	Additions	Reductions	Balance Sept. 30, 2018	Amount due within one year
<u>Governmental Activities:</u>					
General obligation bonds	\$ 6,675,000	5,900,000	714,500	11,860,500	654,500
Capital leases	625,982	263,938	302,706	587,214	356,865
Compensated absences	126,204	30,986		157,190	
Total	\$ 7,427,186	6,194,924	1,017,206	12,604,904	1,011,365
Less: Discounts	(14,404)		(1,800)	(12,604)	(1,800)
Total long-term liabilities	\$ <u>7,412,782</u>	<u>6,194,924</u>	<u>1,015,406</u>	<u>12,592,300</u>	<u>1,009,565</u>

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

(11) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balance and net position at September 30, 2018:

Fund	Deficit Amount
Litter and Solid Waste Fund	\$ 5,784

(12) 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

Lincoln County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2018

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.

(13) 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, 2018
Bogue Chitto Volunteer Fire Dept. Truck Lease Purchase	\$	36,275
East Lincoln Volunteer Fire Dept. Truck Lease Purchase		4,276
New Sight Volunteer Fire Lease Purchase		134,894
Zetus Volunteer Fire Lease Purchase		146,330
Total	\$	<u>321,775</u>

(14) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

Southwest Mississippi Planning and Development District operates in a district composed of the counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The governing body is a 40 member board of directors, with four appointed by the Lincoln County Board of Supervisors. The County appropriated \$67,779 for the support of the district in fiscal year 2018.

Lincoln County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2018

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 2018.

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 \$1,279,439 for the maintenance and support of the college in fiscal year 2018.

(15) Effect of Deferred Amount on Net Position

The unrestricted net position amount of (\$14,558,667) 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 \$215,766 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, 2019. The \$1,409,119 balance of deferred outflow of resources, at September 30, 2018 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$14,558,667) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from property taxes. The \$12,516,595 balance of deferred inflow of resources, at September 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next few years.

The unrestricted net position amount of (\$14,558,667) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from capital leases receivable. The \$49,589 balance of deferred inflow of resources, at September 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next few years.

The unrestricted net position amount of (\$14,558,667) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,263,373 balance of deferred inflow of resources, at September 30, 2018 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

Lincoln County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2018

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, 2018.

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	51.00%	\$ 736,114

(17) Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Lincoln County evaluated the activity of the county, through the date the financial statements were available to be issued, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements.

Lincoln County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2018

The County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
01/15/19	3.23%	\$ 83,238	Capital lease	Ad valorem taxes
03/01/19	3.23%	240,279	Capital lease	Ad valorem taxes
11/10/19	2.53%	36,195	Capital lease	Ad valorem taxes
12/10/19	2.53%	45,875	Capital lease	Ad valorem taxes
12/10/19	1.49%	30,134	Capital lease	Ad valorem taxes
12/15/19	2.55%	59,786	Capital lease	Ad valorem taxes
02/10/20	2.55%	91,883	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, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 7,137,037	7,240,399	7,240,479	80
Road and bridge privilege taxes	-	559	559	-
Licenses, commissions and other revenue	650,500	653,159	653,159	-
Fines and forfeitures	475,000	432,250	432,250	-
Intergovernmental revenues	780,500	978,735	978,735	-
Charges for services	200,000	285,185	285,185	-
Interest income	30,000	191,454	191,454	-
Miscellaneous revenues	41,000	186,368	186,368	-
Total Revenues	<u>9,314,037</u>	<u>9,968,109</u>	<u>9,968,189</u>	<u>80</u>
EXPENDITURES				
Current:				
General government	5,460,098	5,906,887	5,906,887	-
Public safety	3,318,668	3,808,410	3,808,410	-
Health and welfare	153,160	148,958	148,958	-
Conservation of natural resources	108,180	104,607	104,607	-
Economic development and assistance	268,900	245,687	245,687	-
Total Expenditures	<u>9,309,006</u>	<u>10,214,549</u>	<u>10,214,549</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>5,031</u>	<u>(246,440)</u>	<u>(246,360)</u>	<u>80</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	278,830	278,830	-
Total Other Financing Sources and Uses	<u>-</u>	<u>278,830</u>	<u>278,830</u>	<u>-</u>
Net Change in Fund Balance	<u>5,031</u>	<u>32,390</u>	<u>32,470</u>	<u>80</u>
Fund Balances - Beginning	500,000	1,438,296	1,436,772	(1,524)
Fund Balances - Ending	<u>\$ 505,031</u>	<u>1,470,686</u>	<u>1,469,242</u>	<u>(1,444)</u>

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

LINCOLN COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Bridge Fund
 For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ -	427	427	-
Interest income	-	30,825	30,825	-
Total Revenues	-	31,252	31,252	-
EXPENDITURES				
Current:	-			
Public works	-	2,356,331	2,356,331	-
Total Expenditures	-	2,356,331	2,356,331	-
Excess of Revenues over (under) Expenditures	-	(2,325,079)	(2,325,079)	-
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	-	5,000,063	5,000,063	-
Total Other Financing Sources and Uses	-	5,000,063	5,000,063	-
Net Change in Fund Balance	-	2,674,984	2,674,984	-
Fund Balances - Beginning	-	21,382	21,382	-
Fund Balances - Ending	\$ -	2,696,366	2,696,366	-

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

LINCOLN COUNTY, MISSISSIPPI

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

PERS

Last 10 Fiscal Years*

	2018	2017	2016	2015
County's proportionate share of the net pension liability (asset)	\$ 14,203,227	13,454,975	14,853,738	12,656,415
County's proportion of the net pension liability (asset)	0.085392%	0.080940%	0.083156%	0.081876%
County's covered - payroll	\$ 5,504,835	5,188,938	5,319,708	5,115,124
County's proportionate share of the net pension liability (asset) as a percentage of its covered - payroll	258.01%	259.30%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%

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 June 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 Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is complied, the County has only presented information for the years in which information is available.

LINCOLN COUNTY, MISSISSIPPI
Schedule of County Contributions
PERS
Last 10 Fiscal Years*

	2018	2017	2016	2015
Contractually required contribution	\$ 867,014	817,260	839,504	818,666
Contributions in relation to the contractually required contribution	867,014	817,260	839,504	818,666
Contribution deficiency (excess)	\$ -	-	-	-
County's covered - payroll	\$ 5,504,835	5,188,938	5,330,184	5,197,879
Contributions as a percentage of covered 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, 2018

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, 2018

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>	<u>Countywide Bridge Fund</u>
Budget (Cash Basis)	\$ 32,470	2,674,984
Increase (Decrease)		
Net adjustments for revenue	(25,739)	
Net adjustments for expenditures	(97,919)	(321,737)
GAAP Basis	<u>\$ (91,188)</u>	<u>2,353,247</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, 2018

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.

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization schedule	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment Expense, including inflation

OTHER INFORMATION

LINCOLN COUNTY, MISSISSIPPI

Schedule of Surety Bonds for County Officials

For the Year Ended September 30, 2018

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
Janice Haley	Receiving Clerk	Western Surety	\$75,000
Eric Ates	Assistant Receiving Clerk	Western Surety	\$50,000
Eddie Brown	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
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
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
Larry Rice	Assistant Receiving Clerk	Western Surety	\$50,000
Wiley B Sasser	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
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
Roger Hardin	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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 29, 2021.

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.

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. *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.

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

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*.

We noted certain matters that we reported to the management of Lincoln County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated June 29, 2021, included within this document.

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
June 29, 2021

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors
Lincoln County, Mississippi

We have examined Lincoln County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2018. The Board of Supervisors of Lincoln County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Lincoln County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Lincoln County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2018.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination and, in our opinion, is fairly presented in relation to that examination.

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

This report is intended for use in evaluating Lincoln County, Mississippi's compliance with the aforementioned requirements, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
June 29, 2021

Certified Public Accountants

Lincoln County, Mississippi

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2018

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

Lincoln County, Mississippi
Schedule of Emergency Purchases
For the Year Ended September 30, 2018

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
5/7/2018	Flint Trail SW 006 bridge repair	\$ 49,920	Oddee Smith Construction, Inc.	rain and flooding, bridge wash out - District 4

Lincoln County, Mississippi

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2018

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

LIMITED INTERNAL CONTROL
AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lincoln County, Mississippi

In planning and performing our audit of the financial statements of Lincoln County, Mississippi for the year ended September 30, 2018, we considered Lincoln County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lincoln County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 29, 2021, on the financial statements of Lincoln County, Mississippi.

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

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

Board of Supervisors.

1. The County should not issue any warrants without sufficient cash in the fund upon which they are drawn nor should the Board of Supervisors make an interest-free loan to the Chancery Clerk.

Repeat Finding:

Yes

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

Criteria:

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing and delivery of warrants by the Chancery Clerk until there is sufficient cash in the fund upon which they are drawn. Additionally, the Board of Supervisors has no statutory authority to make an interest-free loan to the Chancery Clerk.

Condition:

Warrants for the Chancery Clerk employees' payroll were repeatedly issued during the year without a sufficient cash balance in the Chancery Clerk Payroll Clearing Fund substantively resulting in an interest-free loan from the County to the Chancery Clerk.

Cause:

The adequacy of fund balances was not considered when warrants were issued.

Effect:

Payment of the Chancery Clerk's payroll without sufficient cash resulted in an illegal diversion of public funds and an unauthorized interest-free loan from the County to the Chancery Clerk.

Recommendation:

The Board of Supervisors should implement procedures to ensure sufficient cash is available in the Chancery Clerk's Payroll Clearing Fund prior to issuance of warrants upon the fund.

Auditor's Note:

On May 15, 2019, the Office of the State Auditor issued a formal demand totaling \$165,813.11 on former Chancery Clerk Tillmon Bishop. On June 5, 2019, the case was transferred to the Attorney General's Office. As of June 30, 2020, no payments have been made by the former Chancery Clerk toward this demand.

Board of Supervisors' Response:

We are still talking with both the State Auditor's Office and the Attorney General's Office toward resolving this amount listed.

2. Public funds should be deposited into the County depository no more than one (1) business day after receipt.

Repeat Finding:

Yes.

Criteria:

Section 25-1-72, Miss. Code Ann. (1972), requires all county officers who receive funds payable into the county treasury to deposit such funds into the county depository on the day they are collected or on the next business day thereafter.

Condition:

Per examination of statement activity, it appeared deposits were made twice per month in most months examined. Cash balances according to the detailed general ledger dropped into negative balances for a majority of funds in several instances until deposits were posted usually at month-end.

Cause:

The County Administrator made bank deposits usually twice per month with cash received being held until deposits were made.

Effect:

Failure to make bank deposits on a daily basis could result in the loss or theft of public funds. Also, cash not being deposited regularly gives the appearance that insufficient cash is available to settle claims made on various funds.

Recommendation:

The Board of Supervisors should implement procedures to ensure public funds are deposited in accordance with state law, i.e. no more than one (1) business day after receipt.

Official Response:

Bank deposits are being made on a more timely basis. On average, two deposits a week are being made now.

3. The proceeds of ad valorem tax levies should be expended for purposes for which they are levied.

Repeat Finding:

Yes.

Criteria:

The proceeds of the various ad valorem tax levies should be expended only for purposes specified by statute authorizing the levy.

Condition:

The following errors were noted where the County erroneously posted ad valorem taxes to incorrect funds:

1. All taxes levied for general county purposes should be settled to the appropriate General Fund property tax revenue account. \$3,609 was settled to the Ball Park Complex Bond Fund in error in fiscal year 2017.
2. All taxes levied for support of the County's public library should be settled to the County Library Fund. \$2,055 was settled to the General Fund and \$116 was settled to the Ball Park Complex Bond Fund in error in fiscal year 2017.

3. All taxes levied to defray the cost of maintaining and updating appraisals and an ownership mapping system should be settled to the Reappraisal Maintenance Fund. \$4,082 was settled to the General Fund and \$238 was settled to the Ball Park Complex Bond Fund in error in fiscal year 2017.
4. All taxes levied for fire protection purposes should be settled to the Volunteer Fire Fund. \$1,436 was settled to the General Fund and \$114 was settled to the Ball Park Complex Bond Fund in error in fiscal year 2017.
5. All taxes levied for construction and maintenance of roads and bridges should be settled to the appropriate District's Road Fund. \$9,758 was settled to the General Fund and \$906 was settled to the Ball Park Complex Bond Fund in error in fiscal year 2017.
6. All taxes levied for constructing and maintaining the County's bridges and culverts should be settled to the appropriate District's Bridge and Culvert fund. \$7,090 was settled to the General Fund, \$393 was settled to the Ball Park Complex Bond Fund and \$9,616 was settled to separate district road funds in error in fiscal year 2017.
7. All taxes levied for the payment of the principal and interest on the County's general obligation bonds should be settled to the applicable Debt Service Fund. \$266 was settled to the Ball Park Complex Bond Fund in error.
8. All taxes levied for general support and maintenance of Copiah-Lincoln Community College should be settled to the Agency Funds established for such proceeds. \$582 was settled to the Ball Park Complex Bond Fund in error.
9. All taxes levied for support of the Pearl River Basin Development District should be settled to the Agency Funds established for such proceeds. \$33 was settled to the Ball Park Complex Bond Fund in error.
10. Excess bids received on property sold at the tax sale should be posted to the Realty/Personal Property Tax account line item. The County posted \$87,823 to the interest income account.

Cause:

Ad valorem taxes were not posted to the various funds in accordance with the Tax Collector's settlement reports submitted to the County.

Effect:

Proceeds of the various tax levies were expended for purposes other than those for which the taxes were levied which is an unlawful diversion of public funds.

Recommendation:

The Board of Supervisors should order interfund transfers be made immediately to correct the errors listed above. They should also implement procedures to ensure ad valorem taxes are settled correctly in the future.

Official Response:

Every effort will be made to correctly record tax levies to the correct funds in the future. The interfund transfers have been made to correct this finding.

4. Credit card travel expenses are to be approved by the Board of Supervisors and all receipts are to be furnished to the Chancery Clerk or Purchase Clerk monthly. Additionally, an itemized report listing all expenditures and credit card usage should be maintained on a monthly basis by the Chancery Clerk and/or Purchase Clerk.

Repeat Finding:

Yes.

Criteria:

Section 19-3-68, Miss. Code Ann. (1972), states that the Supervisors and county employees shall furnish receipts for the use of such credit cards each month to the Chancery Clerk or Purchase Clerk who shall submit a written report monthly to the Board of Supervisors. The report shall include an itemized list of all expenditures and use of the credit cards for the month, and such expenditures may be allowed for payment by the county in the same manner as other items on the claims docket.

Condition:

The Board of Supervisors did not receive a prepared, itemized monthly report from either the Chancery Clerk or the Purchase Clerk.

Cause:

The Board of Supervisors failed to require submission of the required monthly written report of credit card expenditures.

Effect:

Failure to submit the required monthly written report could result in payment of unauthorized expenditures.

Recommendation:

The Board of Supervisors should implement procedures to ensure the required monthly report of credit card charges is submitted prior to approving payment of the claim.

Official Response:

The items are presented through the claims docket already.

5. A new blanket surety bond should be secured at the beginning of each new term of office of county elected officials.

Repeat Finding:

Yes.

Criteria:

Section 25-1-15(4), Miss. Code Ann. (1972), requires a new blanket bond in an amount no less than that required by law for public employees shall be secured at the beginning of each new term of office of the public or appointed official by whom they are employed, if

applicable, or at least every four (4) years concurrent with the normal election cycle of the Governor.

Condition:

County employees were covered by a blanket bond issued in June 2015. The current term for elected county officials began January 1, 2016.

Cause:

County failed to obtain new blanket bonds at the beginning of the current term of office starting January 1, 2016.

Effect:

The failure to obtain a new blanket bond as required by state law could limit the amount available for recovery if public funds were lost or stolen.

Recommendation:

The Board of Supervisors should immediately secure a new blanket bond and should implement procedures to ensure a new blanket bond is secured at least every four (4) years.

Official Response:

The County has corrected this finding as of January 1, 2020 when the new Board was sworn into office.

6. All surety bonds should be filed and recorded in the Chancery Clerk's Office.

Repeat Finding:

Yes.

Criteria:

Section 25-1-19(1), Miss. Code Ann. (1972), requires the bonds of all county officials and employees to be filed and recorded in the Chancery Clerk's Office, except that the original of the Chancery Clerk's bond, after it is recorded, shall be deposited and filed in the Circuit Clerk's Office.

Condition:

Neither the blanket bond covering several county employees was recorded or filed in the Chancery Clerk's Office nor was the Chancery Clerk's bond filed in the Circuit Clerk's Office.

Cause:

The Chancery Clerk failed to record all surety bonds in the bond book.

Effect:

Failure to properly record and file surety bonds as required by state law could result in the loss of public funds.

Recommendation:

The Board of Supervisors should implement procedures ensuring all bonds are recorded in the Chancery Clerk's Office and subsequently filed in the correct office.

Official Response:

The County has corrected this finding as of January 1, 2020 when the new Chancery Clerk was sworn into office.

7. Salaries of all employees of the Chancery Clerk should be paid by the Clerk.

Repeat Finding:

Yes.

Criteria:

Section 9-5-133, Miss. Code Ann. (1972), states that the Clerk of the Chancery Court shall have power, with the approbation of the court, or of the judge in vacation, to appoint one (1) 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.

Condition:

In 2017 eight of the salaries of eight (8) Chancery Clerk employees were paid by the County rather than the Clerk. In calendar year 2018, it appears this practice continued. These salaries were paid in the General Fund through department code 1010 denoting the Chancery Clerk's office. Further examination determined these payments were not for Chancery Clerk duties earnings.

Cause:

The Chancery Clerk failed to reimburse the County for all of the salaries and related expenses of his employees.

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 for the 2018 salaries and related expenses plus all amounts paid by the County for Chancery employees subsequent to December 31, 2018.

Auditor's Note:

This finding was not presented to the Chancery Clerk for a response due to an again ongoing investigation by the Investigations Division of the Office of the State Auditor.

Official's Response:

We are still talking with both the State Auditor's Office and the Attorney General's Office toward resolving this issue.

8. The Chancery Clerk should claim only documented and allowable expenses on his Annual Financial Report (AFR).

Repeat Finding:

Yes.

Criteria:

Section 9-1-43, Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed by Schedule C of the Internal Revenue Code. A business expense must be adequately documented and paid during the calendar year to be deductible for that year.

Condition:

Checks for payment of employee salaries and related salary expenses did not clear the Clerk's fee account until months after the date of the check. These payments cannot be construed as having been paid in 2018.

Cause:

The Chancery Clerk failed to maintain adequate documentation for office expenses.

Effect:

The Chancery Clerk claimed unallowable expenses for 2018.

Recommendation:

The Chancery Clerk should reimburse the County for unallowed expenses and amend his Annual Financial Report.

Official Response:

This finding was not presented to the Chancery Clerk for a response due to an ongoing investigation by the Investigations Division of the Office of the State Auditor.

9. Chancery Clerk should keep and preserve a complete and correct record of all proceedings and orders of the Board of Supervisors.

Repeat Finding:

Yes.

Criteria:

Section 19-3-27, Miss. Code Ann. (1972), requires the Clerk of the Board of Supervisors to keep and preserve a complete and correct record of all of the proceedings and orders of the Board. The statute goes on to state that the minutes of each day's proceedings shall

either (a) be read and signed by the President or Vice-President, if the President is absent or disabled so as to prevent his signing of the minutes, on or before the first Monday of the month following the day of adjournment of any term of the Board of Supervisors; or (b) be adopted and approved by the Board of Supervisors as the first order of business on the first day of the next monthly meeting of the Board.

Condition:

Included in the noted instances of noncompliance are the following:

1. Bid openings were not adequately documented or were not documented at all.
2. Approval of the previous meeting's minutes was not the first order of business.
3. Details of debt issuance, including debt agreements, were not documented.
4. Interfund transfers were made without Board approval.
5. Claims dockets entered in the minutes were dated after approval of said docket and some dockets entered were illegible.
6. As of February 3, 2021, the latest minutes prepared are for the October 5, 2020 meeting.

Cause:

The Chancery Clerk failed to maintain a complete and detailed record of Board actions.

Effect:

The lack of complete and correct Board minutes makes the actions taken by the Board undeterminable and increases the probability of the loss or misappropriation of public funds.

Recommendation:

The Chancery Clerk and the Board of Supervisors should implement procedures to ensure that Board minutes are complete, correct and current.

Official Response:

Corrections are being made currently addressing these items which have been brought to our attention previously.

10. Chancery Clerk should be paid only for meetings actually attended by himself and a deputy.

Repeat Finding:

Yes.

Criteria:

Section 27-7-9(1)(f), Miss. Code Ann. (1972), authorizes payment to the Chancery Clerk for each day's attendance on the Board of Supervisors for himself and one deputy in the amount of \$20.00 each.

Condition:

The Chancery Clerk was paid \$40.00 for each Board meeting attendance in calendar year 2018. The attendance of the Deputy Chancery Clerk was not documented for any of those meetings whereas the Chancery Clerk's attendance was documented for these meetings. Accordingly, the Chancery Clerk was overpaid for attending Board meetings in 2018.

Cause:

The Chancery Clerk considered the County Administrator to be a Deputy Chancery Clerk. Payments were requested by the Chancery Clerk for meetings not attended.

Effect:

The overpayment to the Chancery Clerk resulted in the unauthorized use of public funds.

Recommendation:

The Chancery Clerk should immediately repay to the County overpayments for attending Board meetings and amend his 2018 Annual Financial Report accordingly. Procedures should be implemented to ensure payment is received only for meetings actually attended by himself and/or a deputy clerk.

Official Response:

Historically, the Clerk has considered David Fields as Deputy Clerk and is present at all meetings.

Auditor's Note:

David Fields has not taken the oath of office as a Deputy Chancery Clerk nor is he bonded as a Deputy Chancery Clerk. Accordingly, the finding remains unchanged.

11. Public funds should be deposited no more than one (1) business day after receipt.

Repeat Finding:

Yes.

Criteria:

Section 25-1-72, Miss. Code Ann. (1972), requires all county officers who receive funds payable into the county treasury to deposit such funds into the county depository on the day they are collected or on the next business day thereafter.

Condition:

Deposits appear to be made on a weekly basis in the Sheriff's Office. Cash can sit from receipt to deposit in a safe between deposits up to six days.

Cause:

Sheriff claims such a small amount of cash collection deeming deposits that are more frequent unnecessary.

Effect:

Failure to deposit funds within one (1) business day of receipt could lead to loss or misappropriation, fraud, waste, and abuse of public funds.

Recommendation:

Sheriff should make daily deposits of all collections.

Official Response:

Collections greater than \$100.00 will be deposited.

12. The jail meal log should be maintained in accordance with state law.

Repeat Finding:

Yes.

Criteria:

Section 19-25-74, Miss. Code Ann. (1972), requires the Sheriff to file the log of meals served to prisoners at the jail monthly with the Board of Supervisors. The statute also states that no claims for the cost of expenses of feeding prisoners shall be approved by the Board of Supervisors for any month unless and until such log for that month is filed.

Condition:

The prisoner meal log is not filed with the Board of Supervisors as required. Additionally, the related claims for feeding prisoners were paid without the log being filed as required.

Cause:

Until informed, the Sheriff was not aware of the requirement for the meal log to be turned into the Board of Supervisors.

Effect:

This could result in the payment for meals not received and places the County in statutory violation.

Recommendation:

The Sheriff should file the meal log each month with the Board of Supervisors. The Board should not approve claims for feeding prisoners until receipt of this log from the Sheriff.

Official Response:

Corrective action has been taken upon being informed by representatives of the Office of the State Auditor.

The County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
June 29, 2021

Certified Public Accountants

SCHEDULE OF FINDINGS RESPONSES

Lincoln County, Mississippi

Schedule of Findings and Responses For the Year Ended September 30, 2018

Section I: Summary of Auditor's Results

Financial Statements:

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

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.