

LINCOLN COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2022



SHAD WHITE

STATE AUDITOR

Jeff Goodwin, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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

Shad White
AUDITOR

July 17, 2024

Members of the Board of Supervisors
Lincoln County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2022 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", enclosed within a large, loopy oval shape.

Shad White

LINCOLN COUNTY
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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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln County, Mississippi (the County), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln County, Mississippi, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood, that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Surety Bonds for County Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2024 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

July 17, 2024

LINCOLN COUNTY

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LINCOLN COUNTY

FINANCIAL STATEMENTS

LINCOLN COUNTY

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LINCOLN COUNTY
Statement of Net Position
September 30, 2022

Exhibit 1

	Primary Government
	Governmental Activities
ASSETS	
Cash	\$ 21,198,436
Property tax receivable	15,064,284
Accounts receivable (net of allowance for uncollectibles of \$1,452,757)	1,188,620
Fines receivable (net of allowance for uncollectibles of \$10,680,690)	2,372,394
Lease receivable	671,686
Intergovernmental receivables	850,048
Other receivables	14,509
Capital assets:	
Land and construction in progress	3,144,848
Other capital assets, net	83,042,631
Total Assets	127,547,456
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow s related to pensions	2,072,495
Total Deferred Outflow s of Resources	2,072,495
LIABILITIES	
Claims payable	901,516
Intergovernmental payables	954,828
Accrued interest payable	78,438
Unearned revenue	6,633,820
Amounts held in custody for others	269,067
Long-term liabilities	
Due within one year:	
Leases payable	22,735
Capital debt	1,098,150
Non-capital debt	31,799
Due in more than one year:	
Leases payable	23,871
Capital debt	8,606,621
Non-capital debt	210,241
Net pension liability	17,195,572
Total Liabilities	36,026,658
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow s related to pensions	74,972
Deferred inflow s related to leases	612,788
Deferred revenues - property taxes	15,064,284
Total Deferred Inflow s of Resources	15,752,044
NET POSITION	
Net investment in capital assets	76,436,102
Restricted for:	
Expendable:	
General government	2,084,275
Public safety	344,760
Public works	9,129,163
Culture and recreation	129,025
Economic development and assistance	144,406
Unemployment compensation	192,151
Debt service	156,144
Unrestricted	(10,774,777)
Total Net Position	\$ 77,841,249

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

LINCOLN COUNTY
Statement of Activities
For the Year Ended September 30, 2022

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	\$ 4,156,439	1,717,851	1,016,386			(1,422,202)
Public safety	5,237,436	487,575	77,553	300,163		(4,372,145)
Public works	9,123,751	1,826,983	807,949	3,811,274		(2,677,545)
Health and welfare	180,896		23,971			(156,925)
Culture and recreation	1,103,804	12,173				(1,091,631)
Conservation of natural resources	59,169					(59,169)
Economic development and assistance	244,310					(244,310)
Interest on long-term debt	329,338					(329,338)
Pension expense	1,457,792					(1,457,792)
Total Governmental Activities	\$ 21,892,935	4,044,582	1,925,859	4,111,437		(11,811,057)
General revenues:						
Property taxes					\$	13,921,253
Road & bridge privilege taxes						474,778
Grants and contributions not restricted to specific programs						1,853,906
Unrestricted interest income						238,864
Miscellaneous						808,264
Total General Revenues						17,297,065
Changes in Net Position						5,486,008
Net Position - Beginning						72,310,821
Prior period adjustments						44,420
Net Position - Beginning, as restated						72,355,241
Net Position - Ending					\$	77,841,249

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

LINCOLN COUNTY
Balance Sheet - Governmental Funds
September 30, 2022

Exhibit 3

	Major Funds		Other	Total
	General	Covid Recovery	Governmental	Governmental
	Fund	Fund	Funds	Funds
ASSETS				
Cash	\$ 4,339,590	6,644,897	10,213,949	21,198,436
Property tax receivable	8,814,291		6,249,993	15,064,284
Accounts receivable (net of allowance for uncollectibles of \$1,452,757)			1,188,620	1,188,620
Fines receivable (net of allowance for uncollectibles of \$10,680,690)	2,372,394			2,372,394
Lease receivable			671,686	671,686
Intergovernmental receivables	455,387		394,661	850,048
Other receivables	10,180		4,329	14,509
Due from other funds			363,546	363,546
Advances to other funds	270,077		839,579	1,109,656
Total Assets	\$ 16,261,919	6,644,897	19,926,363	42,833,179
LIABILITIES				
Liabilities:				
Claims payable	\$ 133,468		768,048	901,516
Intergovernmental payables	1,198,699			1,198,699
Due to other funds	363,546			363,546
Advances from other funds	10,599		855,186	865,785
Unearned revenue		6,633,820		6,633,820
Amounts held in custody for others	269,067			269,067
Total Liabilities	1,975,379	6,633,820	1,623,234	10,232,433
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	8,814,291		6,249,993	15,064,284
Unavailable revenue - solid waste user fees			1,188,620	1,188,620
Unavailable revenue - fines	2,372,394			2,372,394
Leases			612,788	612,788
Total Deferred Inflows of Resources	11,186,685	0	8,051,401	19,238,086
Fund balances:				
Nonspendable:				
Advances	270,077			270,077
Restricted for:				
General government			2,084,275	2,084,275
Public safety			344,760	344,760
Public works		11,077	7,929,466	7,940,543
Culture and recreation			129,025	129,025
Economic development and assistance			144,406	144,406
Unemployment compensation			192,151	192,151
Debt service			234,582	234,582
Unassigned	2,829,778		(806,937)	2,022,841
Total Fund Balances	3,099,855	11,077	10,251,728	13,362,660
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 16,261,919	6,644,897	19,926,363	42,833,179

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

LINCOLN COUNTY

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2022Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 13,362,660
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 \$143,609,361.	86,187,479
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,561,014
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(9,993,417)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(17,195,572)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(78,438)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	2,072,495
Deferred inflows of resources related to pensions	<u>(74,972)</u>
Total Net Position - Governmental Activities	\$ <u><u>77,841,249</u></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, 2022

	Major Funds		Other	Total
	General	Covid Recovery	Governmental	Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 8,545,463		5,375,790	13,921,253
Road and bridge privilege taxes			474,778	474,778
Licenses, commissions and other revenue	724,196		12,173	736,369
Fines and forfeitures	682,462			682,462
Intergovernmental revenues	1,776,501		6,114,701	7,891,202
Charges for services	267,395		2,090,311	2,357,706
Interest income	196,471	8,903	33,490	238,864
Miscellaneous revenues	203,733		604,531	808,264
Total Revenues	12,396,221	8,903	14,705,774	27,110,898
EXPENDITURES				
Current:				
General government	5,794,923		569,063	6,363,986
Public safety	4,298,564		1,522,876	5,821,440
Public works			11,313,915	11,313,915
Health and welfare	180,896			180,896
Culture and recreation			1,116,583	1,116,583
Conservation of natural resources	94,399			94,399
Economic development and assistance	244,310			244,310
Debt service:				
Principal	119,085		1,057,408	1,176,493
Interest	20,433		284,593	305,026
Total Expenditures	10,752,610	0	15,864,438	26,617,048
Excess of Revenues over (under) Expenditures	1,643,611	8,903	(1,158,664)	493,850
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			148,169	148,169
Leases issued	24,926			24,926
Proceeds from sale of capital assets	31,500		19,806	51,306
Compensation for loss of capital assets	18,088			18,088
Transfers in			2,935,552	2,935,552
Transfers out	(1,554,237)		(1,381,315)	(2,935,552)
Total Other Financing Sources and Uses	(1,479,723)	0	1,722,212	242,489
Net Changes in Fund Balances	163,888	8,903	563,548	736,339
Fund Balances - Beginning	2,935,967	2,174	9,639,414	12,577,555
Prior period adjustments			48,766	48,766
Fund Balances - Beginning, as restated	2,935,967	2,174	9,688,180	12,626,321
Fund Balances - Ending	\$ 3,099,855	11,077	10,251,728	13,362,660

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, 2022

	Amount
Net Changes in Fund Balances - Governmental Funds	\$ 736,339
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 \$6,400,881 exceeded depreciation of \$2,326,057 in the current period.	4,074,824
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 \$57,891 and the proceeds from the sale of \$51,306 and the compensation for loss of \$18,088 in the current period.	(127,285)
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.	177,003
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.	91,042
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 \$1,176,493 exceeded debt proceeds of \$173,095.	1,003,398
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	(11,498)
The amount of increase in accrued interest payable	(22,512)
The amortization of bond premium	(1,799)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,457,792)
Recording of contributions made during the year	1,024,288
Change in Net Position of Governmental Activities	\$ 5,486,008

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

LINCOLN COUNTY
Statement of Fiduciary Net Position
September 30, 2022

Exhibit 5

	<u>Custodial Funds</u>
ASSETS	
Cash	\$ 576,344
Total Assets	<u>576,344</u>
LIABILITIES	
Advances from other funds	243,871
Total Liabilities	<u>243,871</u>
NET POSITION	
Restricted for:	
Individuals, organizations and other governments	(51,415)
Total Net Position	<u>\$ 332,473</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, 2022

Exhibit 6

	<u>Custodial Funds</u>
ADDITIONS	
Tax collections for other governments	\$ 996,728
Licenses and fees collected for State	662,459
Total Additions	<u>1,659,187</u>
DEDUCTIONS	
Payments of tax to other governments	762,989
Payments of licenses and fees to State	643,088
Total Deductions	<u>1,406,077</u>
Net increase (decrease) in fiduciary net position	253,110
Net Position - Beginning	<u>79,363</u>
Net Position - Ending	<u>\$ 332,473</u>

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

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

(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.

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

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

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.

Covid Recovery Fund - This fund is used to account for monies from the American Rescue Plan Act of 2021 (ARPA) that are considered restricted in nature.

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 Financial Statements For the Year Ended September 30, 2022

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 Financial Statements For the Year Ended September 30, 2022

	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
Intangible assets	**	**

** Intangible assets for the County represent right-to-use leased assets and are capitalized as a group for reporting purposes. The estimated useful life is the term of the lease agreement. There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

The term “depreciation” includes the amortization of intangible assets.

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 10 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 10 for additional details.

Deferred inflows related to leases/leases – Deferred inflows of resources measured at the initial value of the lease receivable to reflect that the receivable relates to future periods.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

J. Leases.

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87), to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

The County uses the federal prime borrowing rate in effect at the date of the lease inception to calculate the present value of lease payments when the rate implicit in the lease is not known.

K. Long-term Liabilities.

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

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

In the fund financial statements, the face amount of the 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.

L. 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.

M. 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.

N. Equity Classifications.

Government-wide Financial Statements:

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

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

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

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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.

O. Property Tax Revenues:

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

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

P. 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.

Q. Changes in Accounting Standards.

GASB 87, *Leases*, was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

(2) Prior Period Adjustments.

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

Exhibit 2 – Statement of Activities – Governmental Activities.

Explanation	Amount
To record beginning balances for leases payable due to the implementation of GASB 87:	
Assets	\$ 39,877
Liabilities	(44,223)
To record beginning balances for lease receivable and deferred inflow related to leases due to the implementation of GASB 87.	48,766
Total prior period adjustments	\$ 44,420

LINCOLN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2022

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

Explanation	Amount
Other Governmental Funds:	
To record beginning balances for lease receivable and deferred inflow for leases due to the implementation of GASB 87.	\$ <u>48,766</u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2022, was \$21,774,780, and the bank balance was \$21,734,245. 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.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2022:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	\$ <u>363,546</u>

The receivables represent the tax revenue collected in September 2022, but not settled until October 2022. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
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	16,828
Total		\$ <u>1,109,656</u>

LINCOLN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2022

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	\$ 1,554,237
Other Governmental Funds	Other Governmental Funds	1,381,315
Total		<u>\$ 2,935,552</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.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2022, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 394,238
Reimbursement for housing prisoners	44,780
CDBG AITX rail spur reimbursement	41,562
State aid road reimbursement	352,598
Various other grant reimbursements	16,870
Total Governmental Activities	<u>\$ 850,048</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2022:

Governmental activities:

	Balance Oct. 1, 2021	Additions	Deletions	Adjustments*	Balance Sept. 30, 2022
Non-depreciable capital assets:					
Land	\$ 728,088		93,041		635,047
Construction in progress	4,542,133	1,750,513		(3,782,845)	2,509,801
Total non-depreciable capital assets	<u>5,270,221</u>	<u>1,750,513</u>	<u>93,041</u>	<u>(3,782,845)</u>	<u>3,144,848</u>
Depreciable capital assets:					
Infrastructure	190,284,910	3,167,724		3,782,845	197,235,479
Buildings	15,487,203				15,487,203
Improvements other than buildings	1,274,401				1,274,401
Mobile equipment	7,956,195	998,695	332,772	2,113,017	10,735,135
Furniture and equipment	1,387,387	459,023	30,211		1,816,199
Leased property under capital leases	2,113,017			(2,113,017)	0
Intangible right-to-use-equipment		24,926		78,649	103,575
Total depreciable capital assets	<u>218,503,113</u>	<u>4,650,368</u>	<u>362,983</u>	<u>3,861,494</u>	<u>226,651,992</u>

LINCOLN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2022

Governmental activities:

	Balance Oct. 1, 2021	Additions	Deletions	Adjustments*	Balance Sept. 30, 2022
<u>Less accumulated depreciation for:</u>					
Infrastructure	123,641,994	1,310,602			124,952,596
Buildings	8,730,084	159,697			8,889,781
Improvements other than buildings	620,702	48,251			668,953
Mobile equipment	6,602,286	601,702	299,496	844,367	7,748,859
Furniture and equipment	1,133,838	184,556	29,243		1,289,151
Leased property under capital leases	844,367			(844,367)	0
Intangible right-to-use equipment		21,249		38,772	60,021
	<u>141,573,271</u>	<u>2,326,057</u>	<u>328,739</u>	<u>38,772</u>	<u>143,609,361</u>
Total accumulated depreciation					
	<u>141,573,271</u>	<u>2,326,057</u>	<u>328,739</u>	<u>38,772</u>	<u>143,609,361</u>
Total depreciable capital assets, net	<u>76,929,842</u>	<u>2,324,311</u>	<u>34,244</u>	<u>3,822,722</u>	<u>83,042,631</u>
Governmental activities capital assets, net	<u>\$ 82,200,063</u>	<u>4,074,824</u>	<u>127,285</u>	<u>39,877</u>	<u>86,187,479</u>
Total capital assets, net, excluding intangible right-to-use assets			\$	86,143,925	
Intangible right-to-use assets, net				<u>43,554</u>	
Total capital assets, net, as reported in the statement of net position			\$	<u>86,187,479</u>	

*The adjustments above for leased assets are a result of the implementation of GASB 87. Under the new guidance, leases that were previously reported as capital leases and whereby the asset conveys ownership to the lessee at the conclusion of the lease, are now considered financed purchases. Since these assets are no longer considered leased assets, reclassifications have been made to report them in their respective category. Other adjustments represent certain routine reclassifications of completed construction in progress.

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 1,621,065
Public safety	337,493
Public works	352,577
Culture and recreation	<u>14,922</u>
Total governmental activities depreciation expense	<u>\$ 2,326,057</u>

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

Commitments with respect to unfinished capital projects at September 30, 2022, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Brignall Road - LSBP 43(50)	\$ 265,952	January 31, 2024
Pleasant Ridge Road - LSBP 43(51)	524,087	January 31, 2024
Mount Olive Road - SPT / BR 43(31)	6,126	June 30, 2024
Auburn Road - ERBR	882,963	December 31, 2024
Old Highway 51 - ERBR	3,057,062	December 31, 2024

(7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2022, to January 1, 2023. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Leases.

As Lessee:

The County is a lessee for various non-cancellable leases of equipment. For leases that have a maximum possible term of 12 months or less at commencement, the County recognizes expense based on the provisions of the lease contract. For all other leases, other than short-term, the County recognized a lease and an intangible right-to-use lease asset.

At lease commencement, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in depreciation expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The County generally uses the federal prime borrowing rate in effect at the date of the lease inception as the discount rate for leases unless the rate that the lessor charges is known.

The lease term includes the non-cancellable period of the lease plus any additional periods covered by either a county or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the County and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

LINCOLN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2022

Lease Assets

	Balance 10/1/2021	Additions	Amortization	Adjustments*	Balance 9/30/2022
Intangible right-to-use equipment	\$ 0	24,926	21,249	39,877	43,554

*Adjustments made to add intangible right-to-use equipment due to the implementation of GASB 87.

See Note 6 for further details regarding intangible right-to-use assets, which represents leased assets.

Lease Liabilities

	Balance 10/1/2021	Additions	Principal Payments	Adjustments*	Balance 9/30/2022
Copier leases (11)	\$ 0	24,926	22,543	44,223	46,606

*Adjustments made to add lease liability due to implementation of GASB 87.

Lincoln County entered into various lease agreements with RJ Young for the lease of eleven copiers. The leases stipulated that the lessee would pay approximately \$26,964 per year in lease payments commencing for terms of four to five years.

Description	Discount Rate	Term	Issue Date	Maturity Date	Monthly Payment	Amount Outstanding
Copier lease	3.25%	48 mos	02/2022	01/2026	\$ 97	\$ 3,671
Copier lease	3.25%	48 mos	02/2022	01/2026	106	4,013
Copier lease	5.25%	60 mos	11/2018	10/2023	110	1,388
Copier lease	4.75%	48 mos	12/2019	11/2023	145	1,971
Copier lease	3.25%	48 mos	05/2020	04/2024	335	6,196
Copier lease	3.25%	48 mos	03/2022	02/2026	350	13,566
Copier lease	5.50%	48 mos	02/2019	01/2023	140	554
Copier lease	3.25%	48 mos	07/2021	06/2025	225	7,094
Copier lease	4.75%	48 mos	01/2020	12/2023	454	6,599
Copier lease	4.75%	60 mos	05/2018	04/2023	145	999
Copier lease	4.50%	60 mos	02/2018	01/2023	140	555
					\$	46,606

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

The following is a schedule by years of the total payments due as of September 30, 2022:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 22,735	1,264
2024	12,892	551
2025	8,437	224
2026	<u>2,542</u>	<u>20</u>
Total	<u>\$ 46,606</u>	<u>2,059</u>

As Lessor:

On January 16, 2018, Lincoln County entered into a lease agreement with the Mississippi Department of Rehabilitation Services for the lease of a building owned by the County for the purpose of conducting the business activities of the Mississippi Department of Rehabilitation Services. The lease stipulated that the lessee would pay approximately \$6,781 per month in lease payments commencing April 1, 2018 for a term of fifteen years. The County is to receive \$81,367 in rent annually with an implicit interest rate of 4.75%.

Remaining amounts to be received associated with this lease are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 50,553	30,814
2024	53,007	28,360
2025	55,581	25,786
2026	58,279	23,088
2027	61,109	20,258
2028 - 2032	353,030	53,805
2033 - 2037	<u>40,127</u>	<u>557</u>
Total	<u>\$ 671,686</u>	<u>182,668</u>

LINCOLN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2022

(9) Long-term Debt.

Debt outstanding as of September 30, 2022, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Refunding industrial park I	\$ 380,000	2.75-4.00%	06/2025
District 2 gravel pit	75,000	2.60%	12/2024
Refunding industrial park II	725,000	2.00%	12/2026
Road bonds	387,500	2.50-2.60%	06/2027
Building bonds - Ability Works	520,000	3.00%	06/2032
Public improvement	1,875,000	2.90%	11/2034
County buildings improvements	571,000	2.75%	10/2027
Road and bridge repairs	4,330,000	3.00-3.50%	02/2038
Total General Obligation Bonds	\$ 8,863,500		
B. Financed Purchases:			
Mack dump truck	\$ 27,779	2.57%	08/2023
New Holland tractor and Tiger side mower	7,355	3.23%	01/2023
District 1 Ram truck	9,738	2.53%	12/2023
Freightliner dump truck	45,871	2.55%	02/2025
John Deere cab tractor	27,833	2.53%	12/2024
District 4 Ram truck	10,943	2.53%	11/2023
John Deere backhoe	60,363	1.49%	08/2025
IMB power server	14,823	2.53%	12/2023
RAM 5500 truck	36,089	1.49%	09/2025
Fire department Ford chassis	76,649	2.27%	09/2026
Fire department Freightliner chassis	70,660	2.27%	09/2026
Heucks Retreat - Fire truck	188,045	1.75%	10/2030
Broce broom	40,829	1.36%	09/2025
John Deere tractor and mower	91,809	1.36%	07/2025
District 5 John Deere tractor	56,165	2.99%	09/2025
District 1 John Deere tractor and mower	81,724	2.99%	09/2025
Total Financed Purchases	\$ 846,675		
C. Other Loans:			
VFD radios	\$ 31,799	3.23%	03/2023

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Financed Purchases	
	Principal	Interest	Principal	Interest
2023	\$ 822,500	282,729	\$ 275,650	15,567
2024	834,500	258,743	222,504	10,195
2025	874,500	233,523	181,849	5,722
2026	724,500	206,945	58,589	3,115
2027	739,500	186,060	20,873	1,891
2028 - 2032	2,408,000	666,810	87,210	3,848
2033 - 2037	2,105,000	256,765		
2038 - 2042	355,000	7,100		
Total	<u>\$ 8,863,500</u>	<u>2,098,675</u>	<u>\$ 846,675</u>	<u>40,338</u>

Year Ending September 30	Other Loans	
	Principal	Interest
2023	<u>\$ 31,799</u>	<u>514</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased 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, 2022, the amount of outstanding debt was equal to 2.38% percent of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2022, \$380,000 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, 2022:

	Balance Oct. 1, 2021	Additions	Reductions	Adjustments*	Balance Sept. 30, 2022	Amount due w ithin one year
Governmental Activities:						
Compensated absences	\$ 198,743	11,498			210,241	
General obligation bonds	9,663,000		799,500		8,863,500	822,500
Less:						
Discounts	(7,203)		(1,799)		(5,404)	
Financed purchases		148,169	292,360	990,866	846,675	275,650
Capital Leases	990,866			(990,866)		
Leases payable		24,926	22,543	44,223	46,606	22,735
Other loans	93,889		62,090		31,799	31,799
Total	<u>\$ 10,939,295</u>	<u>184,593</u>	<u>1,174,694</u>	<u>44,223</u>	<u>9,993,417</u>	<u>1,152,684</u>

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

*Adjustments above for leased liabilities are the result of the implementation of GASB 87. Under the new guidance, leases that were previously reported as capital leases and whereby the asset conveys to the lessee at the conclusion of the lease, are now considered financed purchases.

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.

(10) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Lincoln County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by *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 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, 2022, 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, 2022 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, 2022, 2021 and 2020 were \$1,024,288, \$964,916 and \$961,605, respectively, equal to the required contributions for each year.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

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

At September 30, 2022, the County reported a liability of \$17,195,572 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022 net pension liability was 0.083540 percent, which was based on a measurement date of June 30, 2022. This was a decrease of 0.000047 percent from its proportionate share used to calculate the September 30, 2021 net pension liability, which was based on a measurement date of June 30, 2021.

For the year ended September 30, 2022, the County recognized pension expense of \$1,457,792. At September 30, 2022, 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	\$ 243,186	
Net difference between projected and actual earnings on pension plan investments	897,944	
Changes of assumptions	595,062	
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	76,721	74,972
County contributions subsequent to the measurement date	259,582	
Total	\$ 2,072,495	74,972

\$259,582 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30	Amount
2023	\$ 517,356
2024	430,226
2025	(142,718)
2026	933,077
Total	\$ 1,737,941

Actuarial Assumptions. The total pension liability as of June 30, 2022 was determined by an actuarial valuation prepared as of June 30, 2021, and by the investment experience for the fiscal year ending June 30, 2022. 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

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	25.00 %	4.60 %
International Equity	20.00	4.50
Global Equity	12.00	4.85
Fixed Income	18.00	1.40
Real Estate	10.00	3.65
Private Equity	10.00	6.00
Private Infrastructure	2.00	4.00
Private Credit	2.00	4.00
Cash Equivalents	1.00	(0.10)
Total	100.00 %	

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:

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
County's proportionate share of the net pension liability	\$ 22,441,978	17,195,572	12,870,177

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

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances or net position at September 30, 2022:

Fund	Deficit Amount
Emergency 911 Fund	\$ (360,287)
BP Oil Fund	(446,650)

(12) Contingencies.

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

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

(13) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of \$(10,774,777) 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 \$259,582 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, 2023. The \$1,812,913 balance of the deferred outflows of resources related to pensions at September 30, 2022, will be recognized in pension expense over the next four years. The \$74,972 balance of the deferred inflows of resources related to pensions at September 30, 2022, will be recognized in pension expense over the next three years.

The governmental activities' unrestricted net position amount of \$(10,774,777) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from leases. The \$612,788 balance of deferred inflows of resources at September 30, 2022, will be recognized as revenue and will increase the unrestricted net position over the next 11 years.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

(14) Joint Venture.

The County participates in the following joint venture:

The Lincoln-Lawrence-Franklin Regional Library operates in a district composed of the Counties of Lincoln, Lawrence, and Franklin. The Lincoln County Board of Supervisors appoints five of the 15 member board. The County appropriated \$282,288 in the support of the district in fiscal year 2022.

(15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The governing body is a 40 member board of directors, with four appointed by the Lincoln County Board of Supervisors. The County appropriated \$67,779 for the support of the district in fiscal year 2022.

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 2022.

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 \$1,548,797 for the maintenance and support of the college in fiscal year 2022.

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 2022.

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 2022.

(16) Tax Abatements.

As of September 30, 2022, Lincoln County provided tax exempt status to two 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 *Section 27-31-101 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 2022 totaled \$599,711.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2022

(17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the Statement of Net Position date, require disclosure in the accompanying notes. Management of Lincoln County evaluated the activity of the County through July 17, 2024, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2022, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/10/2022	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
09/27/2023	5.61%	146,882	Financed purchase	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, 2022
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 8,612,179	8,595,303	8,595,303	
Licenses, commissions and other revenue	650,500	726,338	726,338	
Fines and forfeitures	475,000	599,989	599,989	
Intergovernmental revenues	780,500	1,756,972	1,756,972	
Charges for services	200,000	244,745	244,745	
Interest income	30,000	192,493	192,493	
Miscellaneous revenues	41,000	216,357	216,277	(80)
Total Revenues	<u>10,789,179</u>	<u>12,332,197</u>	<u>12,332,117</u>	<u>(80)</u>
EXPENDITURES				
Current:				
General government	6,137,857	6,555,707	6,555,663	44
Public safety	3,822,356	4,274,532	4,274,532	
Health and welfare	153,160	143,419	143,419	
Conservation of natural resources	110,835	97,450	97,450	
Economic development and assistance	268,900	249,333	249,333	
Debt service:				
Principal		96,542	96,542	
Interest		18,574	18,574	
Total Expenditures	<u>10,493,108</u>	<u>11,435,557</u>	<u>11,435,513</u>	<u>44</u>
Excess of Revenues over (under) Expenditures	<u>296,071</u>	<u>896,640</u>	<u>896,604</u>	<u>(36)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		39,055	39,055	
Compensation for loss of capital assets		21,471	21,471	
Transfers out		(938,559)	(938,559)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(878,033)</u>	<u>(878,033)</u>	<u>0</u>
Net Change in Fund Balance	296,071	18,607	18,571	(36)
Fund Balances - Beginning	<u>500,000</u>	<u>1,884,862</u>	<u>1,866,336</u>	<u>(18,526)</u>
Fund Balances - Ending	<u>\$ 796,071</u>	<u>1,903,469</u>	<u>1,884,907</u>	<u>(18,562)</u>

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

LINCOLN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Covid Recovery Fund
 For the Year Ended September 30, 2022
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$	3,316,910	3,316,910	
Interest income		8,903	8,903	
Total Revenues	<u>0</u>	<u>3,325,813</u>	<u>3,325,813</u>	<u>0</u>
EXPENDITURES				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>3,325,813</u>	<u>3,325,813</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	3,325,813	3,325,813	0
Fund Balances - Beginning		6,644,897	3,319,084	(3,325,813)
Fund Balances - Ending	<u>\$ 0</u>	<u>9,970,710</u>	<u>6,644,897</u>	<u>(3,325,813)</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, 2022
UNAUDITED

	<u>2022</u>	<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)	0.083540%	0.083587%	0.082714%	0.084602%	0.085392%	0.080940%	0.083156%	0.081876%
County's proportionate share of the net pension liability (asset)	\$ 17,195,572	12,354,524	16,012,469	14,883,161	14,203,227	13,454,975	14,853,738	12,656,415
Covered payroll	\$ 5,751,163	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	298.99%	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	59.93%	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, 2022
UNAUDITED

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,024,288	964,916	961,605	886,830	867,014	817,260	839,504	818,666
Contributions in relation to the contractually required contribution	<u>1,024,288</u>	<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>	<u>0</u>
Covered payroll	\$ 5,886,713	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%	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

Notes to the Required Supplementary Information For the Year Ended September 30, 2022 UNAUDITED

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 and the major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplementary information.

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Covid Recovery Fund
Budget (Cash Basis)	\$ 18,571	3,325,813
Increase (Decrease)		
Net adjustments for revenue accruals	78,092	(3,316,910)
Net adjustments for expenditure accruals	67,225	
GAAP Basis	\$ 163,888	8,903

LINCOLN COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2022 UNAUDITED

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.

LINCOLN COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2022 UNAUDITED

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

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

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

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 COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2022
UNAUDITED

C. 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, 2020 valuation for the June 30, 2022 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	27.7 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, 2022
Operating Expenditures, Cash Basis:

Salaries	\$	182,411
Expendable Commodities:		
Gasoline and petroleum products		7,981
Repair parts		1,325
Office, field and shop supplies		5,493
Tires		1,116
Maintenance		457
Solid waste disposal fee		1,445,190
Professional fees, legal advertising and other fees		137
Rent on other equipment		11,673
Postage and box rent		<u>11,353</u>
Solid Waste Cash Basis Operating Expenditures		1,667,136
Full Cost Expenses:		
Indirect administrative costs		106,385
Depreciation on equipment		7,762
Interest on solid waste debt		<u>632</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>1,781,915</u></u>

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, 2022
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
Doug Falvey	Supervisor District 5	FCCI Insurance Company	\$100,000
Daniel Calcote	County Administrator	Western Surety Company	\$100,000
Alisha McGehee	Chancery Clerk	FCCI Insurance Company	\$100,000
Deborah Ann Brent	Purchase Clerk	Western Surety Company	\$75,000
Phyllis King Smith	Receiving Clerk	Western Surety Company	\$75,000
Andre Michael Jones	Assistant Receiving Clerk	Western Surety Company	\$50,000
Gayra Lance James	Assistant Receiving Clerk	Western Surety Company	\$50,000
Ricky W. Nations	Assistant Receiving Clerk	Western Surety Company	\$50,000
Kathi Easley Johnson	Assistant Receiving Clerk	Western Surety Company	\$50,000
Adam Tanskley	Assistant Receiving Clerk	Western Surety Company	\$50,000
Amanda C. Warren	Assistant Receiving Clerk	Western Surety Company	\$50,000
Annie Johnson	Assistant Receiving Clerk	Western Surety Company	\$50,000
Quinn Jordan	Assistant Receiving Clerk	Western Surety Company	\$50,000
Chaston Bullock	Assistant Receiving Clerk	Western Surety Company	\$50,000
Gerri Lin Miller	Assistant Receiving Clerk	Western Surety Company	\$50,000
Roger E. Ates	Assistant Receiving Clerk	Western Surety Company	\$50,000
Larry Lee Rice	Assistant Receiving Clerk	Western Surety Company	\$50,000
James Edward May	Assistant Receiving Clerk	Western Surety Company	\$50,000
Sarah Louise Walker	Assistant Receiving Clerk	Western Surety Company	\$50,000
Kelly Michelle Bessonette	Inventory Control Clerk	Western Surety Company	\$75,000
William Boyd	Constable	FCCI Insurance Company	\$50,000
Lawrence Porter	Constable	FCCI Insurance Company	\$50,000
Dustin R. Bairfield	Circuit Clerk	FCCI Insurance Company	\$100,000
Jacqueline Bates	Deputy Circuit Clerk	Western Surety Company	\$50,000
Letitia Smith Rice	Deputy Circuit Clerk	Western Surety Company	\$50,000
Heather Nicole Britt	Deputy Circuit Clerk	Western Surety Company	\$50,000
Sarah Louise Walker	Deputy Circuit Clerk	Western Surety Company	\$50,000
Peyton Rogers	Deputy Circuit Clerk	Western Surety Company	\$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 Stephens Lofton	Justice Court Clerk	Western Surety Company	\$50,000
Venecia Jean Lee	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Tiffani Jones	Deputy Justice Court Clerk	CNA Surety	\$50,000
Jennifer Wilson	Deputy Justice Court Clerk	CNA Surety	\$50,000
Devyona T. Jones	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Lindsey Claire Mayes	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Georgia Cowaet Reeves	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Blake Pickering	Tax Assessor-Collector	FCCI Insurance Company	\$100,000
Ernie Lance Remshure	Deputy Tax Assessor	Western Surety Company	\$50,000
Mason L. Smith	Deputy Tax Assessor	Western Surety Company	\$50,000
Chasity L. Easley	Deputy Tax Assessor	Western Surety Company	\$10,000
Renada Taylor	Deputy Tax Assessor	Western Surety Company	\$50,000
Christopher Sean Smith	Deputy Tax Collector	Western Surety Company	\$50,000
Alma Warren Laird	Deputy Tax Collector	Western Surety Company	\$50,000
Kayla Ann Golmon-Branning	Deputy Tax Collector	Western Surety Company	\$50,000
Lori Cantrell Byrn	Deputy Tax Collector	Western Surety Company	\$50,000
Debra Elaine Black	Deputy Tax Collector	Western Surety Company	\$50,000
Sarah Ramshur	Deputy Tax Collector	Western Surety Company	\$50,000
Christy Douglas	Deputy Tax Collector	Western Surety Company	\$50,000
Kimberly Ann Thompson	Deputy Tax Collector	Western Surety Company	\$50,000

LINCOLN COUNTY

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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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln County, Mississippi (the County), as of and for the year ended September 30, 2022, 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 17, 2024.

Report on 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2022-001 and 2022-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2022-003 and 2022-004 to be significant deficiencies.

Report on 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 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 2022-001 and 2022-002.

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 17, 2024, included within this document.

Lincoln County's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Lincoln County, Mississippi's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. Lincoln County, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

July 17, 2024



**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, 2022. 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. The Inventory Control Clerk should ensure compliance with state laws over surety bonds.

Repeat Finding Yes

Criteria *Section 31-7-124, Mississippi Code of 1972 Annotated*, 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, *Section 25-1-15(2), Mississippi Code of 1972 Annotated*, 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.

Condition	As reported in the prior two years' audit reports, we noted that the Inventory Control Clerk was bonded for an indefinite time period under a blanket bond for \$75,000.
Cause	The County did not 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 an 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.
Views of Responsible Official(s)	All bonds will be corrected.
Purchase Clerk.	
2.	<u>Purchase Clerk should be bonded as required by state statute.</u>
Repeat Finding	Yes
Criteria	<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.
Condition	As reported in the prior year's audit report, we noted that the purchase clerk was only bonded for \$75,000.
Cause	The County did not comply with state law.
Effect	Failure to comply with state law would limit the amount available for recovery if a loss occurred.
Recommendation	The County should ensure that the purchase clerk is bonded in accordance with state law.
Views of Responsible Official(s)	All bonds will be corrected.
3.	<u>Purchasing documents not being completed.</u>
Repeat Finding	No
Criteria	<i>Section 31-7-103, Mississippi Code of 1972 Annotated</i> , requires a purchase order and receiving report for all purchases.
Condition	It was noted during the testing of purchasing, there was one purchase made that did not have any purchasing documents.
Cause	The Purchase Clerk did not comply with state law.
Effect	Failure to complete purchasing documents could result in the misuse or misappropriation of public funds.
Recommendation	The Purchase Clerk should ensure that the proper documents are completed when purchasing any item or service with a cost over \$2,000, as required by law.
Views of Responsible Official(s)	This purchase was not correctly handled by a supervisor. The Purchase Clerk and I will continue to stress to them the need to follow the proper procedures.

Receiving Clerk and Assistant Receiving Clerks.

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

Repeat Finding Yes

Criteria *Section 31-7-124, Mississippi Code of 1972 Annotated*, 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, *Section 25-1-15(2), Mississippi Code of 1972 Annotated*, 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.

Condition As reported in the prior two years' audit reports, the receiving clerk was bonded for an indefinite time period under a blanket bond for \$75,000 and the assistant receiving clerks were bonded for an indefinite time under a blanket bond for \$50,000.

Cause The County did not 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 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.

Views of Responsible Official(s)

All bonds will be 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, 2022.

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 17, 2024

LINCOLN COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2022

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, 2022

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
12/2/2021	Emergency bridge repair	\$ 112,261	S. & S. Dragline Service, Inc.	Bridge washout on Cade Lane

LINCOLN COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2022

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
02/11/2022	Stenograph Machine	\$	5,495	Stenograph, LLC
11/23/2021	Tasers and holsters		49,735	Axon Enterprise, Inc.



**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, 2022, 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 17, 2024, 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 Yes

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 As reported in the prior year's audit report, the County did not settle all of the required portion of the additional privilege tax to the County's School Districts. During fiscal year 2022, the County receipted a total of \$459,276 in additional privilege taxes. However, the County did not settle a portion in the amount of \$188,204 in additional privilege tax to the County's School District for 2022.

Cause	The County misinterpreted the law.
Effect	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.
Recommendation	The County should settle the additional privilege taxes to the County's School Districts as if they were ad valorem taxes.
Views of Responsible Official(s)	We will ensure that privilege taxes are sent to the county school district appropriately going forward. We will make sure to pay any additional taxes due to the school district for fiscal year 2022.

2. Drug buy money procedures lack necessary controls.

Repeat Finding	Yes
Criteria	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.
Condition	As reported in the prior year's audit report, 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.
Cause	The County lacked the necessary controls over drug buy money.
Effect	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.
Recommendation	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.
Views of Responsible Official(s)	I will make sure that the Board and the Sheriff finally approve a maximum amount for the petty cash fund.

3. Interfund transfers were not approved by the Board of Supervisors.

Repeat Finding	Yes
Criteria	<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.
Condition	As reported in the prior year's audit report, interfund transfers were made without being spread on the Board of Supervisors' minutes.
Cause	The County did not comply with state law.

Effect	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.
Recommendation	The Board of Supervisors should spread complete orders authorizing interfund transfers in their minutes.
Views of Responsible Official(s)	I will ensure that these transfers are made correctly going forward.
4.	<u>The County should allocate interest earned to all applicable funds.</u>
Repeat Finding	Yes
Criteria	<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.
Condition	As reported in the prior year's audit report, 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.
Cause	The County failed to adhere to state law.
Effect	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.
Recommendation	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.
Views of Responsible Official(s)	This issue has been corrected.
5.	<u>Restricted tax levies should only be used for authorized purposes.</u>
Repeat Finding	No
Criteria	<i>Section 19-5-7, Mississippi Code of 1972 Annotated</i> , authorizes the Board of Supervisors to defray the cost of establishing and operating of a rubbish and garbage disposal system by levying ad valorem tax and collecting fees on all property within the area served by the county garbage or rubbish collection system.
Condition	Ad valorem taxes levied and fees collected under this code section are authorized only for the maintenance and/or operating of a rubbish/garbage disposal system. During the audit it was noted that there were unapproved interfund transfers from the Garbage and Solid Waste Fund to the five road district funds totaling \$84,290.
Cause	Controls were not sufficient to prohibit the misuse of restricted funds.
Effect	Transfers from the Solid Waste Fund to the County Road Funds resulted in the misuse of a restricted tax levy and is an illegal diversion of legally restricted funds. This situation could result in the Board of Supervisors being held personally responsible for such amounts.
Recommendation	The Board should implement controls to ensure the proper usage of legally restricted funds.
Views of Responsible Official(s)	I will correct these transfers.

6.	<u>Budgets should be spread upon the minutes of the Board of Supervisors on the required forms.</u>
Repeat Finding	No
Criteria	<i>Section 19-11-7(1), Mississippi Code of 1972 Annotated</i> , requires the Board of Supervisors to, at its August meeting each year, prepare a complete budget of revenues, expenses, and a working cash balance estimated for the next fiscal year, which shall be based on the aggregate funds estimated to be available for the ensuing fiscal year for each fund, from which such estimated expenses will be paid, exclusive of school maintenance funds, which shall be shown separately.
Condition	During test work, it was noted that the Covid Recovery Fund was not included in the original budget spread upon the minutes for the 2022 fiscal year.
Cause	The County did not comply with state laws.
Effect	Failure to enter the budget details in the Board of Supervisors' minutes could result in the misappropriation of public funds.
Recommendation	The Board of Supervisors should implement procedures to ensure that the original and final amended budgets are entered in detail in the minutes of the Board of Supervisors and that all funds are included.
Views of Responsible Official(s)	This has been corrected and we will make sure to do this properly going forward.
Board of Supervisors and Deputy Circuit Clerks.	
7.	<u>Deputy Circuit Clerks should ensure compliance with state laws over surety bonds.</u>
Repeat Finding	Yes
Criteria	<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.
Condition	As reported in the prior two years' audit reports, 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.
Cause	The County failed to adhere to state law.
Effect	Failure to comply with the aforementioned state statutes could result in the loss of public funds.
Recommendation	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.
Views of Responsible Official(s)	All bonds will be corrected.

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

8. The Justice Court Clerk and all Deputy Justice Court Clerks should ensure compliance with state laws over surety bonds.

Repeat Finding Yes

Criteria *Section 9-11-29(2), Mississippi Code of 1972 Annotated*, requires the Justice Court Clerk and each Deputy Justice Court Clerk be bonded for a minimum of \$50,000. Furthermore, *Section 25-1-15(2), Mississippi Code of 1972 Annotated*, 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.

Condition As reported in the prior two years' audit reports, 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.

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 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.

Views of Responsible Official(s) All bonds will be corrected.

Board of Supervisors and Deputy Tax Assessors.

9. Deputy Tax Assessors should ensure compliance with state laws over surety bonds.

Repeat Finding Yes

Criteria *Section 27-1-3, Mississippi Code of 1972 Annotated*, 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, *Section 25-1-15(2), Mississippi Code of 1972 Annotated*, 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.

Condition As reported in the prior two years' audit reports, we noted that the Deputy Tax Assessors are bonded for an indefinite time period under a blanket bond for \$25,000.

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 Assessor. Additionally, the County should ensure that all the Deputy Tax Assessors are bonded in accordance with state law.

Views of Responsible Official(s) All bonds will be corrected.

Board of Supervisors and Deputy Tax Collectors.

10.	<u>Deputy Tax Collectors should ensure compliance with state laws over surety bonds.</u>
Repeat Finding	Yes
Criteria	<i>Section 27-1-9(a), Mississippi Code of 1972 Annotated</i> , requires that each Deputy Tax Collector to be bonded for an amount not less than \$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.
Condition	As reported in the prior two years' audit reports, 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 the Deputy Tax Collectors are bonded in accordance with state law.
Views of Responsible Official(s)	All bonds will be corrected.
Board of Supervisors	
11.	<u>The County did not complete the schedule of expenditures of federal awards.</u>
Repeat Finding	No
Criteria	An effective system of internal control over federal grants includes properly identifying all federal programs and the related expenditures.
Condition	The County did not complete the schedule of expenditures of federal awards for the fiscal year ended September 30, 2022.
Cause	This was caused by a lack of internal controls over federal grants.
Effect	Failure to complete the schedule of federal awards increases the possibility of not reporting all federal disbursements.
Recommendation	The Board of Supervisors should implement controls to ensure the schedule of expenditures of federal awards is completed.
Views of Responsible Official(s)	We will prepare a federal grant schedule going forward.

County Administrator.

12. County Administrator should be bonded as required by state statute.

Repeat Finding No

Criteria *Section 19-4-9, Mississippi Code of 1972 Annotated*, states the county administrator shall take the official oath of office and shall give bond to the board of supervisors, with sufficient surety, to be payable, conditioned and approved as provided by law, in a penalty equal to three percent (3%) of the sum of all the state and county taxes shown by the assessment rolls and the levies to have been collectible in the county for the year immediately preceding the commencement of the term of office for such administrator; however, such bond shall not exceed the amount of One Hundred Thousand Dollars (\$100,000). Furthermore, *Section 25-1-15(2), Mississippi Code of 1972 Annotated*, 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.

Condition The County Administrator was bonded for an indefinite time period for \$100,000.

Cause The County did not comply with state law.

Effect Failure to comply with state law would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation The County should obtain a bond for the County Administrator with a definite time period and ensure that the County Administrator is bonded in accordance with state law.

Views of Responsible Official(s) All bonds will be 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 17, 2024

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, 2022

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 deficiencies identified? | Yes |
| 3. Noncompliance material to the financial statements noted? | Yes |

Section 2: Financial Statement Findings

Board of Supervisors.

**Material Weakness
Material Noncompliance**

2022-001. 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 two years' audit reports, the original budget for fiscal year 2022 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 2022 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.

**Views of Responsible
Official(s)** This issue has been corrected.

LINCOLN COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2022

Material Weakness
Material Noncompliance

2022-002.	<u>Controls over repayment of interfund advances should be strengthened.</u>
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 two years' audit reports, the County has interfund loans outstanding that are over a year old. These interfund loans totaled \$1,109,656 as of September 30, 2022. These advances include a loan to make a debt service payment.
Cause	The County lacked controls requiring the 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) Interfund loans will be corrected.

Significant Deficiency

2022-003.	<u>The County should establish controls to ensure fifty percent of National Forest Distribution Title I funds are settled to the schools.</u>
Repeat Finding	No
Criteria	During fiscal year 2022, Lincoln County received \$78,144 in National Forest Distribution Title I funds, a portion of the Secure Rural Schools Act State payments, which are used to benefit public schools and public roads in counties where national forests are located. Upon receipt of these funds, fifty percent of the total received should be settled to the County's public school.
Condition	We noted that Lincoln County only settled 28% of Title I National Forest Distributions to the County's public school during fiscal year 2022.
Cause	The County lacked the necessary controls to ensure fifty percent of the total received from the Secure Rural Schools Act State payments was settled to the County's public school.
Effect	Failure to properly settle the Secure Rural School Act State payments to the appropriate recipients could result in the misappropriation of public funds.
Recommendation	The Board of Supervisors should take the necessary steps to ensure that fifty percent of the total National Forest Distribution Title I funds are properly settled to the County's public school.

Views of Responsible Official(s) We will ensure that national forestry funds are distributed appropriately going forward.

LINCOLN COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2022

Tax Assessor-Collector.

Significant Deficiency

2022-004. Controls over cash in the Tax Assessor-Collector's office should be strengthened.

Repeat Finding No

Criteria An effective system of internal control over cash should include the maintenance and reconciliation of records documenting daily tax collections.

Condition The Tax Assessor-Collector was unable to reconcile the bank account to the cash journal. The September 30, 2022 cash reconciliation included an undocumented overage of \$30,777.

Cause The Tax Assessor-Collector lacked the necessary controls over cash.

Effect Failure to properly reconcile the cash journal to the bank account and subsidiary records could result in the loss or misappropriation of public funds.

Recommendation The Tax Assessor-Collector should ensure that bank reconciliations are prepared properly each month. Any discrepancies that arise should be reviewed and corrected in the same month, which should prevent mistakes and errors from being carried forward.

**Views of Responsible
Official(s)**

Miscellaneous refunds still outstanding. A concentrated effort has been made to discover any refunds that may still need to be issued as well as any outstanding checks that were left unaccounted for on the bank statements. Appropriate action was taken to ensure that this does not happen again.