

# LINCOLN COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2021



## SHAD WHITE

STATE AUDITOR

Stephanie C. Palmertree, CPA  
Deputy State Auditor

Joe E. McKnight, CPA  
Director, County Audit Section



A Report from the County Audit Section

[www.osa.state.ms.us](http://www.osa.state.ms.us)









**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR**

**Shad White**  
AUDITOR

July 5, 2023

Members of the Board of Supervisors  
Lincoln County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2021 financial and compliance audit report for Lincoln County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Lincoln County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Lincoln County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Shad White", is written over a horizontal line.

Shad White



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LINCOLN COUNTY

FINANCIAL SECTION

LINCOLN COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
SHAD WHITE  
AUDITOR**

**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, 2021, 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.

## ***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Lincoln County, Mississippi, as of September 30, 2021, 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 Schedule 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.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Reconciliation of Operating Costs of Solid Waste is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 5, 2023 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.

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JOE E. MCKNIGHT, CPA  
Director, County Audit Section

July 5, 2023

LINCOLN COUNTY

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LINCOLN COUNTY

FINANCIAL STATEMENTS

LINCOLN COUNTY

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LINCOLN COUNTY  
Statement of Net Position  
September 30, 2021

Exhibit 1

	Primary Government
	Governmental
	Activities
ASSETS	
Cash	\$ 18,538,098
Property tax receivable	14,638,366
Accounts receivable (net of allowance for uncollectibles of \$1,341,483)	1,097,578
Fines receivable (net of allowance for uncollectibles of \$10,279,133)	2,195,391
Intergovernmental receivables	424,898
Other receivables	129,027
Capital assets:	
Land and construction in progress	5,270,221
Other capital assets, net	76,929,842
Total Assets	119,223,421
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,501,338
Total Deferred Outflows of Resources	1,501,338
LIABILITIES	
Claims payable	1,593,449
Intergovernmental payables	1,132,016
Accrued interest payable	55,926
Unearned revenue	3,316,910
Amounts held in custody for others	472,093
Long-term liabilities	
Due within one year:	
Capital debt	1,081,611
Non-capital debt	62,090
Due in more than one year:	
Capital debt	9,565,052
Non-capital debt	230,542
Net pension liability	12,354,524
Total Liabilities	29,864,213
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	3,911,359
Deferred revenues - property taxes	14,638,366
Total Deferred Inflows of Resources	18,549,725
NET POSITION	
Net investment in capital assets	71,553,400
Restricted for:	
Expendable:	
General government	1,122,125
Public safety	586,162
Public works	9,022,609
Culture and recreation	278,121
Economic development and assistance	144,406
Unemployment compensation	168,224
Debt service	124,186
Unrestricted	(10,688,412)
Total Net Position	\$ 72,310,821

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

LINCOLN COUNTY  
Statement of Activities  
For the Year Ended September 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 5,767,500	1,537,688	103,486		(4,126,326)
Public safety	4,835,428	338,325	33,116	90,000	(4,373,987)
Public works	7,232,731	1,520,617	835,548	2,974,524	(1,902,042)
Health and welfare	142,306		28,496	3,500	(110,310)
Culture and recreation	840,638	9,009			(831,629)
Conservation of natural resources	62,985		42,759		(20,226)
Economic development and assistance	249,203				(249,203)
Interest on long-term debt	296,449				(296,449)
Pension expense	702,430				(702,430)
Total Governmental Activities	\$ 20,129,670	3,405,639	1,043,405	3,068,024	(12,612,602)
General revenues:					
Property taxes				\$	13,061,365
Road & bridge privilege taxes					472,831
Grants and contributions not restricted to specific programs					1,118,858
Unrestricted interest income					294,816
Miscellaneous					783,085
Total General Revenues					15,730,955
Changes in Net Position					3,118,353
Net Position - Beginning, as previously reported					68,190,779
Fund reclassifications					705,947
Prior period adjustments					295,742
Net Position - Beginning, as restated					69,192,468
Net Position - Ending				\$	72,310,821

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

LINCOLN COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2021

Exhibit 3

	Major Fund		
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
ASSETS			
Cash	\$ 4,929,704	13,608,394	18,538,098
Property tax receivable	8,559,379	6,078,987	14,638,366
Accounts receivable (net of allowance for uncollectibles of \$1,341,483)		1,097,578	1,097,578
Fines receivable (net of allowance for uncollectibles of \$10,279,133)	2,195,391		2,195,391
Intergovernmental receivables	336,894	88,004	424,898
Other receivables	122,246	6,781	129,027
Due from other funds		424,975	424,975
Advances to other funds	270,077	839,579	1,109,656
Total Assets	\$ 16,413,691	22,144,298	38,557,989
LIABILITIES			
Liabilities:			
Claims payable	\$ 481,125	1,112,324	1,593,449
Intergovernmental payables	1,375,887		1,375,887
Due to other funds	383,250	41,725	424,975
Advances from other funds	10,599	855,186	865,785
Unearned revenue		3,316,910	3,316,910
Amounts held in custody for others	472,093		472,093
Total Liabilities	2,722,954	5,326,145	8,049,099
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	8,559,379	6,078,987	14,638,366
Unavailable revenue - solid waste user fees		1,097,578	1,097,578
Unavailable revenue - fines	2,195,391		2,195,391
Total Deferred Inflows of Resources	10,754,770	7,176,565	17,931,335
Fund balances:			
Nonspendable:			
Advances	270,077		270,077
Restricted for:			
General government		1,122,125	1,122,125
Public safety		586,162	586,162
Public works		7,925,031	7,925,031
Culture and recreation		278,121	278,121
Economic development and assistance		144,406	144,406
Unemployment compensation		168,224	168,224
Debt service		180,112	180,112
Unassigned	2,665,890	(762,593)	1,903,297
Total Fund Balances	2,935,967	9,641,588	12,577,555
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 16,413,691	22,144,298	38,557,989

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

## LINCOLN COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2021

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 12,577,555
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 \$141,573,271.	82,200,063
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,292,969
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(10,939,295)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(12,354,524)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(55,926)
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	1,501,338
Deferred inflows of resources related to pensions	<u>(3,911,359)</u>
Total Net Position - Governmental Activities	\$ <u>72,310,821</u>

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

## LINCOLN COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2021

	Major Fund		
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
REVENUES			
Property taxes	\$ 7,932,551	5,128,814	13,061,365
Road and bridge privilege taxes		472,831	472,831
Licenses, commissions and other revenue	770,020	9,009	779,029
Fines and forfeitures	555,766	50	555,816
Intergovernmental revenues	800,086	4,430,201	5,230,287
Charges for services	201,220	1,966,125	2,167,345
Interest income	286,836	7,980	294,816
Miscellaneous revenues	183,033	600,052	783,085
Total Revenues	10,729,512	12,615,062	23,344,574
EXPENDITURES			
Current:			
General government	5,393,266	574,436	5,967,702
Public safety	3,860,772	1,265,604	5,126,376
Public works	899	10,444,737	10,445,636
Health and welfare	142,306		142,306
Culture and recreation		848,070	848,070
Conservation of natural resources	105,365		105,365
Economic development and assistance	249,203		249,203
Debt service:			
Principal	95,254	1,010,229	1,105,483
Interest	21,172	312,368	333,540
Total Expenditures	9,868,237	14,455,444	24,323,681
Excess of Revenues over (under) Expenditures	861,275	(1,840,382)	(979,107)
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		391,342	391,342
Proceeds from sale of capital assets		52,670	52,670
Compensation for loss of capital assets	31,705		31,705
Transfers in		982,310	982,310
Transfers out	(694,885)	(287,425)	(982,310)
Lease principal payments	110,000		110,000
Total Other Financing Sources and Uses	(553,180)	1,138,897	585,717
Net Changes in Fund Balances	308,095	(701,485)	(393,390)
Fund Balances - Beginning, as previously reported	2,099,166	9,870,090	11,969,256
Fund reclassifications	528,706	177,241	705,947
Prior period adjustments		295,742	295,742
Fund Balances - Beginning, as restated	2,627,872	10,343,073	12,970,945
Fund Balances - Ending	\$ 2,935,967	9,641,588	12,577,555

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

## LINCOLN COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2021

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (393,390)
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 \$4,793,131 exceeded depreciation of \$1,954,496 in the current period.	2,838,635
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$29,590 and the proceeds from the sale of \$ 52,670 and the compensation for loss of 31,705 in the current period.	(113,965)
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.	13,557
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.	(110,108)
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 \$1,105,483 exceeded debt proceeds of \$391,342.	714,141
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:	
The amount of increase in compensated absences liability.	(20,094)
The amount of decrease in accrued interest payable.	38,892
The amortization of bond premium.	(1,801)

## LINCOLN COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2021

Amount

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. (110,000)

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	(702,430)
Recording of contributions made during the year	<u>964,916</u>

Change in Net Position of Governmental Activities	\$ <u><u>3,118,353</u></u>
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The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY  
Statement of Fiduciary Net Position  
September 30, 2021

Exhibit 5

	<u>Custodial Funds</u>
ASSETS	
Cash	\$ <u>692,204</u>
Total Assets	<u>692,204</u>
LIABILITIES	
Intergovernmental payables	368,970
Advances from other funds	<u>243,871</u>
Total Liabilities	<u>612,841</u>
NET POSITION	
Restricted for:	
Individuals, organizations and other governments	<u>79,363</u>
Total Net Position	<u>\$ 79,363</u>

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



LINCOLN COUNTY  
Statement of Changes in Fiduciary Net Position  
For the Year Ended September 30, 2021

Exhibit 6

	<u>Custodial Funds</u>
ADDITIONS	
Tax collections for other governments	\$ 1,348,674
Licenses and fees collected for State	<u>424,520</u>
Total Additions	<u>1,773,194</u>
DEDUCTIONS	
Payments of tax to other governments	1,305,605
Payment of licenses and fees to State	<u>409,814</u>
Total Deductions	<u>1,715,419</u>
Net increase (decrease) in fiduciary net position	57,775
Net Position - Beginning	<u>21,588</u>
Net Position - Ending	\$ <u>79,363</u>

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

LINCOLN COUNTY

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## LINCOLN COUNTY

### Notes to the Financial Statements For the Year Ended September 30, 2021

#### (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 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 inter-fund 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

### Notes to the Financial Statements For the Year Ended September 30, 2021

#### 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, liabilities, deferred inflows, fund balances, revenues and expenditures. Funds are organized into governmental and fiduciary, even though the latter are excluded from the government-wide financial statements. 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 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.

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.

Additionally, the County reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

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

#### FIDUCIARY FUND TYPE

Custodial Funds - Custodial Funds are used to report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

## LINCOLN COUNTY

### Notes to the Financial Statements For the Year Ended September 30, 2021

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

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

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

#### H. Capital Assets.

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

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

# LINCOLN COUNTY

## Notes to the Financial Statements For the Year Ended September 30, 2021

	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 11 for additional details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred revenues – property taxes/unavailable revenue – property taxes - Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

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

Unavailable revenue – solid waste 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.

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 11 for additional details.

### J. Long-term Liabilities.

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

## LINCOLN COUNTY

### Notes to the Financial Statements For the Year Ended September 30, 2021

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

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### K. Pensions.

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

#### L. 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.

#### M. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

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.

## LINCOLN COUNTY

### Notes to the Financial Statements For the Year Ended September 30, 2021

#### 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.

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

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

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

#### N. Property Tax Revenues:

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

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.



## LINCOLN COUNTY

### Notes to the Financial Statements For the Year Ended September 30, 2021

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.

#### O. Intergovernmental Revenues in Governmental Funds.

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

#### P. Changes in Accounting Standards.

The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months.

GASB 84, *Fiduciary Activities*, was implemented during fiscal year 2021. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

#### (2) Fund Reclassification (Accounting Change).

Effective October 1, 2020, and in accordance with the implementation of GASB Statement No. 84, the Constable Clearing Fund, Net Payroll Clearing Fund, and Pearl River Basin Fund, previously reported as Fiduciary Funds, were reclassified and reported in the General Fund. Therefore, the County has adjusted beginning fund balance/net position for the General Fund and Governmental Activities in the amount of \$528,706.

Additionally, the Employment Security Fund beginning fund balance of \$177,241 was reclassified from the Custodial Funds to a special revenue fund because the fund is restricted in nature. This fund was misclassified in the prior year.

For the Fiduciary Fund Custodial Activities, the County has treated the beginning of year net position of \$21,588 as having been recognized in the period incurred. The County has adjusted beginning net position for their fiduciary activities from \$0 to \$21,588.

# LINCOLN COUNTY

## Notes to the Financial Statements For the Year Ended September 30, 2021

### (3) Prior Period Adjustments.

A summary of the significant net position/fund balance adjustments is as follows:

#### Exhibit 2 – Statement of Activities – Governmental Activities.

<u>Explanation</u>	<u>Amount</u>
To correct prior year beginning fund balance.	\$ (2,218)
To correct prior year unrecognized cash accounts.	<u>297,960</u>
Total prior period adjustments	<u>\$ 295,742</u>

#### Exhibit 4 – Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

<u>Explanation</u>	<u>Amount</u>
To correct prior year beginning fund balance.	\$ (2,218)
To correct prior year unrecognized cash accounts.	<u>297,960</u>
Total prior period adjustments	<u>\$ 295,742</u>

### (4) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2021, was \$19,230,302, and the bank balance was \$18,063,418. 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, Mississippi Code of 1972 Annotated*. 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

## Notes to the Financial Statements For the Year Ended September 30, 2021

### (5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2021:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Fund	General Fund	\$ 383,250
Other Governmental Fund	Other Governmental Funds	<u>41,725</u>
Total		\$ <u>424,975</u>

The receivables represent the tax revenue collected in September 2021, but not settled until October 2021. 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	\$ 43,034
General Fund	Custodial Funds	227,043
Other Governmental Funds	General Fund	10,599
Other Governmental Funds	Other Governmental Funds	812,152
Other Governmental Funds	Custodial Funds	<u>16,828</u>
Total		\$ <u>1,109,656</u>

The advances represent incorrect settlements of prior period ad valorem taxes.

#### C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 694,885
Other Governmental Funds	Other Governmental Funds	<u>287,425</u>
Total		\$ <u>982,310</u>

The principal purpose of interfund transfers was to provide budgetary allotments. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

LINCOLN COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2021

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2021, consisted of the following:

Description	Amount
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 293,340
HAVA grant reimbursement	86,273
Reimbursement for housing prisoners	22,130
Various other grants	23,155
Total Governmental Activities	\$ 424,898

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2021:

**Governmental activities:**

	Balance Oct. 1, 2020	Additions	Deletions	Adjustments*	Balance Sept. 30, 2021
<u>Non-depreciable capital assets:</u>					
Land	\$ 728,088				728,088
Construction in progress	2,253,060	3,979,984		(1,690,911)	4,542,133
Total non-depreciable capital assets	2,981,148	3,979,984		(1,690,911)	5,270,221
<u>Depreciable capital assets:</u>					
Infrastructure	188,593,999			1,690,911	190,284,910
Buildings	15,487,203				15,487,203
Improvements other than buildings	1,226,024	48,377			1,274,401
Mobile equipment	7,956,938	251,476	252,219		7,956,195
Furniture and equipment	1,371,456	86,018	70,087		1,387,387
Leased property under capital leases	1,729,598	427,276	43,857		2,113,017
Total depreciable capital assets	216,365,218	813,147	366,163	1,690,911	218,503,113
<u>Less accumulated depreciation for:</u>					
Infrastructure	122,435,163	1,206,831			123,641,994
Buildings	8,570,387	159,697			8,730,084
Improvements other than buildings	572,451	48,251			620,702
Mobile equipment	6,521,966	252,807	172,487		6,602,286
Furniture and equipment	1,107,382	86,427	59,971		1,133,838
Leased property under capital leases	663,624	200,483	19,740		844,367
Total accumulated depreciation	139,870,973	1,954,496	252,198	0	141,573,271
Total depreciable capital assets, net	76,494,245	(1,141,349)	113,965	1,690,911	76,929,842
Governmental activities capital assets, net	\$ 79,475,393	2,838,635	113,965	0	82,200,063

\*Adjustments represent routine reclassifications of completed construction in progress.

# LINCOLN COUNTY

## Notes to the Financial Statements For the Year Ended September 30, 2021

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<b>Governmental activities:</b>	
General government	\$ 251,626
Public safety	184,318
Public works	1,502,456
Culture and recreation	<u>16,096</u>
Total governmental activities depreciation expense	<u>\$ 1,954,496</u>

Commitments with respect to unfinished capital projects at September 30, 2021, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Chestnut Lane - LSBP 43(48)	\$ 26,913	May 31, 2022
Pleasant Hill Drive - LSBP 43(49)	13,400	March 31, 2022
Arlington Road - ERBR 43(02)	65,558	November 30, 2021
Maple Lane Road - ERBR 43(03)	40,265	September 30, 2022
Mount Olive Road - SPT / BR 43(31)	107,885	December 31, 2021

(8) 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, 2021, to January 1, 2022. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2021:

LINCOLN COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2021

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 2,075,020
Furniture and equipment	<u>37,997</u>
Total	2,113,017
Less: Accumulated depreciation	<u>(844,367)</u>
Leased Property Under Capital Leases	<u>\$ 1,268,650</u>

The following is a schedule by years of the total payments due as of September 30, 2021:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 282,111	15,978
2023	227,661	11,878
2024	173,157	7,872
2025	141,266	4,895
2026	58,590	3,115
2027 - 2031	<u>108,081</u>	<u>5,740</u>
Total	<u>\$ 990,866</u>	<u>49,478</u>

(10) Long-term Debt.

Debt outstanding as of September 30, 2021, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
Refunding industrial park I	\$ 500,000	2.75-4.00%	06/2025
District 2 gravel pit	100,000	2.60%	12/2024
Refunding industrial park II	860,000	2.00%	12/2026
Road bonds	465,000	2.50-2.60%	06/2027
Building bonds - Ability Works	572,000	3.00%	06/3032
Public improvement	1,985,000	2.90%	11/3034
County buildings improvements	656,000	2.75%	10/2027
Road and bridge repairs	<u>4,525,000</u>	3.00-3.50%	02/2038
Total General Obligation Bonds	<u>\$ 9,663,000</u>		

LINCOLN COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2021

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
B. Capital Leases:			
Dodge dump truck	\$ 914	2.15%	10/2021
District 4 Caterpillar mini excavator	1,347	2.15%	10/2021
District 1 Caterpillar mini excavator	13,438	2.95%	08/2022
Caterpillar backhoe	24,897	2.95%	08/2022
Mack dump truck	57,353	2.57%	08/2023
New Holland tractor and Tiger side mower	28,948	3.23%	01/2023
District 1 Ram Truck	17,318	2.53%	12/2023
Freightliner Dump Truck	64,042	2.55%	02/2025
John Deere Cab Tractor	39,712	2.53%	12/2024
District 4 Ram Truck	20,063	2.53%	11/2023
John Deere backhoe	80,469	1.49%	08/2025
IMB power server	26,365	2.53%	12/2023
RAM 5500 Truck	47,762	1.49%	09/2025
Fire department Ford chassis	94,760	2.27%	09/2026
Fire department Freightliner chassis	87,356	2.27%	09/2026
Heucks Retreat - Fire Truck	208,679	1.75%	10/2030
Broce Broom	54,066	1.36%	09/2025
John Deere Tractor and Mower	123,377	1.36%	07/2025
Total Capital Leases	\$ 990,866		
C. Other Loans:			
VFD radios	\$ 93,889	3.23%	03/2023

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

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2022	\$ 799,500	305,626	62,090	2,535
2023	822,500	282,729	31,799	514
2024	834,500	258,743		
2025	874,500	233,523		
2026	724,500	206,945		
2027 - 2031	2,655,500	751,840		
2032 - 2036	2,257,000	336,795		
2037 - 2041	695,000	28,100		
Total	\$ 9,663,000	2,404,301	93,889	3,049

**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, 2021, the amount of outstanding debt was equal to 2.86 percent (2.86%) of the latest property assessments.

# LINCOLN COUNTY

## Notes to the Financial Statements For the Year Ended September 30, 2021

**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, 2021, \$500,000 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, 2021:

	Balance Oct. 1, 2020	Additions	Reductions	Balance Sept. 30, 2021	Amount due within one year
<b>Governmental Activities:</b>					
Compensated absences	\$ 178,649	20,094		198,743	
General obligation bonds	10,446,500		783,500	9,663,000	799,500
Less:				-	
Discounts	(9,004)		(1,801)	(7,203)	
Capital leases	861,375	391,342	261,851	990,866	282,111
Other loans	154,021		60,132	93,889	62,090
<b>Total</b>	<b>\$ 11,631,541</b>	<b>411,436</b>	<b>1,103,682</b>	<b>10,939,295</b>	<b>1,143,701</b>

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Reappraisal Fund, Emergency 911 Fund, Civic Center Fund, Solid Waste Fund, and the Road Maintenance Fund.

### (11) Defined Benefit Pension Plan.

#### *General Information about the Pension Plan*

**Plan Description.** Lincoln County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by *Mississippi Code of 1972 Annotated Section 25-11-1 et seq.* 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



# LINCOLN COUNTY

## Notes to the Financial Statements For the Year Ended September 30, 2021

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, 2021, 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, 2021 was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2021, 2020 and 2019 were \$964,916, \$961,605 and \$886,830, 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, 2021, the County reported a liability of \$12,354,524 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021 net pension liability was 0.083587 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.000873 percent from its proportionate share used to calculate the September 30, 2020 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended September 30, 2021, the County recognized pension expense of \$702,430. At September 30, 2021, 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	\$ 196,662	
Net difference between projected and actual earnings on pension plan investments		3,727,087
Changes of assumptions	951,147	
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	117,531	184,272
County contributions subsequent to the measurement date	235,998	
Total	\$ 1,501,338	3,911,359

\$235,998 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

# LINCOLN COUNTY

## Notes to the Financial Statements For the Year Ended September 30, 2021

Year ending September 30	Amount
2022	\$ (528,465)
2023	(460,846)
2024	(547,974)
2025	(1,108,734)
Total	\$ <u>(2,646,019)</u>

**Actuarial Assumptions.** The total pension liability as of June 30, 2021 was determined by an actuarial valuation prepared as of June 30, 2020, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the four-year period ending June 30, 2020, and by the investment experience for the fiscal year ending June 30, 2021. The following actuarial assumptions are applied to all periods in the measurement:

Inflation	2.40 percent
Salary increases	2.65 – 17.90 percent, including inflation
Investment rate of return	7.55 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, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the four-year period from July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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

LINCOLN COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2021

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.60 %
International Equity	22.00	4.50
Global Equity	12.00	4.80
Fixed Income	20.00	(0.25)
Real Estate	10.00	3.75
Private Equity	8.00	6.00
Cash Equivalents	1.00	(1.00)
Total	<u>100.00 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.55 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 7.55 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 (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
County's proportionate share of the net pension liability	\$ 17,496,902	12,354,524	8,116,795

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

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances or net position at September 30, 2021:

<u>Fund</u>	<u>Deficit Amount</u>
Emergency 911 Fund	\$ (316,082)
BP Oil Fund	(446,511)

## LINCOLN COUNTY

### Notes to the Financial Statements For the Year Ended September 30, 2021

#### (13) Contingencies.

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

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

#### (14) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of \$(10,688,412) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$235,998 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, 2022. The \$1,265,340 balance of the deferred outflows of resources related to pensions at September 30, 2021, will be recognized in pension expense over the next three years. The \$3,911,359 balance of the deferred inflows of resources related to pensions at September 30, 2021, will be recognized in pension expense over the next four years.

#### (15) Joint Venture.

The County participates in the following joint venture:

The Lincoln-Lawrence-Franklin Regional Library operates in a district composed of Lincoln, Lawrence, and Franklin. The Lincoln County Board of Supervisors appoints five of the 15 member board. The County appropriated \$257,193 in the support of the district in fiscal year 2021.

#### (16) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The governing body is a 40 member board of directors, with four appointed by the Lincoln County Board of Supervisors. The County appropriated \$67,779 for the support of the district in fiscal year 2021.

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 in the support of the district in fiscal year 2021.

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 \$1,305,605 for the maintenance and support of the college in fiscal year 2021.

# LINCOLN COUNTY

## Notes to the Financial Statements For the Year Ended September 30, 2021

The Alliance was formed to handle joint projects between the County, the City of Brookhaven and the Chamber of Commerce Industrial Development Foundation. The Lincoln County Board of Supervisors appoints two of the seven member board. The County appropriated \$224,000 in support of the district in fiscal year 2021.

Southwest Mississippi Partnership operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members, appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the County's Board of Supervisors. The County made no appropriations to the Southwest Mississippi Partnership in fiscal year 2021.

### (17) Tax Abatements.

As of September 30, 2021, Lincoln County provides tax exempt status to six manufacturing companies subject to the requirements of GASB Statement No. 77. These companies are exempt from real property taxes and personal property taxes except for levies involving the school, mandatory mill, and the community college tax levies. These exemptions are authorized under *Sections 27-31-101 and 27-31-105 of the Mississippi Code of 1972 Annotated*. These exemptions encourage businesses to locate or expand operations in the County and to create jobs. The amount of taxes abated during fiscal year 2021 totaled \$755,574.

### (18) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the Statement of Net Position date, require disclosure in the accompanying notes. Management of Lincoln County evaluated the activity of the County through July 5, 2023, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2021, 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>
09/13/2022	2.99%	\$ 87,650	Financed purchase	Ad valorem taxes
09/13/2022	2.99%	60,519	Financed purchase	Ad valorem taxes
11/10/2022	4.16%	146,882	Financed purchase	Ad valorem taxes
03/20/2023	4.53%	86,942	Financed purchase	Ad valorem taxes
03/28/2023	5.20%	8,000,000	Special Obligation Bonds	Ad valorem taxes

LINCOLN COUNTY

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## LINCOLN COUNTY

### REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN COUNTY

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LINCOLN COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2021  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 7,834,622	7,685,496	7,685,496	
Licenses, commissions and other revenue	650,500	752,642	753,013	371
Fines and forfeitures	475,000	506,458	506,458	
Intergovernmental revenues	780,500	785,043	785,043	
Charges for services	200,000	200,905	200,905	
Interest income	30,000	60,572	60,572	
Miscellaneous revenues	41,000	327,223	327,227	4
Total Revenues	<u>10,011,622</u>	<u>10,318,339</u>	<u>10,318,714</u>	<u>375</u>
EXPENDITURES				
Current:				
General government	6,011,676	5,209,316	5,204,754	4,562
Public safety	3,668,977	3,877,280	3,877,280	
Health and welfare	153,160	182,256	142,366	39,890
Conservation of natural resources	110,835	105,516	105,516	
Economic development and assistance	268,900	244,180	244,180	
Debt service:				
Principal		95,254	95,254	
Interest		21,172	21,172	
Total Expenditures	<u>10,213,548</u>	<u>9,734,974</u>	<u>9,690,522</u>	<u>44,452</u>
Excess of Revenues over (under) Expenditures	<u>(201,926)</u>	<u>583,365</u>	<u>628,192</u>	<u>44,827</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		73,178	73,178	
Transfers Out		(694,885)	(694,885)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(621,707)</u>	<u>(621,707)</u>	<u>-</u>
Net Change in Fund Balance	(201,926)	(38,342)	6,485	44,827
Fund Balances - Beginning	<u>500,000</u>	<u>1,910,833</u>	<u>1,904,303</u>	<u>(6,530)</u>
Fund Balances - Ending	<u>\$ 298,074</u>	<u>1,872,491</u>	<u>1,910,788</u>	<u>38,297</u>

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

LINCOLN COUNTY  
Schedule of the County's Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2021  
UNAUDITED

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.083587%	0.082714%	0.084602%	0.085392%	0.080940%	0.083156%	0.081876%
County's proportionate share of the net pension liability (asset)	\$ 12,354,524	16,012,469	14,883,161	14,203,227	13,454,975	14,853,738	12,656,415
Covered payroll	\$ 5,557,684	5,507,754	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	222.30%	290.73%	267.59%	258.01%	259.30%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	58.97%	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 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  
Schedule of County Contributions  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2021  
UNAUDITED

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 964,916	961,605	886,830	867,014	817,260	839,504	818,666
Contributions in relation to the contractually required contribution	<u>964,916</u>	<u>961,605</u>	<u>886,830</u>	<u>867,014</u>	<u>817,260</u>	<u>839,504</u>	<u>818,666</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 5,545,497	5,526,466	5,486,961	5,504,835	5,188,938	5,330,184	5,197,879
Contributions as a percentage of covered payroll	17.40%	17.40%	16.16%	15.75%	15.75%	15.75%	15.75%

\* 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.

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

LINCOLN COUNTY

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# LINCOLN COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2021

### 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 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. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplementary information.

### C. Budget/GAAP Reconciliation.

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

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

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

	<u>Governmental Fund Type</u>
	<u>General</u>
	<u>Fund</u>
Budget (Cash Basis)	\$ 6,485
Increase (Decrease)	
Net adjustments for revenue accruals	479,325
Net adjustments for expenditure accruals	<u>(177,715)</u>
GAAP Basis	\$ <u><u>308,095</u></u>

## LINCOLN COUNTY

### Notes to the Required Supplementary Information For the Year Ended September 30, 2021

#### 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.

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%.

## LINCOLN COUNTY

### Notes to the Required Supplementary Information For the Year Ended September 30, 2021

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%.

#### 2021

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

For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.

For females, 84% of female rates up to age 72, 100% for ages above 76.

Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

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

For males, 134% of male rates at all ages.

For females, 121% of female rates at all ages.

Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:

For males, 97% of male rates at all ages.

For females, 110% of female rates at all ages.

Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

#### 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.

## LINCOLN COUTY

### Notes to the Required Supplementary Information For the Year Ended September 30, 2021

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, 2019 valuation for the June 30, 2021 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	28.8 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation



## LINCOLN COUNTY

## SUPPLEMENTARY INFORMATION

LINCOLN COUNTY

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LINCOLN COUNTY  
Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2021

Operating Expenditures, Cash Basis:

Salaries	\$	159,636
Expendable Commodities:		
Gasoline and petroleum products		5,435
Repair parts		17,134
Office, field and shop supplies		3,905
Maintenance		400
Solid waste disposal fee		1,347,553
Professional fees		153
Rent on other equipment		11,501
Postage and box rent		9,534
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Solid Waste Cash Basis Operating Expenditures		1,555,251
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Full Cost Expenses:

Indirect administrative costs		389,776
Depreciation on equipment		7,762
Interest on solid waste debt		805
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Solid Waste Full Cost Operating Expenses	\$	<u><u>1,953,594</u></u>
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LINCOLN COUNTY

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## LINCOLN COUNTY

## OTHER INFORMATION

## LINCOLN COUNTY

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LINCOLN COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2021  
UNAUDITED

Name	Position	Company	Bond
Jerry L. Wilson	Supervisor District 1	FCCI Insurance Company	\$100,000
Jerry McGehee	Supervisor District 2	FCCI Insurance Company	\$100,000
Nolan Earl Williamson	Supervisor District 3	FCCI Insurance Company	\$100,000
Eddie Brown	Supervisor District 4	FCCI Insurance Company	\$100,000
District 5: Doug Falvey	Supervisor District 5	FCCI Insurance Company	\$100,000
David Fields	County Administrator	FCCI Insurance Company	\$100,000
Alisha McGehee	Chancery Clerk	FCCI Insurance Company	\$100,000
Debbie Brent	Purchase Clerk	CNA Surety	\$75,000
Janice Haley	Receiving Clerk	CNA Surety	\$75,000
Andre Jones	Assistant Receiving Clerk	CNA Surety	\$50,000
Lance James	Assistant Receiving Clerk	CNA Surety	\$50,000
Ricky Nations	Assistant Receiving Clerk	CNA Surety	\$50,000
Kathi Easley	Assistant Receiving Clerk	CNA Surety	\$50,000
Adam Tanksley	Assistant Receiving Clerk	CNA Surety	\$50,000
Amanda Warren	Assistant Receiving Clerk	CNA Surety	\$50,000
Annie Johnson	Assistant Receiving Clerk	CNA Surety	\$50,000
Quinn Jordan	Assistant Receiving Clerk	CNA Surety	\$50,000
Gerri Miller	Assistant Receiving Clerk	CNA Surety	\$50,000
Roger Ates	Assistant Receiving Clerk	CNA Surety	\$50,000
Larry Rice	Assistant Receiving Clerk	CNA Surety	\$50,000
James Edward May	Assistant Receiving Clerk	CNA Surety	\$50,000
Sarah Louise Walker	Assistant Receiving Clerk	CNA Surety	\$50,000
Kelly Smith	Inventory Control Clerk	CNA Surety	\$75,000
William Boyd	Constable	FCCI Insurance Company	\$50,000
Lawrence Porter	Constable	FCCI Insurance Company	\$50,000
Dustin Bairfield	Circuit Clerk	FCCI Insurance Company	\$100,000
Jackie Bates	Deputy Circuit Clerk	CNA Surety	\$50,000
Letitia Rice	Deputy Circuit Clerk	CNA Surety	\$50,000
Heather Britt	Deputy Circuit Clerk	CNA Surety	\$50,000
Sarah Walker	Deputy Circuit Clerk	CNA Surety	\$50,000
Peyton Rogers	Deputy Circuit Clerk	CNA Surety	\$50,000
Amber Nicole Calcote	Deputy Circuit Clerk	CNA Surety	\$50,000
Steven Rushing	Sheriff	FCCI Insurance Company	\$100,000
Robert Ian Smith	Justice Court Judge	FCCI Insurance Company	\$50,000
Roger Martin	Justice Court Judge	Western Surety Company	\$50,000
Sharon Lofton	Justice Court Clerk	CNA Surety	\$50,000
Venecia Lee	Deputy Justice Court Clerk	CNA Surety	\$50,000
Tiffani Jones	Deputy Justice Court Clerk	CNA Surety	\$50,000
Lyndsey Mayes	Deputy Justice Court Clerk	CNA Surety	\$50,000
Georgia Ann Reeves	Deputy Justice Court Clerk	CNA Surety	\$50,000
Blake Pickering	Tax Assessor-Collector	FCCI Insurance Company	\$100,000
Lance Remshure	Deputy Tax Assessor	CNA Surety	\$25,000

LINCOLN COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2021  
UNAUDITED

Name	Position	Company	Bond
Mason Smith	Deputy Tax Assessor	CNA Surety	\$25,000
Chasity Easley	Deputy Tax Assessor	CNA Surety	\$25,000
Renada Taylor	Deputy Tax Assessor	CNA Surety	\$25,000
Patty White	Deputy Tax Assessor	CNA Surety	\$25,000
Chris Smith	Deputy Tax Collector	CNA Surety	\$50,000
Alma Laird	Deputy Tax Collector	CNA Surety	\$50,000
Kayla Golmon	Deputy Tax Collector	CNA Surety	\$50,000
Lori Cantrell	Deputy Tax Collector	CNA Surety	\$50,000
Debra Black	Deputy Tax Collector	CNA Surety	\$50,000
Sarah Remshure	Deputy Tax Collector	CNA Surety	\$50,000
Christy Douglas	Deputy Tax Collector	CNA Surety	\$50,000
Kim Thompson	Deputy Tax Collector	CNA Surety	\$50,000
Tristen Hall	Deputy Tax Collector	CNA Surety	\$50,000



## LINCOLN COUNTY

## SPECIAL REPORTS

LINCOLN COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
SHAD WHITE  
AUDITOR**

**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, the major fund, and the aggregate remaining fund information of Lincoln County, Mississippi (the County), as of and for the year ended September 30, 2021, 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 5, 2023.

**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) as a basis for designing 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2021-001 and 2021-002 that we consider to be material weaknesses.

## **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 financial statements. 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 certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2021-001 and 2021-002.

We also noted certain matters, which we have 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 5, 2023, included within this document.

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

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

July 5, 2023



**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
SHAD WHITE  
AUDITOR**

**INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISSISSIPPI CODE OF 1972 ANNOTATED)**

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, Mississippi Code of 1972 Annotated* and compliance with the purchasing requirements in accordance with bid requirements of *Section 31-7-13, Mississippi Code of 1972 Annotated* during the year ended September 30, 2021. 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 certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

**Inventory Control Clerk.**

- |    |  |
|----|--|
| 1. | <u>The Inventory Control Clerk should ensure compliance with state laws over surety bonds.</u> |
|----|--|

<b>Repeat Finding</b>	Yes
-----------------------	-----

<b>Criteria</b>	<i>Section 31-7-124, Mississippi Code 1972 Annotated</i> , requires the Inventory Control Clerk to execute a bond in a penalty not less than \$75,000 to be payable, conditioned, and approved as provided by law. Furthermore, <i>Section 25-1-15(2), Mississippi Code of 1972 Annotated</i> , requires a new bond to be secured every four
-----------------	--

years concurrent with the normal election cycle of the County for all public employees required to give individual bond.

<b>Condition</b>	As reported in the prior year's compliance report, we noted that the Inventory Control Clerk was bonded for an indefinite time period under a blanket bond for \$75,000.
<b>Cause</b>	The County did not adhere to state law.
<b>Effect</b>	Failure to comply with the aforementioned state statutes, by being correctly and sufficiently bonded, could result in the loss of public funds.
<b>Recommendation</b>	The County should cancel the blanket bond and obtain individual bond for the Inventory Control Clerk for a period of time concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.
<b>Views of Responsible Official(s)</b>	All issues with bonds have been corrected.

#### **Purchase Clerk.**

2. Purchase Clerk should be bonded as required by state statute.

<b>Repeat Finding</b>	No
<b>Criteria</b>	<i>Section 31-7-124, Mississippi Code of 1972 Annotated</i> , requires each purchasing clerk to be bonded for an amount not less than \$100,000 with sufficient surety, to be payable, conditioned and approved as provided by law.
<b>Condition</b>	During test work, we noted that the purchase clerk was only bonded for \$75,000.
<b>Cause</b>	The County did not comply with state law.
<b>Effect</b>	Failure to comply with state law would limit the amount available for recovery if a loss occurred.
<b>Recommendation</b>	The County should ensure that the purchase clerk is bonded in accordance with state law.
<b>Views of Responsible Official(s)</b>	All issues with bonds have been corrected.

#### **Receiving Clerk and Assistant Receiving Clerks.**

3. The Receiving Clerk and Assistant Receiving Clerks should ensure compliance with state laws over surety bonds.

<b>Repeat Finding</b>	Yes
<b>Criteria</b>	<i>Section 31-7-124, Mississippi Code 1972 Annotated</i> , requires the Receiving Clerk to execute a bond in a penalty not less than \$75,000, and Assistant Receiving Clerks to execute a bond not less than \$50,000, to be payable, conditioned and approved as provided by law. Furthermore, <i>Section 25-1-15(2), Mississippi Code of 1972 Annotated</i> , requires a new bond to be secured every four years concurrent with the normal election cycle of the County for all public employees required to give individual bond.

<b>Condition</b>	As reported in the prior year's compliance report, the receiving clerk was bonded for an indefinite time period under blanket bond for \$75,000 and the assistant receiving clerks were bonded for an indefinite period of time under a blanket bond of \$50,000.
<b>Cause</b>	The County did not adhere to state law.
<b>Effect</b>	Failure to comply with the aforementioned state statutes, by being correctly and sufficiently bonded, could result in the loss of public funds.
<b>Recommendation</b>	The County should cancel the blanket bond and obtain individual bonds for the Receiving Clerk and Assistant Receiving Clerks for a period of time concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.
<b>Views of Responsible Official(s)</b>	All issues with bonds have been corrected.

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, 2021.

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, *Mississippi Code of 1972 Annotated*. 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 responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

July 5, 2023

LINCOLN COUNTY

Schedule of Purchases From Other Than the Lowest Bidder  
For the Year Ended September 30, 2021

Schedule 1

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



LINCOLN COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2021

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/23/2020	Bridge repair	\$ 112,398	Oddee Smith	Bridge washed out due to rain.
9/7/2021	Bridge repair	24,440	Oddee Smith	Bridge washed out due to rain.

## LINCOLN COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2021

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
10/28/2020	Election system and software	\$	27,338	Election Systems & Software, LLC



**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
SHAD WHITE  
AUDITOR**

**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, 2021, 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 5, 2023, 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, Mississippi Code of 1972 Annotated*, 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 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 make the appropriate privilege tax settlement payments to the County's School Districts.

**Repeat Finding** No

**Criteria** *Section 27-19-11, Mississippi Code of 1972 Annotated*, states that counties shall distribute proceeds from tax on carriers of property and on buses as they would if these collections were ad valorem taxes.

**Condition** The County did not settle all of the required portion of the additional privilege tax to the County's School Districts. During fiscal year 2021, the County receipted a total of \$345,581 in additional privilege taxes. However, the County did not settle a portion in the amount of \$24,966 in additional privilege taxes to the County's School District for 2021.

<b>Cause</b>	The County misinterpreted the law.
<b>Effect</b>	Failure to settle the additional privilege taxes to the County's School Districts is a violation of state law and could result in the misappropriation of public funds.
<b>Recommendation</b>	The County should settle the additional privilege taxes to the County's School Districts as if they were ad valorem taxes.
<b>Views of Responsible Official(s)</b>	Lincoln County will pay this additional amount to the County's School Districts. Going forward, I have adjusted the percentages that will be paid out for the additional privilege tax.
<b>2.</b>	<u>Drug buy money procedures lack necessary controls.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	An effective system of internal control over the use of petty cash funds for the purchase of drugs or evidence should include vouchers being prepared for funds being disbursed, and a journal documenting the receipts and expenses of the petty cash funds. Additionally, the Board of Supervisors should set a limit on the petty cash fund prior to the establishment of the petty cash fund.
<b>Condition</b>	During our test work, it was noted that the Board of Supervisors had not approved a formal agreement establishing the maximum amount allowed in the petty cash fund. It was also noted that the Board of Supervisors does not require the Sheriff's office to submit vouchers in order to be reimbursed. The Board of Supervisors currently approves the amount of petty cash requested without any needed justification.
<b>Cause</b>	The County did not follow state law.
<b>Effect</b>	Failure to prepare said vouchers, maintain a journal documenting the receipts and expenses of the petty cash, requiring said vouchers for reimbursement, and establishing a maximum amount held by the Sheriff's Office could result in the misappropriation of public funds.
<b>Recommendation</b>	The Board of Supervisors should require said vouchers be submitted before reimbursing the Sheriff's Office, and the Board should establish a maximum amount held by the Sheriff's Office.
<b>Views of Responsible Official(s)</b>	I will discuss this matter with the Sheriff, and we will begin approving a formal agreement authorizing the Sheriff's petty cash.
<b>3.</b>	<u>Interfund transfers were not approved by the Board of Supervisors.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	<i>Section 19-3-27, Mississippi Code of 1972 Annotated</i> , requires a complete and correct record be maintained for all proceedings of the Board of Supervisors.
<b>Condition</b>	Interfund transfers were made without board orders being spread on the Board of Supervisors' minutes.
<b>Cause</b>	The County did not comply with state law.

<b>Effect</b>	Failure to obtain board approval for interfund transfers could result in erroneous amounts reported and increases the possibility of the loss or misuse of public funds.
<b>Recommendation</b>	The Board of Supervisors should spread complete orders authorizing interfund transfers in their minutes.
<b>Views of Responsible Official(s)</b>	These transfers were budgeted for, but they were not approved individually with their stated purpose. Going forward, I will ensure that all transfers are approved and detailed in the Board of Supervisors' minutes.
<b>4.</b>	<u>The County should allocate interest earned to all applicable funds.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	<i>Section 19-9-29(c), Mississippi Code of 1972 Annotated</i> , states that any interest derived from special purpose funds which are outside the function of general county government shall be paid into that special purpose fund.
<b>Condition</b>	The County recorded all interest earned from the County's combined checking account in the General Fund instead of allocating the interest earnings into the relevant special revenue funds.
<b>Cause</b>	The County failed to adhere to state law.
<b>Effect</b>	Failure to allocate interest earnings amongst all funds in the County's combined checking account could result in funds being expended for purposes other than the intended purpose.
<b>Recommendation</b>	The Board of Supervisors should allocate the interest earned on the combined checking account amongst all funds that have cash in the checking accounts, as required by law.
<b>Views of Responsible Official(s)</b>	This error has been noted. I will immediately begin allocating interest deposits across all funds.
<b>Board of Supervisors and Deputy Circuit Clerks.</b>	
<b>5.</b>	<u>Deputy Circuit Clerks should ensure compliance with state laws over surety bonds.</u>
<b>Repeat Finding</b>	Yes
<b>Criteria</b>	<i>Section 9-7-123(2), Mississippi Code of 1972 Annotated</i> , requires that all Deputy Circuit Clerks be bonded for three percent (3%) of the prior year's taxes with a minimum of \$50,000 and a maximum of \$100,000. Additionally, <i>Section 25-1-15(2), Mississippi Code of 1972 Annotated</i> , requires a new bond to be secured every four years concurrent with the normal election cycle of the County for all public employees required to give individual bond.
<b>Condition</b>	As reported in prior year's compliance report, five (5) of the six (6) Deputy Circuit Clerks were bonded for an indefinite time period under a blanket bond for \$50,000. One Deputy Circuit Clerk was not bonded.
<b>Cause</b>	The County failed to adhere to state law.

<b>Effect</b>	Failure to comply with the aforementioned state statutes could result in the loss of public funds.
<b>Recommendation</b>	The County should cancel the blanket bond and obtain individual bonds for each Deputy Circuit Clerk. Additionally, the County should ensure that all Deputy Circuit Clerks are bonded in accordance with state law.
<b>Views of Responsible Official(s)</b>	This issue has been corrected.

**Board of Supervisors, Justice Court Clerk and Deputy Justice Court Clerks.**

<b>6.</b>	<u>The Justice Court Clerk and all Deputy Justice Court Clerks should ensure compliance with state laws over surety bonds.</u>
<b>Repeat Finding</b>	Yes
<b>Criteria</b>	<i>Section 9-11-29(2), Mississippi Code of 1972 Annotated</i> , requires the Justice Court Clerk and each Deputy Justice Court Clerk be bonded for a minimum of \$50,000. Furthermore, <i>Section 25-1-15(2), Mississippi Code of 1972 Annotated</i> , requires a new bond to be secured every four years concurrent with the normal election cycle of the County for all public employees required to give individual bond.
<b>Condition</b>	As reported in the prior year's compliance report, we noted that the Justice Court Clerk and Deputy Justice Court Clerks were bonded for an indefinite time period under a blanket bond for \$50,000.
<b>Cause</b>	The County failed to adhere to state law.
<b>Effect</b>	Failure to comply with the aforementioned state statutes, by being correctly and sufficiently bonded, could result in the loss of public funds.
<b>Recommendation</b>	The County should cancel the blanket bond and obtain individual bonds for the Justice Court Clerk and each Deputy Justice Court Clerk. Additionally, the County should ensure that the Justice Court Clerk and Deputy Justice Court Clerks are bonded in accordance with state law.
<b>Views of Responsible Official(s)</b>	All issues with bonds have been corrected.

**Board of Supervisors and Deputy Tax Assessors.**

<b>7.</b>	<u>Deputy Tax Assessors should ensure compliance with state laws over surety bonds.</u>
<b>Repeat Finding</b>	Yes
<b>Criteria</b>	<i>Section 27-1-3, Mississippi Code of 1972 Annotated</i> , requires that each Deputy Tax Assessor shall give bond in an amount not less than \$10,000 for the faithful discharge of his duties. Furthermore, <i>Section 25-1-15(2), Mississippi Code of 1972 Annotated</i> , requires a new bond to be secured every four years concurrent with the normal election cycle of the County for all public employees required to give individual bond.
<b>Condition</b>	As reported in the prior year's compliance report, we noted that the Deputy Tax Assessor are bonded for an indefinite time period under a blanket bond for \$25,000.

<b>Cause</b>	The County failed to adhere to state law.
<b>Effect</b>	Failure to comply with the aforementioned state statutes, by being correctly and sufficiently bonded, could result in the loss of public funds.
<b>Recommendation</b>	The County should cancel the blanket bond and obtain individual bonds for each Deputy Tax Assessor. Additionally, the County should ensure that all the Deputy Tax Assessors are bonded in accordance with state law.
<b>Views of Responsible Official(s)</b>	All issues with bonds have been corrected.

#### **Board of Supervisors and Deputy Tax Collectors.**

8. Deputy Tax Collectors should ensure compliance with state laws over surety bonds.

**Repeat Finding** Yes

**Criteria** *Section 27-1-9(a), Mississippi Code of 1972 Annotated, requires each Deputy Tax Collector to be bonded for an amount not less than \$50,000. Furthermore, Section 25-1-15(2), Mississippi Code of 1972 Annotated, requires a new bond every four years concurrent with the normal election cycle of the County for all public employees required to give individual bond.*

**Condition** As reported in the prior year's compliance report, we noted seven (7) of the nine (9) Deputy Tax Collectors are bonded for an indefinite time period under a blanket bond for \$50,000. Two (2) of the Deputy Tax Collectors are not bonded.

**Cause** The County failed to adhere to state law.

**Effect** Failure to comply with the aforementioned state statutes, by being correctly and sufficiently bonded, could result in the loss of public funds.

**Recommendation** The County should cancel the blanket bond and obtain individual bonds for each Deputy Tax Collector. Additionally, the County should ensure that all Deputy Tax Collectors are bonded in accordance with state law.

**Views of Responsible Official(s)** All issues with bonds have been corrected.

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, 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.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

July 5, 2023

LINCOLN COUNTY

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LINCOLN COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

LINCOLN COUNTY

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LINCOLN COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2021

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 weaknesses identified?                              | Yes           |
| b. | Significant deficiency identified?                           | None Reported |
| 3. | Noncompliance material to the financial statements noted?    | Yes           |

Section 2: Financial Statement Findings

**Board of Supervisors.**

**Material Weakness  
Material Noncompliance**

**2021-001.** The County did not budget or account for emergency bridge repair funds in the central books of the county.

**Repeat Finding** Yes

**Criteria** *Section 19-11-7, Mississippi Code of 1972 Annotated*, requires the Board of Supervisors to prepare and submit at its August meeting of each year a complete budget of revenues, expenses, and a working cash balance estimated for the next fiscal year for each fund. Additionally, internal controls require all funds be accounted for in the county's central books.

**Condition** As reported in the prior year's audit report, the original budget for fiscal year 2021 did not include a budget for revenues, expenses, and a working cash balance for five bank accounts used by the county in association with the emergency bridge repair funds. Additionally, said accounts were not accounted for in the county's central books.

**Cause** The County failed to account for all funds in its fiscal year 2021 original budget and central books.

**Effect** Failure of the Board of Supervisors to prepare and submit a complete budget of revenues, expenses, and a working cash balance for all funds, as required by law could result in the misappropriation of public funds. Additionally, the lack of accounting records for bank accounts owned by the county could result in the loss or misappropriation of taxpayer money.

**Recommendation** The Board of Supervisors should prepare and submit each year a complete budget of revenues, expenses, and a working cash balance for all funds as required by law. Additionally, all bank accounts owned by the Board of Supervisors should be accounted for in the county's central books.

LINCOLN COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2021

**Views of Responsible  
Official(s)**

These five capital project bank accounts were all closed as of December 2022. I will ensure that all future capital project accounts are added to the county's central books.

**Material Weakness  
Material Noncompliance**

**2021-002.**

Controls over repayment of interfund advances should be strengthened.

**Repeat Finding**

Yes

**Criteria**

The Mississippi code is silent regarding the authority of the County to make interfund loans.

**Condition**

As reported in the prior year's audit report, the County has interfund loans outstanding that are over a year old. These interfund loans totaled \$1,109,656 as of September 30, 2021. These advances include a loan to make a debt service payment.

**Cause**

The County lacked controls requiring repayment of loans.

**Effect**

Failure to repay these loans constitutes a diversion of legally restricted funds.

**Recommendation**

For any interfund loans made, the Board of Supervisors should approve and record in the board minutes the reason for the loan, when the loan will be repaid and the source of the funds for repayment. The Board of Supervisors should ensure these old loans are repaid by approving and recording in the minutes a repayment schedule and complying with the repayment schedule.

**Views of Responsible  
Official(s)**

The majority of these interfund transactions were intended to be transfers and not loans. I will ensure that the board takes action to correct these and not conduct these types of transfers without proper approval in the future.