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Lincoln County, Mississippi
Audited Financial Statements
And Special Reports
For the Year Ended
September 30, 2019

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, the major fund, and the aggregate remaining fund information of Lincoln County, Mississippi, (the County) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements 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.

1048 Gluckstadt Road, Suite B
Madison, Mississippi 39110
Telephone 601-992-5292 Fax 601-992-2033

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 Lincoln County, Mississippi, as of September 30, 2019, 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 County 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 July 19, 2022 on our consideration of 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 solely 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 and Ballard, PC
July 19, 2022

Certified Public Accountants

FINANCIAL STATEMENTS

LINCOLN COUNTY, MISSISSIPPI
Statement of Net Position
September 30, 2019

Exhibit 1

	Primary Government
	Governmental Activities
ASSETS	
Cash	\$ 9,985,340
Property tax receivable	10,564,269
Accounts receivable (net of allowance for uncollectibles of \$1,182,523)	967,519
Fines receivable (net of allowance for uncollectibles of \$10,689,803)	4,587,631
Capital leases receivable	165,775
Intergovernmental receivables	517,318
Other receivables	7,913
Capital assets:	
Land and construction in progress	2,319,313
Other capital assets, net	75,974,539
Total Assets	105,089,617
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,310,207
Total Deferred Outflows of Resources	1,310,207
LIABILITIES	
Claims payable	1,646,195
Intergovernmental payables	607,880
Accrued interest payable	92,812
Amounts held in custody for others	103,441
Long-term liabilities	
Net pension liability	14,883,161
Due within one year:	
Capital debt	420,928
Non-capital debt	560,935
Due in more than one year:	
Capital debt	3,458,793
Non-capital debt	7,522,517
Total Liabilities	29,296,662
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	875,161
Deferred revenues - property taxes	10,564,269
Deferred revenues - capital leases	45,775
Total Deferred Inflows of Resources	11,485,205
NET POSITION	
Net investment in capital assets	74,414,131
Restricted for:	
Expendable:	
General government	708,902
Public safety	204,115
Public works	4,777,291
Culture and recreation	315,709
Economic development and assistance	324,513
Debt service	91,562
Self-funded health	255,475
Unrestricted	(15,473,741)
Total Net Position	\$ 65,617,957

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, 2019

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 5,665,983	693,108	221,186		(4,751,689)
Public safety	4,789,010	704,609	175,479		(3,908,922)
Public works	9,428,733	1,317,728	709,758	2,226,355	(5,174,892)
Health and welfare	147,139		160,399		13,260
Culture and recreation	1,114,251	11,226	51,686		(1,051,339)
Conservation of natural resources	59,873				(59,873)
Economic development and assistance	245,709				(245,709)
Interest on long-term debt	453,657				(453,657)
Pension expense	1,493,231				(1,493,231)
Total Governmental Activities	<u>23,397,586</u>	<u>2,726,671</u>	<u>1,318,508</u>	<u>2,226,355</u>	<u>(17,126,052)</u>
General revenues:					
Property taxes				\$ 12,212,165	
Road & bridge privilege taxes				428,180	
Grants and contributions not restricted to specific programs				1,171,483	
Unrestricted interest income				201,972	
Miscellaneous				640,280	
Total General Revenues				<u>14,654,080</u>	
Changes in Net Position				<u>(2,471,972)</u>	
Net Position - Beginning, as previously reported				68,051,426	
Prior period adjustment				38,503	
Net Position - Beginning, as restated				<u>68,089,929</u>	
Net Position - Ending				<u>\$ 65,617,957</u>	

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

LINCOLN COUNTY, MISSISSIPPI
Balance Sheet - Governmental Funds
September 30, 2019

Exhibit 3

	Major Funds			
	General Fund	Countywide Bridge Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 2,900,597	88,217	6,996,526	9,985,340
Property tax receivable	6,118,872		4,445,397	10,564,269
Accounts receivable (net of allowance for uncollectibles of \$1,182,523)			967,519	967,519
Fines receivable (net of allowance for uncollectibles of \$10,689,803)	4,587,631			4,587,631
Capital lease receivable	165,775			165,775
Intergovernmental receivables	299,915		7,643	307,558
Other receivables	7,913			7,913
Due from other funds	10,600	446,650	692,599	1,149,849
Advances to other funds	254,199		30,929	285,128
Total Assets	\$ 14,345,502	534,867	13,140,613	28,020,982
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 558,476	615,640	472,079	1,646,195
Intergovernmental payables	607,880			607,880
Due to other funds	350,877		832,762	1,183,639
Advances from other funds	10,599		30,979	41,578
Amounts held in custody for others	103,441			103,441
Total Liabilities	\$ 1,631,273	615,640	1,335,820	3,582,733
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	6,118,872		4,445,397	10,564,269
Unavailable revenue - Solid waste user fees			967,519	967,519
Unavailable revenue - fines	4,587,631			4,587,631
Unavailable revenue - capital lease	165,775			165,775
Total Deferred Inflows of Resources	\$ 10,872,278	0	5,412,916	16,285,194
Fund balances:				
Nonspendable:				
Advances	254,199			254,199
Restricted for:				
General government			708,902	708,902
Public safety			204,115	204,115
Public works			4,777,291	4,777,291
Culture and recreation			315,709	315,709
Economic development and assistance			324,513	324,513
Debt service			184,374	184,374
Self-funded health			255,475	255,475
Unassigned	1,587,752	(80,773)	(378,502)	1,128,477
Total Fund Balances	\$ 1,841,951	(80,773)	6,391,877	8,153,055
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 14,345,502	534,867	13,140,613	28,020,982

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, 2019

Total Fund Balance - Governmental Funds	\$ 8,153,055
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$138,100,805.	78,293,852
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Solid waste receivable	967,519
Fines receivable	4,587,631

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(11,963,173)
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Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(14,883,161)
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Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(92,812)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	1,310,207
Deferred inflows of resources related to pensions	(875,161)

Capital leases are not available to pay current period expenditures and, therefore, are not reported in the funds.	<u>120,000</u>
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Total Net Position - Governmental Activities:	<u>\$ 65,617,957</u>
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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, 2019

	Major Funds			
	General Fund	Countywide Bridge Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 7,530,481		4,681,684	12,212,165
Road and bridge privilege taxes			428,180	428,180
Licenses, commissions and other revenue	661,187		11,225	672,412
Fines and forfeitures	512,027		150	512,177
Intergovernmental revenues	933,514	446,650	3,336,182	4,716,346
Charges for services	338,850		1,621,141	1,959,991
Interest income	188,562		13,411	201,973
Miscellaneous revenues	98,558		584,854	683,412
Total Revenues	10,263,179	446,650	10,676,827	21,386,656
EXPENDITURES				
Current:				
General government	5,261,492		539,108	5,800,600
Public safety	3,818,380		1,227,673	5,046,053
Public works		2,902,052	7,000,439	9,902,491
Health and welfare	147,139			147,139
Culture and recreation			1,146,872	1,146,872
Conservation of natural resources	98,033			98,033
Economic development and assistance	245,709			245,709
Debt service:				
Principal	78,098		976,736	1,054,834
Interest	20,150		420,336	440,486
Total Expenditures	9,669,001	2,902,052	11,311,164	23,882,217
Excess of Revenues over (under) Expenditures	594,178	(2,455,402)	(634,337)	(2,495,561)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			199,819	199,819
Long-term non-capital debt issued			240,279	240,279
Proceeds from sale of capital assets			13,950	13,950
Transfers in			333,653	333,653
Transfers out	(248,085)		(85,568)	(333,653)
Lease principal payments	10,000			10,000
Total Other Financing Sources and Uses	(238,085)	0	702,133	464,048
Net Changes in Fund Balances	356,093	(2,455,402)	67,796	(2,031,513)
Fund Balances - Beginning	1,485,858	2,374,629	6,324,081	10,184,568
Fund Balances - Ending	\$ 1,841,951	(80,773)	6,391,877	8,153,055

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, 2019

Net Changes in Fund Balances - Governmental Funds \$ (2,031,513)

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,920,027 exceeded depreciation of \$1,875,236 in the current period.

44,791

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss.

(68,696)

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.

(455,421)

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.

37,512

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 repayments of \$1,054,834 exceeded debt proceeds of \$440,098.

614,736

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

(11,371)

Change in compensated absences

16,191

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

(1,493,231)

Recording of contributions made during the year

886,830

Change in Net Position of Governmental Activities \$ (2,471,972)

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

LINCOLN COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2019

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 1,044,101
Due from other funds	33,790
Advances to other funds	55
Other receivables	224,366
Total Assets	\$ <u>1,302,312</u>
LIABILITIES	
Amounts held in custody for others	\$ 605,951
Intergovernmental payables	452,756
Advances from other funds	243,605
Total Liabilities	\$ <u>1,302,312</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, 2019

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

(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 legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

The Statement of Net Position presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental 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.

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

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 asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and 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 for 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.

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

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

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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 Financial Statements
For the Year Ended September 30, 2019

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 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 14 for additional details.

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

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 that time.

Deferred Revenues - Property tax/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 Revenue – 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 14 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 System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities, Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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.

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

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

Fund Balance Flow Assumption:

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

M. Property Tax Revenues:

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

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 collectability 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

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

requirements.

O. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

P. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The provisions of this standard has been incorporated into the financial statements and notes.

(2) Prior Period Adjustment

A summary of the significant net position adjustment is as follows:

Exhibit 2 – Statement of Activities – Governmental Activities.

Explanation	Amount
To correct amount reported in capital assets.	\$ 38,503

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2019, was \$9,985,340 in the governmental funds and \$1,044,101 in the fiduciary funds. The bank balance was \$11,438,971. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2019:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 10,600
Countywide Bridge Fund	Other Governmental Funds	446,650
Other Governmental Funds	General Fund	317,087
Other Governmental Funds	Other Governmental Funds	375,512
Agency Funds	General Fund	<u>33,790</u>
Total		<u>\$ 1,183,639</u>

The receivables represent 1) loan set up for fund transfer for a countywide bridge project, 2) quarterly appropriations from E-911 to Solid Waste fund (prior transfer to E-911 made from Reappraisal Fund in error) 3) debt service interest paid from wrong fund and 4) the tax revenue collected in September 2019, but not settled until October 2019. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</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	<u>55</u>
Total		<u>\$ 285,183</u>

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

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 248,085
Other Governmental Funds	Other Governmental Funds	<u>85,568</u>
Total		<u>\$ 333,653</u>

The principal purpose of interfund transfers was to provide budgetary allotments. Also, a transfer was made for remaining Jail Bond funds previously paid off to another bond fund. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2019, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 283,393
Reimbursement for housing prisoners	10,780
Reimbursement - Human Services	5,742
MDOT - ERBE funds	7,643
Agency Fund, net (prior year item)	209,760
Total Governmental Activities	\$ 517,318

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2019:

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Notes to Financial Statements
For the Year Ended September 30, 2019

Governmental activities:

	Balance Oct. 1, 2018	Additions	Deletions	Adjustments*	Balance Sept. 30, 2019
<u>Non-depreciable capital assets:</u>					
Land	\$ 728,088				728,088
Construction in progress		1,591,225			1,591,225
Total non-depreciable capital assets	728,088	1,591,225	-	-	2,319,313
<u>Depreciable capital assets:</u>					
Infrastructure	186,949,610			38,503	186,988,113
Building	15,424,703				15,424,703
Improvements other than buildings	1,161,585			64,439	1,226,024
Mobile equipment	8,370,668	103,277	248,946	195,340	8,420,339
Furniture and equipment	1,185,950	142,287	68,099		1,260,138
Leased property under capital leases	1,023,884	83,238	91,316	(259,779)	756,027
Total depreciable capital assets	214,116,400	328,802	408,361	38,503	214,075,344
<u>Less accumulated depreciated for:</u>					
Infrastructure	120,243,016	1,064,140			121,307,156
Buildings	7,973,313	297,310			8,270,623
Improvements other than buildings	464,208	49,033		12,895	526,136
Mobile equipment	6,468,859	349,420	212,625	107,728	6,713,382
Furniture and equipment	1,092,194	51,613	61,288		1,082,519
Leased property under capital leases	323,644	63,720	65,752	(120,623)	200,989
Total accumulated depreciation	136,565,234	1,875,236	339,665	-	138,100,805
Total depreciable capital assets, net	77,551,166	(1,546,434)	68,696	38,503	75,974,539
Governmental activities capital assets, net	\$ 78,279,254	44,791	68,696	38,503	78,293,852

*Adjustments were made to correctly present capital assets.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental activities:</u>	
General government	\$ 263,469
Public safety	201,543
Public works	1,287,094
Culture and recreation	123,130
Total governmental activities - depreciation expense	\$ 1,875,236

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

Commitments with respect to unfinished capital projects at September 30, 2019, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Cotten Lane Bridge	\$ 9,697	01-2020
Mt Pleasant Road Bridge	7,435	01-2020
Apaloosa & Palamino Bridge	107,938	06-2020
Summers Lane Bridge	87,286	03-2020
Lott Smith Road Bridge	839,853	11-2020
Rollins Road Bridge	157,937	12-2020
Wakefield Lane Bridge	265,880	05-2021
Beachnut Trail Bridge	330,559	05-2021
Allen Road Bridge	639,350	07-2021
Arlington Drive Bridge	1,280,783	09-2021
Maple Lane Road Bridge	817,542	04-2022
	<u>\$ 4,544,260</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, 2019, to January 1, 2020. 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, 2019:

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

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2019, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 10,000	3,814
2021	10,000	3,814
2022	10,000	3,814
2023	10,000	3,814
2024	10,000	3,814
2025 - 2029	50,000	19,070
2030 - 2032	20,000	7,635
Total	<u>\$ 120,000</u>	<u>45,775</u>

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2019:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 756,027
Less: Accumulated depreciation	<u>(200,989)</u>
Leased Property Under Capital Leases	<u>\$ 555,038</u>

The following is a schedule by years of the total payments due as of September 30, 2019:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 224,163	15,154
2021	182,028	10,492
2022	153,854	5,537
2023	<u>66,933</u>	<u>1,489</u>
Total	<u>\$ 626,978</u>	<u>32,672</u>

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

(9) Long-term Debt.

Debt outstanding as of September 30, 2019, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Refunding bonds	\$ 725,000	2.75-4.00%	06/2025
District 2 gravel pit	150,000	2.60%	12/2024
Refunding Industrial Park 11	1,125,000	2.00%	12/2026
Road bonds	620,000	2.50-2.60%	06/2027
Building bonds - Ability Works	676,000	3.00%	06/2032
Public improvement	2,190,000	2.90%	11/2034
County buildings improvements	820,000	2.75%	10/2027
Road & bridge repairs	<u>4,900,000</u>	3.00-3.50%	02/2038
Total General Obligation Bonds	<u>\$ 11,206,000</u>		
B. Capital Leases:			
International dump truck	\$ 1,726	1.81%	10/2019
Backhoe	22,200	1.81%	09/2020
Kubota and mower	32,676	1.87%	12/2020
Dodge dump truck	22,320	2.15%	10/2019
Caterpillar mini excavator	32,963	2.15%	10/2021
Caterpillar mini excavator	41,526	2.95%	08/2022
Caterpillar backhoe	76,938	2.95%	08/2022
Mack dump truck	114,272	2.57%	08/2023
New Holland tractor & Tiger side mower	70,100	3.23%	01/2023
VFD radios	<u>212,257</u>	3.23%	03/2023
Total Capital Leases	<u>\$ 626,978</u>		

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

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
2020	\$ 759,500	324,746
2021	783,500	303,188
2022	799,500	280,725
2023	822,500	257,328
2024	834,500	233,085
2025 - 2029	3,315,500	815,902
2030 - 2034	2,371,000	416,335
2035 - 2038	1,520,000	89,953
Total	\$ 11,206,000	2,721,262

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 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, 2019, the amount of outstanding debt was equal to 3.36 percent of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2019, \$425,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2019:

	Balance Oct. 1, 2018	Additions	Reductions	Balance Sept. 30, 2019	Amount due within one year
Governmental Activities:					
General obligation bonds	\$ 11,860,500		654,500	11,206,000	759,500
Capital leases	587,214	440,098	400,334	626,978	224,163
Compensated absences	157,190	-	16,191	140,999	-
Total	12,604,904	440,098	1,071,025	11,973,977	983,663
Less: Discounts	(12,604)		(1,800)	(10,804)	(1,800)
Total	\$ 12,592,300	440,098	1,069,225	11,963,173	981,863

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

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

(10) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. @County 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 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, 2019, 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, 2019 was 17.40% of annual covered payroll. This rate increased as of July 1, 2019 from 15.75%. 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, 2019, 2018 and 2017 were \$886,830, \$867,014 and \$817,260, 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, 2019, the County reported a liability of \$14,883,161 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019 net pension liability was 0.084602 percent, which was based on a measurement date of June 30, 2019. This was an decrease of 0.00079 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

Lincoln County, Mississippi

Notes to Financial Statements For the Year Ended September 30, 2019

For the year ended September 30, 2019, the County recognized pension expense of \$1,493,231. At September 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,886	\$ 15,327
Net difference between projected and actual earnings on pension plan investments		146,185
Changes of assumptions	145,819	
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	920,638	713,649
County contributions subsequent to the measurement date	234,864	
Total	\$ 1,310,207	\$ 875,161

\$234,864 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, 2020. 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	Amount
2020	\$ 186,237
2021	(68,959)
2022	14,952
2023	67,952
Total	\$ 200,182

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males, 112% of male rates from age 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2018.

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

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Fixed Income	20.00	1.50
Global Equity	12.00	5.00
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.25
Total	100.00 %	

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 contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
County's proportionate share of the net pension liability	\$ 19,564,431	14,883,161	11,019,193

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report, publicly available at www.pers.ms.gov.

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances or net position at September 30, 2019:

<u>Fund</u>	<u>Deficit Amount</u>
Emergency 911 Fund	\$ 357,024
Litter & Solid Waste Fund	10,970
Countywide Bridge Fund	80,773
Bridge Bond 2018 Fund	10,508

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

(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 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 Sept. 30, 2019
Bogue Chitto Volunteer Fire Dept. Truck Lease Purchase	24,189
New Sight Volunteer Fire Dept. Truck Lease Purchase	119,327
Zetus Volunteer Fire Dept. Truck Lease Purchase	129,443
	<u>\$ 272,959</u>

(14) Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$15,473,741) 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 \$234,864 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The \$1,075,343 balance of the deferred outflow of resources, at September 30, 2019, will be recognized in pension expense over the next 4 years.

The unrestricted net position amount of (\$15,473,741) includes the effect of deferring the recognition of revenue resulting from a deferred inflows from capital lease receivable. The \$45,775 balance of deferred inflow of resources, at September 30, 2019, will be recognized as revenue and will increase the unrestricted net position over the next few years.

The unrestricted net position amount of (\$15,473,741) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$875,161 balance of the deferred inflow of resources, at September 30, 2019 will be recognized as revenue and will increase unrestricted net position over the next 3 years.

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

(15) Joint Ventures.

The County participates in the following joint ventures:

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 2019.

Region Eight Mental Health Commission operates in a district composed of the Counties of Copiah, Lincoln, Madison, Rankin, and Simpson. The Lincoln County Board of Supervisors appoints one member of the board of commissioners. The County appropriated \$50,000 for the support of the district in fiscal year 2019.

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 \$1,292,315 for the maintenance and support of the college in fiscal year 2019.

(16) Tax Abatements.

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

The Lincoln County Board of Supervisors negotiates property tax abatements on an individual basis. All abatements are for ten years and are for economic development purposes. The County had tax abatement agreements with eleven (11) entities as of September 30, 2019.

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.

<u>Category</u>	<u>% Of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Economic development projects	87.2%	\$ 486,786

Lincoln County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2019

(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.

Subsequent to September 30, 2019, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
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
08/10/20	1.49%	101,916	Capital lease	Ad valorem taxes
08/18/20	1.49%	59,263	Capital lease	Ad valorem taxes
07/01/21	1.36%	128,597	Capital lease	Ad valorem taxes
10/01/21	1.36%	54,066	Capital lease	Ad valorem taxes
03/15/21	1.75%	208,679	No commitment debt	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, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 7,520,517	7,439,463	7,541,741	102,278
Licenses, commissions and other revenue	650,500	659,545	659,545	0
Fines and forfeitures	475,000	513,787	494,325	(19,462)
Intergovernmental revenues	780,500	825,476	825,476	0
Charges for services	200,000	334,210	334,210	0
Interest income	30,000	191,366	191,366	0
Miscellaneous revenues	41,000	150,333	169,795	19,462
Total Revenues	<u>9,697,517</u>	<u>10,114,180</u>	<u>10,216,458</u>	<u>102,278</u>
EXPENDITURES				
Current:				
General government	5,950,211	5,542,870	5,170,556	372,314
Public safety	3,549,889	3,747,383	3,747,383	0
Health and welfare	153,160	146,200	146,200	0
Conservation of natural resources	108,180	91,318	91,318	0
Economic development and assistance	268,900	245,850	245,850	0
Debt service:				
Principal			90,098	(90,098)
Interest			23,531	(23,531)
Total Expenditures	<u>10,030,340</u>	<u>9,773,621</u>	<u>9,514,936</u>	<u>258,685</u>
Excess of Revenues over (under) Expenditures	<u>(332,823)</u>	<u>340,559</u>	<u>701,522</u>	<u>360,963</u>
OTHER FINANCING SOURCES (USES)				
Other financing uses			(258,685)	(258,685)
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>(258,685)</u>	<u>(258,685)</u>
Net Change in Fund Balance	(332,823)	340,559	442,837	102,278
Fund Balances - Beginning	<u>505,031</u>	<u>1,470,686</u>	<u>1,469,242</u>	<u>(1,444)</u>
Fund Balances - Ending	<u>\$ 172,208</u>	<u>1,811,245</u>	<u>1,912,079</u>	<u>100,834</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, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current:				
Public works		2,608,149	2,608,149	0
Total Expenditures	<u>0</u>	<u>2,608,149</u>	<u>2,608,149</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(2,608,149)</u>	<u>(2,608,149)</u>	<u>0</u>
Net Change in Fund Balance	0	(2,608,149)	(2,608,149)	0
Fund Balance - Beginning	<u> </u>	<u>2,696,366</u>	<u>2,696,366</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>88,217</u>	<u>88,217</u>	<u>0</u>

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

LINCOLN COUNTY, MISSISSIPPI

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

Last 10 Fiscal Years*

For the Year Ended September 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportionate share of the net pension liability (asset)	\$ 14,883,161	14,203,227	13,454,975	14,853,738	12,656,415
County's proportion of the net pension liability (asset)	0.084602%	0.085392%	0.080940%	0.083156%	0.081876%
Covered payroll	\$ 5,561,910	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	267.59%	258.01%	259.30%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 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 ten (10) year trend is compiled, the County has only presented information for the years in which information is available.

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

LINCOLN COUNTY, MISSISSIPPI
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 886,830	867,014	817,260	839,504	818,666
Contributions in relation to the contractually required contribution	<u>886,830</u>	<u>867,014</u>	<u>817,260</u>	<u>839,504</u>	<u>818,666</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 5,486,961	5,504,835	5,188,938	5,330,184	5,197,879
Contributions as a percentage of covered payroll	16.16%	15.75%	15.75%	15.75%	15.75%

The accompanying 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.

Note A - The 2019 Contributions as a percentage of covered payroll will be an average of the former contribution rate of 15.75% and the current contribution rate of 17.40%.

Lincoln County, Mississippi

Notes to the Required Supplementary Information For the Year Ended September 30, 2019

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-Collector (~~Tax Assessor and Tax Collector~~) for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

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

	Governmental Fund Types	
	General Fund	Countywide Bridge Fund
Budget (Cash Basis)	\$ 442,837	(2,608,149)
Increase (Decrease)		
Net adjustments for revenue accruals	56,721	446,650
Net adjustments for expenditure accruals	(143,465)	(293,903)
GAAP Basis	<u>\$ 356,093</u>	<u>(2,455,402)</u>

Lincoln County, Mississippi

Notes to the Required Supplementary Information
For the Year Ended September 30, 2019

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%.

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 assumptions 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 6.00% to 7.00%.

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

Lincoln County, Mississippi

Notes to the Required Supplementary Information
For the Year Ended September 30, 2019

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137% of male rates at all ages.
- For females, 115% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality 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 7% to 9%.

B. Changes 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.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). 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 method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 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, 2019

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
Gaura 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 Martin	Justice Court Judge	Brierfield Insurance Company	\$50,000
Joe Poetery	Justice Court Judge	Brierfield Insurance Company	\$50,000
Sharon Lofton	Justice Court Clerk	Brierfield Insurance Company	\$50,000
Georgia Reeves	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Tiffani H Jones	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Venecia J Lee	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Lindsey W Mayes	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Blake Pickering	Tax Assessor-Collector	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 THE 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 (the County), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 19, 2022.

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 Lincoln County, Mississippi'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as 2019-001 that we consider to be a significant deficiency.

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Madison, Mississippi 39110
Telephone 601-992-5292 Fax 601-992-2033

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 Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated July 19, 2022, included within this document.

Lincoln County's Response to Finding

Lincoln County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Lincoln County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 and Ballard, PC
July 19, 2022

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 bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2019. 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 such 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.

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code section. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response is disclosed below:

Purchase Clerk.

1. Multiple instances of purchasing system deviations noted.

Repeat Finding No

Criteria Compliance with purchasing law requires elements such as 1) use of purchasing documentation inclusive of a) purchase requisition, b) purchase order, c) invoice and d) receiving report dated in order of sequence and signed by appropriate personnel; and 2) compliance with purchasing law as far as bid/quote requirements are met.

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Condition	<p>During our testwork of a selected sample of eighty-eight (88) expenditures, we noted the following deviations:</p> <ul style="list-style-type: none"> • 16 selected expenditures did not have proper documentation and/or errors noted on purchasing documentation. Date sequence was in the wrong order for selected items. Receiving reports were not present for selected items and some were not dated. Detail was missing for documentation such as the receiving report and the purchasing order. • 3 selected expenditures lacked detail such as quote information.
Cause	Various individuals and department heads did not provide full support of purchased goods that were required to have full documented support under state purchase law.
Effect	A breakdown in countywide purchasing can allow for unauthorized expenditures and lead to situations where county funds can be misappropriated.
Recommendation	Lincoln County should implement procedures strengthening their purchasing system to be in legal compliance with state purchase law. Department heads, the Purchase Clerk, the Accounts Payable Clerk and various receiving clerks need to be in communication consistently in order to alleviate deviations such as those listed.
Official Response	Lincoln County will communicate with those involved the need for vigilance in regard to goods purchased. Signatures of involved parties will be noted on the appropriate documents along with dates in which said action occurred. Quote and bid information will be diligently noted so as to alleviate these deviations.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Lincoln County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2019.

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.

Lincoln County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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 and Ballard, PC
July 19, 2022

Certified Public Accountants

Lincoln County, Mississippi

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2019

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

Lincoln County, Mississippi

Schedule 2

Schedule of Emergency Purchases

For the Year Ended September 30, 2019

Our tests did not identify any emergency purchases.

Lincoln County, MississippiSchedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2019

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
11/5/2018	Pagers for Volunteer Fire Departments	\$ 5,355	Jackson Communication

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, 2019, 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 July 19, 2022, 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 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; Finding #1
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	Fund balance adequacies were not considered when warrants were issued.

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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, 2021, \$43,197.44 was received from the bonding company, leaving a balance of \$122,615.67.
Official Response	The County received the surety bond proceeds listed above from the Office of the State Auditor. Remaining balance owed will hopefully be secured at a future time.

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

Repeat Finding	Yes; Finding #2
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. The prior administrator was depositing twice per week. Currently, we are depositing on a daily basis.

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

Repeat Finding	Yes; Finding #3
Criteria	Proceeds of excess tax bids received at the tax sale were posted erroneously.
Condition	Excess tax bids received on property sold at the tax sale should be posted to the

realty/personal property tax account line item. The County posted \$80,334.12 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 excess tax bids, while not spent in fiscal year 2019, could be expended for purposes other than those intended constituting an unlawful diversion of public funds.
Recommendation	The Board of Supervisors should implement procedures to ensure correct posting and settlement of such proceeds in the future.
Official Response	Efforts are currently underway to correctly post ad valorem taxes properly to prevent the potential for diversion of funds by the County Administrator.

4. A new blanket surety bond should be secured at the beginning of each new term of office by elected county officials to be filed and recorded in the Chancery Clerk's Office.

Repeat Finding	Yes; Findings #5 and #6
Criteria	Sections 25-1-15(4) and 25-1-19(1), 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. All county officials' and employees' bonds are to be filed and recorded in the Chancery Clerk's Office, except that the original of the Chancery Clerk's bonds, after it is recorded, shall be deposited and filed in the Circuit Clerk's Office.
Condition	Since issued in June 2015, county employees were covered by a blanket bond. The current term for elected county officials began January 1, 2016. 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 County failed to obtain new blanket bonds at the beginning of the current term of office starting January 1, 2016. Also, the Chancery Clerk failed to record all surety bonds in the bond book.
Effect	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. 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 immediately secure a new blanket bond and should implement procedures to ensure a new blanket bond is secured at least every four (4) years. Also, the Board should ensure all bonds are recorded in the Chancery Clerk's Office and subsequently filed in the correct office.
Official Response	As of January 1, 2020, the County has corrected this finding when the new Board and Chancery Clerk were sworn into office.

Chancery Clerk.

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

Repeat Finding	Yes; Finding #7
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	Since 2017, eight (8) of the Chancery Clerk employees were paid by the County rather than the Clerk. In calendar years 2018 and 2019, this practice appeared to continue. These salaries were paid in the General Fund through department code 101 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 the 2019 salaries and related expenses plus all amounts paid by the County for Chancery employees up to the end of the Clerk's term of office, December 31, 2019.
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 2019 salaries and related expenses plus all amounts paid by the County for Chancery employees up to December 31, 2019, the end of the Chancery Clerk's term of office.
Official Response	Per the Board of Supervisors via the County Administrator, no comment will be provided on this matter pending outcome of any active State Auditor investigations ongoing, if any are currently active. The former Chancery Clerk, Tillmon Bishop, is retired from office with a new Chancery Clerk currently serving since January 2020.

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

Repeat Finding	Yes; Finding #9
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 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: <ul style="list-style-type: none"> • Bid openings not adequately documented or not documented at all. • Previous meeting's minutes approval was not the first order of business. • Interfund transfers were made without Board approval. • Claim dockets entered in the minutes were dated after approval of said docket and some dockets entered were illegible. • At various points, gaps existed on two months or more where approved minutes were bound to the minute book(s).
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	Former Chancery Clerk, Tillmon Bishop, is retired from office with a new Chancery Clerk currently serving since January 2020. I have currently corrected many of the listed items and am diligent in keeping minutes current.

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

Repeat Finding	Yes; Finding #10
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 2019. 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 2019.
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 2019 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	Former Chancery Clerk, Tillmon Bishop, is retired from office with a new Chancery Clerk currently serving since January 2020. During his term, David Fields was considered the Deputy Chancery Clerk. He was present at all meetings with the former Clerk.

Auditor's Note David Fields had not taken the oath of office as a Deputy Chancery Clerk nor was he bonded as a Deputy Chancery Clerk. Accordingly, the finding remains unchanged.

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

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

FORTENBERRY & BALLARD, PC

Fortenberry and Ballard, PC
July 19, 2022

Certified Public Accountants

SCHEDULE OF FINDINGS AND RESPONSES

Lincoln County, Mississippi

Schedule of Findings and Responses For the Year Ended September 30, 2019

Section 1: 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? | Yes |
| 3. Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency

2019-001. Multiple deficiencies noted in county expenditure of funds.

Repeat Finding	No
Criteria	County personnel must provide proper support for expenditures claims made. Also, these claims should be recorded in a proper fund, department and objective as to properly identify the expenditure type made.
Condition	<p>The following deficiencies were noted on multiple occasions during a test of eighty-eight (88) expenditures selected for testwork:</p> <ul style="list-style-type: none">• 32 instances expenditures were erroneously recorded in centralized accounting• 25 instances expenditure claims sampled did not have adequate supporting documentation.
Cause	Expenditures not properly recorded by personnel due to insufficient documentation provided.
Effect	Expenditures not properly documented can be approved for payment may potentially be for purposes not allowable by law. This would constitute a misappropriation of County funds.
Recommendation	Board of Supervisors should take steps to ensure claims approved are supported with the proper documentation and be recorded properly.
Official Response	The Board will make every effort to ensure purchased goods and services have proper supporting documentation and instruct the County Administrator to oversee that items are properly recorded in the accounting system.