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LEE COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS

For the Year Ended September 30, 2014

M. M. WINKLER & ASSOCIATES, PLLC
Certified Public Accountants
Tupelo, Mississippi

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LEE COUNTY, MISSISSIPPI

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M. M. WINKLER & ASSOCIATES, PLLC

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Lee County, Mississippi

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lee County, Mississippi, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT

- Continued -

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units is not reasonable determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Lee County, Mississippi, as of September 30, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lee County, Mississippi, as of September 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge 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.

INDEPENDENT AUDITOR'S REPORT

- Continued -

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lee County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2015, on our consideration of Lee County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Lee County, Mississippi's internal control over financial reporting and compliance.

M. M. Winkler & Associates, PLLC

August 27, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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LEE COUNTY BOARD OF SUPERVISORS

BOBBY G. SMITH
MEMBER – 2ND DISTRICT
SALTILLO, MISSISSIPPI

PHIL MORGAN
MEMBER – 1ST DISTRICT
SALTILLO, MISSISSIPPI

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SHANNON, MISSISSIPPI

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MEMBER – 3RD DISTRICT
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TUPELO, MISSISSIPPI

BILLY JOE HOLLAND
MEMBER - 5TH DISTRICT
VERONA, MISSISSIPPI

MANAGEMENT’S DISCUSSION AND ANALYSIS

INTRODUCTION

This discussion and analysis of Lee County’s financial performance provides an overall narrative review of the County’s financial activities for the year ended September 30, 2014. The intent of this discussion and analysis is to look at the County’s performance as a whole; readers should also review the basic financial statements and their accompanying notes to enhance their understanding of the County’s financial performance.

This discussion and analysis is an element of required supplementary information specified in the “Governmental Accounting Standards Board’s (GASB) Statement No. 34 – Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented.

Lee County is located in Northeast Mississippi along U.S. Highway 78. The population, according to the 2010 census, is 82,910. For the year 2014, the U.S. Census Bureau estimated the population to be 85,246. The local economic base is driven mainly by manufacturing and retail.

FINANCIAL HIGHLIGHTS

Lee County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Lee County continues to grow both economically and in population. The tax rate increased slightly for the current year, and looking back over the past seventeen year period (1998-2014), tax rates rose only 2.39% above the highest rate (1998-2000). This tax rate increase does not account for funding provided for school purposes that required school tax rates to increase nor does it include the funding of community college programs.

Total net position decreased \$5,667,993 which represents a 3.78% decrease from the prior fiscal year. The County’s ending cash and investment balance decreased by \$6,147,821. This represents a 31.82% decrease from the prior fiscal year. This decrease is due to bond debt proceeds being held in the accounts in the prior year and the funds being expended to purchase the assets in the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

FINANCIAL HIGHLIGHTS - Continued

The County had \$35,680,677 in total revenues. Tax revenues account for \$19,271,168 or 54.01% of total revenues. Revenues in the form of charges for services account for \$4,832,580 or 13.54% of total revenues. Revenue generated by fines and other fees account for \$2,054,227 or 5.76%. State revenues, in the form of reimbursements, shared revenue or grants, account for \$5,590,799 or 15.67% of total revenues. Additionally, \$1,526,640 or 4.28%, of total revenues were Federal revenues in the form of grants. Grants from other local jurisdictions amount to \$951,567 or 2.67% of total revenues. Revenue from ad valorem tax fee-in-lieu was \$421,393 or 1.18%. Investment and miscellaneous revenues totaled \$1,032,303 or 2.89% of total revenues.

The County had \$41,348,670 in total expenses, which represents an decrease of \$33,721 or 0.08% from the prior fiscal year. Expenses in the amount of \$13,576,782 were offset by charges for services, grants, and outside contributions. General revenues of \$22,103,895 were used to provide for expenses.

Among major funds, the General Fund had \$20,387,405 in revenues and \$19,927,694 in expenditures. The General Fund's fund balance decreased \$1,552,570 from the prior year. The Countywide Road Fund had \$4,613,813 in revenues and \$4,914,142 in expenditures. The Countywide Road Fund's fund balance increased \$92,864 from the prior year. The Countywide Bridge Fund had \$3,824,202 in revenues and \$3,739,499 in expenditures. The Countywide Bridge Fund's fund balance increased \$95,253 from the prior year.

Capital assets, net of accumulated depreciation, decreased by \$3,300,703 or 2.18%. The majority of this decrease was due to depreciation expense related to infrastructure such as roads and bridges.

Long-term liabilities decreased by \$1,293,334 or 5.17%

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS

- Continued -

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Figure 1 – Required Components of the County's Annual Report

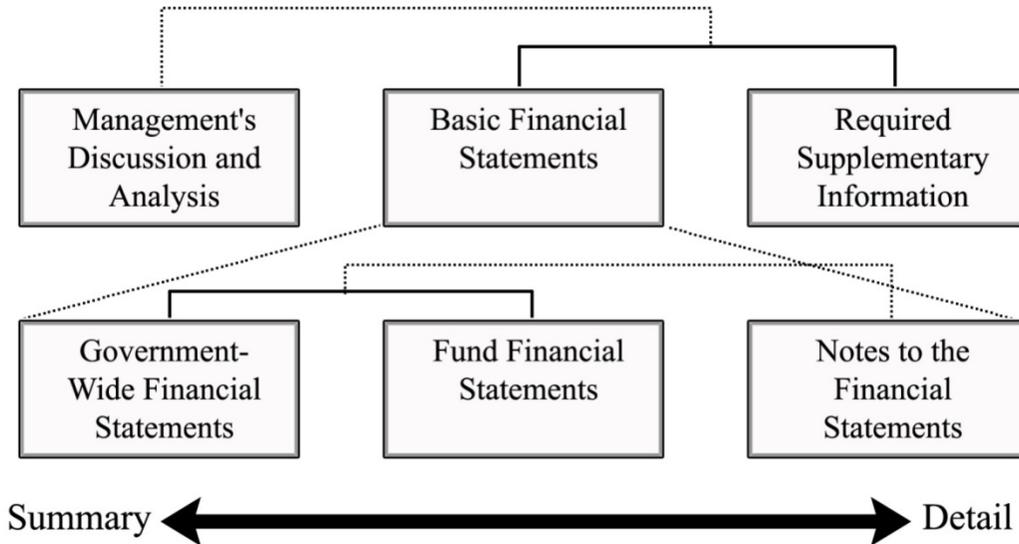


Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> ● Statement of net position ● Statement of activities 	<ul style="list-style-type: none"> ● Balance sheet ● Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> ● Statement of net position ● Statement of revenues, expenses and changes in net position ● Statement of cash flows 	<ul style="list-style-type: none"> ● Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus

MANAGEMENT’S DISCUSSION AND ANALYSIS

- Continued -

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements – Continued

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net position** presents information on all County assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Government-wide Financial Statements – Continued

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; conservation of natural resources; economic development and assistance; and interest on long-term debt. The business-type activities of the County include Solid Waste Collection and Disposal and Turner Industrial Park Water and Sewer.

The Government-wide Financial Statements can be found on pages 27-28 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 30 and 32, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Fund Financial Statements – Continued

The basic governmental funds financial statements can be found on pages 29 and 31 of this report.

Proprietary funds are maintained as enterprise funds. These enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County uses enterprise funds to account for the operations of the Solid Waste Collection and Disposal and Turner Industrial Park Water and Sewer.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Solid Waste Collection and Disposal is considered to be a major fund of the County; however, since the County only has two proprietary funds, both are presented individually. The proprietary funds financial statements can be found on pages 33-35 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary assets and liabilities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 36 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 37-63 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 67-72 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 75-76 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position – Net position may serve over time as a useful indicator of government's financial position. In the case of Lee County, assets exceeded liabilities by \$144,417,396 as of September 30, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

By far, the largest portion of the County's net position (93.87%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net position at September 30, 2014 and 2013.

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2013*	2014	2013*	2014	2013*	2014	2013-2014
Current and other assets	\$ 45,614	40,620	\$ 251	179	\$ 45,865	40,799	-11.05%
Capital assets, net	150,027	146,952	1,072	831	151,099	147,783	-2.19%
Total assets	195,641	187,572	1,323	1,010	196,964	188,582	-4.26%
Current liabilities	9,043	7,820	361	362	9,404	8,182	-12.99%
Long-term debt outstanding	22,419	20,870	284	225	22,703	21,095	-7.08%
Total liabilities	31,462	28,690	645	587	32,107	29,277	-8.81%
Deferred inflows of resources							
Property tax for future reporting period	14,771	14,888	-0-	-0-	14,771	14,888	0.79%
Total deferred inflows of resources	14,771	14,888	-0-	-0-	14,771	14,888	0.79%
Net position:							
Net Investment in capital assets	136,238	134,884	876	675	137,114	135,559	-1.13%
Restricted	7,717	6,595	271	-0-	7,988	6,595	-17.44%
Unrestricted	5,453	2,515	(469)	(252)	4,984	2,263	-54.59%
Total net position	\$ 149,408	143,994	\$ 678	423	\$ 150,086	144,417	-3.78%

*As restated; see Note 2 and Note 16 to financial statements for more information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Note: Lee County operates two business-type activities:

Solid Waste Collection and Disposal

Lee County operates a solid waste collection and disposal service for both household and commercial accounts. Household customers pay \$12.50 per month, which was increased from \$9.00 per month, effective January 2014, for this weekly service and commercial accounts are charged based on the size of the dumpster and the number of times service is to be provided. For a commercial rate schedule contact the Lee County Solid Waste office at (662) 841-0378.

Turner Industrial Park Water and Sewer

The water and sewer system for the Turner Industrial Park located in Saltillo, MS in north-central Lee County which was operated by Lee County, was sold to the City of Saltillo during the current year.

The following are significant current year transactions that have had an impact on the Statement of Net Position:

- Depreciable capital assets acquisitions, disposals, and depreciation associated with existing depreciable capital assets resulted in a decrease in net capital assets of \$3,300,703.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

Changes in Net Position – Lee County's total revenues for the fiscal year ended September 30, 2014 was \$35,680,677. The total cost for all services provided was \$41,348,670. The decrease in net position was \$5,667,993. The table below presents a summary of the changes in net position for the fiscal year ended September 30, 2014 and 2013.

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2013*	2014	2013*	2014	2013*	2014	
Revenues:							
Program revenues							
Charges for services	\$ 2,281	2,443	\$ 2,049	2,390	\$ 4,330	4,833	11.62%
Fines and fees	2,122	2,054	-0-	-0-	2,122	2,054	-3.20%
Federal grants	416	1,527	-0-	-0-	416	1,527	267.07%
State grants	8,161	5,591	-0-	-0-	8,161	5,591	-31.49%
Local grants	364	952	-0-	-0-	364	952	161.54%
General revenues							
Property taxes	17,146	18,277	-0-	-0-	17,146	18,277	6.60%
Road & Bridge privilege taxes	994	994	-0-	-0-	994	994	0.00%
Other	2,296	1,093	3	360	2,299	1,453	-36.80%
Total Revenues	\$ 33,780	32,931	\$ 2,052	2,750	\$ 35,832	35,681	-0.42%
Expenses:							
General government	9,669	10,093	-0-	-0-	9,669	10,093	4.39%
Public safety	9,497	10,546	-0-	-0-	9,497	10,546	11.05%
Public works	16,019	14,110	-0-	-0-	16,019	14,110	-11.92%
Health and welfare	1,071	1,173	-0-	-0-	1,071	1,173	9.52%
Culture and recreation	1,285	1,522	-0-	-0-	1,285	1,522	18.44%
Education	13	13	-0-	-0-	13	13	0.00%
Conservation of natural resources	254	275	-0-	-0-	254	275	8.27%
Economic development	327	272	-0-	-0-	327	272	-16.82%
Interest on long-term debt	856	954	-0-	-0-	856	954	11.45%
Solid waste collection & disposal	-0-	-0-	2,226	2,314	2,226	2,314	3.95%
Turner Ind Park water & sewer	-0-	-0-	88	77	88	77	-12.50%
Total Expenses	\$ 38,991	38,958	\$ 2,314	2,391	\$ 41,305	41,349	0.11%
Deficiency before transfers	(5,211)	(6,027)	(262)	359	(5,473)	(5,668)	-3.56%
Transfers	(300)	613	300	(613)	-0-	-0-	
Increase (Decrease) in Net Position	\$ (5,511)	(5,414)	\$ 38	(254)	\$ (5,473)	(5,668)	-3.56%

*As restated; see Note 2 and Note 16 to the financial statements for more information.

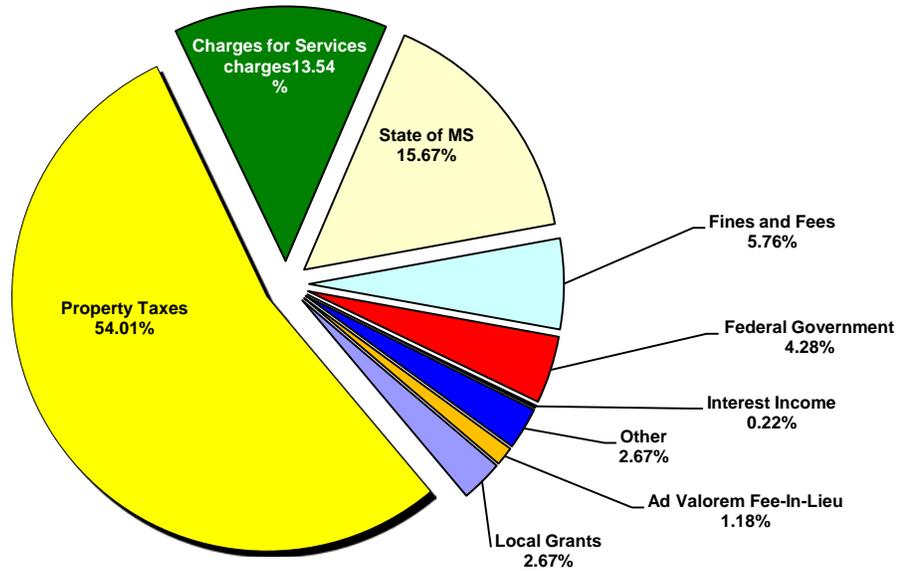
MANAGEMENT'S DISCUSSION AND ANALYSIS

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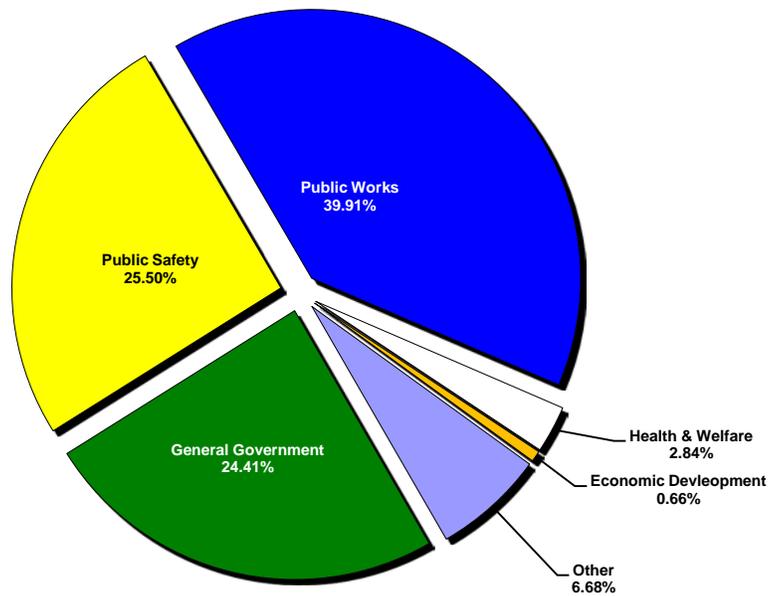
GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

The following charts represent the County's sources of revenue and how those revenues are spent:

Where The County Gets Its Revenue



How County Revenues Are Used



Note: The color-coding for each chart is specific to that chart alone and should not be used to try to reconcile the source of revenue to the use thereof.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities – The following table presents the cost of six major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, and Economic Development.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Lee County's taxpayers by each of these functions.

	Total Cost of Services			Percentage		Net Cost of Services			Percentage	
			Change					Change		
	2013*	2014	2013-2014	2013*	2014	2013-2014				
General Government	\$ 9,668,946	10,092,498	4.38%	\$ 7,292,014	6,181,423	-15.23%				
Public Safety	9,497,225	10,545,513	11.04%	6,624,328	8,926,251	34.75%				
Public Works	16,019,262	14,110,254	-11.92%	10,626,621	10,220,965	-3.82%				
Health & Welfare	1,070,674	1,173,366	9.59%	492,346	572,530	16.29%				
Culture and Recreation	1,285,484	1,522,257	18.42%	1,285,484	1,522,257	18.42%				
Economic Development	326,444	272,123	-16.64%	174,715	(894,574)	-612.02%				

*As restated; see Note 2 to financial statements for more information.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Lee County's governmental funds reported a combined fund balance of \$11,221,287, a decrease of \$2,771,629, from the beginning fund balance. Factors that contributed to this reduction were funds being used from long-term debt proceeds received in prior year to construct capital assets and cash reserves were used to maintain the level of service in a down economic time to avoid a tax rate increase greater than the 3.87% required for 2014.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$1,552,570. This decrease in fund balance was also due to cash reserves being used to maintain the level of service in a down economic time to avoid a tax rate increase as well as the retirement of debt.

Business-type funds – Revenue from the Solid Waste Collection and Disposal Fund increased by 19.06% to \$2,315,996 and expenses increased 3.83% to \$2,313,555. The chief factor contributing to the increase was an increase in the collection fee from \$9 month to \$12.50, effective January 2014. The County's other business-type fund, the Turner Industrial Park Water and Sewer Fund's operating revenue decreased by 24.06% to \$84,748 and expenses decreased by 12.27% to \$77,178. Turner Park was sold to the City of Saltillo at the end of the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Lee County revised its annual operating budget on several occasions. Amendments were made to correct the estimated beginning fund balances made in the original budget to actual beginning fund balances on October 1.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2014, Lee County's total capital assets was \$322,658,482. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$4,964,333 or 1.56%.

Total accumulated depreciation as of September 30, 2014 was \$174,876,130, including \$9,478,899 of depreciation expense for the year. The balance in total net capital assets was \$147,782,352 at year-end.

Additional information on Lee County's capital assets can be found in note 7 on pages 52-54 of this report.

Debt Administration – At September 30, 2014, Lee County had \$23,701,894 in long-term debt outstanding. This includes general obligation bonds, other loans and compensated absences. Of this debt, \$2,605,912 is due within one year.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt, as of September 30, 2014, was equal to 1.05% of the latest property assessment, significantly below the 15% limitation.

Additional information on Lee County's long-term debt can be found in note 11 on pages 58-60 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

In November 2011, Lee County, along with PUL Alliance partners Union and Pontotoc Counties, celebrated the start of production of the Toyota Corolla at the Toyota Motor Manufacturing Mississippi (TMMMS) facility located at the Wellspring Site in Blue Springs, MS.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

CURRENT AND FUTURE ITEMS OF IMPACT - Continued

December 18, 2008, Lee County issued \$7,760,000 in Taxable Special Obligation Bonds. The County has entered into a payment in lieu of tax agreement with Toyota as authorized by law. This payment in lieu of taxes will be used to repay the bonded debt principal and interest and should be more than enough to satisfy the debt without a tax levy.

Additionally, Lee County, in partnership with the Community Development Foundation, plans to purchase additional lands (1,000 to 2,000 acres) throughout the county to be made available for industrial and commercial development. Lee County will also continue to offer its economic development incentives policy known as "Lee County Plus" to both new and existing industries locating or expanding in the county.

Total budgeted revenues decreased for the next fiscal year by \$2,398,449 or 6.14% and total budgeted expenditures decreased \$5,771,662 or 12.63%. The County expects to have a decrease in net position for the next fiscal year.

In August 2013, the county issued general obligation bonds, series 2013 in the principal amount of \$7,985,000 to fund a replacement of the countywide emergency radio infrastructure and end-user radios. The bonds will be repaid from the general fund. With the issuance of these bonds, the county found it necessary to increase the millage rate from 38.77 to 40.27 mills for the 2014 year, an increase of 3.87%.

As of September 2014, Lee County had an unemployment rate of 7.6%. This was slightly higher than the state average of 7.3%. By February 2015, both Lee County's rate and the state's rate had improved to 6.4% and 7.0%, respectively.

In September 2014, the operating assets of the Turner Industrial Park Fund was sold to the City of Saltillo for \$459,883 along with \$240,117 for county owned land for a total of \$700,000. The park will be included and operated as part of Saltillo's Water and Sewer system.

In November 2014, Lee County obtained a CAP loan from MS Development Authority in the amount of \$2,775,000, in order to purchase 25.87 acres of property in the Tupelo/Lee Industrial Park South.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the County Administrator's office at P.O. Box 1785, Tupelo, MS 38802-1785 or the Lee County Chancery Clerk's office at P.O. Box 7127, Tupelo, MS 38802-7127.

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PRIMARY GOVERNMENT FINANCIAL STATEMENTS

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Lee County, Mississippi
Statement of Net Position
September 30, 2014

Exhibit 1

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash	\$ 6,197,744	\$ 3,740	\$ 6,201,484
Investments	6,974,298	-0-	6,974,298
Accrued interest receivable	16,024	-0-	16,024
Property tax receivable	14,888,220	-0-	14,888,220
Accounts receivable, (net of allowance for uncollectibles of \$ 1,443,370)	-0-	298,351	298,351
Fines receivable, (net of allowance for uncollectibles of \$ 6,571,985)	638,982	-0-	638,982
Intergovernmental receivables	2,732,265	69,762	2,802,027
Other receivables	187,834	189,300	377,134
Internal balances	381,690	(381,667)	23
Ad valorem tax fee in-lieu receivable, net	8,603,842	-0-	8,603,842
Capital assets:			
Land and construction in progress	12,448,194	47,746	12,495,940
Other capital assets, net	<u>134,503,489</u>	<u>782,923</u>	<u>135,286,412</u>
Total Assets	<u>\$ 187,572,582</u>	<u>\$ 1,010,155</u>	<u>\$ 188,582,737</u>
LIABILITIES			
Claims payable	\$ 2,156,976	\$ 74,758	\$ 2,231,734
Intergovernmental payables	1,154,956	4,993	1,159,949
Accrued interest payable	209,443	-0-	209,443
Unearned revenue	14,518	219,821	234,339
Claims and judgements	580,873	-0-	580,873
Other payables	1,153,489	5,400	1,158,889
Long-term liabilities			
Due within one year:			
Capital related debt	1,010,334	37,263	1,047,597
Non-capital related debt	1,538,965	19,350	1,558,315
Due in more than one year:			
Capital related debt	11,057,632	118,267	11,175,899
Non-capital related debt	<u>9,812,852</u>	<u>107,231</u>	<u>9,920,083</u>
Total Liabilities	<u>\$ 28,690,038</u>	<u>\$ 587,083</u>	<u>\$ 29,277,121</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax for future reporting period	\$ 14,888,220	\$ -0-	\$ 14,888,220
Total deferred inflows of resources	<u>\$ 14,888,220</u>	<u>\$ -0-</u>	<u>\$ 14,888,220</u>
NET POSITION			
Net Investment in capital assets	\$ 134,883,717	\$ 675,139	\$ 135,558,856
Restricted for:			
Expendable:			
General government	899,194	-0-	899,194
Debt service	2	-0-	2
Public safety	2,374,131	-0-	2,374,131
Public works	3,142,629	-0-	3,142,629
Economic development	180,083	-0-	180,083
Unrestricted	<u>2,514,568</u>	<u>(252,067)</u>	<u>2,262,501</u>
Total Net Position	<u>\$ 143,994,324</u>	<u>\$ 423,072</u>	<u>\$ 144,417,396</u>

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

Lee County, Mississippi
Statement of Activities
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 10,092,498	\$ 2,996,401	\$ 914,674	\$ -0-	\$ (6,181,423)	\$ -0-	\$ (6,181,423)
Public safety	10,545,513	1,457,149	162,113	-0-	(8,926,251)	-0-	(8,926,251)
Public works	14,110,254	43,634	1,812,768	2,032,887	(10,220,965)	-0-	(10,220,965)
Health and welfare	1,173,366	-0-	600,836	-0-	(572,530)	-0-	(572,530)
Culture and recreation	1,522,257	-0-	-0-	-0-	(1,522,257)	-0-	(1,522,257)
Education	13,370	-0-	-0-	-0-	(13,370)	-0-	(13,370)
Conservation of natural resources	274,805	-0-	-0-	-0-	(274,805)	-0-	(274,805)
Economic development and assistance	272,123	-0-	217,647	949,050	894,574	-0-	894,574
Interest on long-term debt	953,751	-0-	-0-	-0-	(953,751)	-0-	(953,751)
Total Governmental Activities	\$ 38,957,937	\$ 4,497,184	\$ 3,708,038	\$ 2,981,937	\$ (27,770,778)	\$ -0-	\$ (27,770,778)
Business-type activities:							
Solid waste	\$ 2,313,555	\$ 2,304,875	\$ -0-	\$ -0-	\$ -0-	\$ (8,680)	\$ (8,680)
Turner Park	77,178	84,748	-0-	-0-	-0-	7,570	7,570
Total Business-type Activities	\$ 2,390,733	\$ 2,389,623	\$ -0-	\$ -0-	\$ -0-	\$ (1,110)	\$ (1,110)
Total Primary Government	\$ 41,348,670	\$ 6,886,807	\$ 3,708,038	\$ 2,981,937	\$ (27,770,778)	\$ (1,110)	\$ (27,771,888)
General revenues:							
Taxes:							
Property taxes					\$ 18,277,228	\$ -0-	\$ 18,277,228
Road & bridge privilege taxes					993,940	-0-	993,940
Ad Valorem tax fee-in-lieu revenue					421,393	-0-	421,393
Grants and contributions not restricted to specific programs					1,379,031	-0-	1,379,031
Unrestricted investment income					78,267	478	78,745
Miscellaneous					593,740	11,019	604,759
Gain on sale of asset					-0-	348,799	348,799
Transfers					612,935	(612,935)	-0-
Total General Revenues					\$ 22,356,534	\$ (252,639)	\$ 22,103,895
Changes in Net Position					\$ (5,414,244)	\$ (253,749)	\$ (5,667,993)
Net Position - Beginning - See Note 16					\$ 149,388,167	\$ 687,422	\$ 150,075,589
Prior period adjustments					20,401	(10,601)	9,800
Net Position - Beginning, as restated					\$ 149,408,568	\$ 676,821	\$ 150,085,389
Net Position - Ending					\$ 143,994,324	\$ 423,072	\$ 144,417,396

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

Lee County, Mississippi
Balance Sheet - Governmental Funds
September 30, 2014

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	County Wide Road Fund	County Wide Bridge Fund		
ASSETS					
Cash	\$ 2,685,637	\$ 838,794	\$ 122,740	\$ 2,550,573	\$ 6,197,744
Investments	4,801,709	1,472,890	699,699	-0-	6,974,298
Accrued interest receivable	10,530	3,656	1,741	97	16,024
Property tax receivable	10,448,599	2,069,354	1,742,475	627,792	14,888,220
Fines receivable (net of allowance for uncollectibles of \$ 6,571,985)	638,982	-0-	-0-	-0-	638,982
Intergovernmental receivables	1,084,418	66,866	35,232	1,337,992	2,524,508
Other receivables	87,007	-0-	-0-	100,827	187,834
Due from other funds	110,472	105,572	22,817	34,218	273,079
Advances to other funds	237,398	-0-	-0-	-0-	237,398
Total Assets	<u>\$ 20,104,752</u>	<u>\$ 4,557,132</u>	<u>\$ 2,624,704</u>	<u>\$ 4,651,499</u>	<u>\$ 31,938,087</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 968,873	\$ 194,403	\$ 16,029	\$ 977,670	\$ 2,156,975
Intergovernmental payables	1,020,823	16,945	-0-	39,281	1,077,049
Due to other funds	206,694	-0-	-0-	-0-	206,694
Deferred revenue					
Unearned revenue	-0-	-0-	-0-	14,518	14,518
Claims and judgments	580,873	-0-	-0-	-0-	580,873
Other payables	1,076,356	-0-	-0-	77,133	1,153,489
Total Liabilities	<u>\$ 3,853,619</u>	<u>\$ 211,348</u>	<u>\$ 16,029</u>	<u>\$ 1,108,602</u>	<u>\$ 5,189,598</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenues - property taxes	\$ 10,448,599	\$ 2,069,354	\$ 1,742,475	\$ 627,792	\$ 14,888,220
Unavailable revenues - fines	638,982	-0-	-0-	-0-	638,982
	<u>\$ 11,087,581</u>	<u>\$ 2,069,354</u>	<u>\$ 1,742,475</u>	<u>\$ 627,792</u>	<u>\$ 15,527,202</u>
Fund balances:					
Nonspendable:					
Advances	\$ 237,398	\$ -0-	\$ -0-	\$ -0-	\$ 237,398
Restricted for:					
General government	501,550	-0-	-0-	397,645	899,195
Public safety	32,678	-0-	-	2,341,453	2,374,131
Public works	-0-	2,276,430	866,200	-0-	3,142,630
Economic development and assistance	-0-	-0-	-0-	180,083	180,083
Debt service	-0-	-0-	-0-	2	2
Unassigned	4,391,926	-0-	-0-	(4,078)	4,387,848
Total Fund Balances	<u>\$ 5,163,552</u>	<u>\$ 2,276,430</u>	<u>\$ 866,200</u>	<u>\$ 2,915,105</u>	<u>\$ 11,221,287</u>
Total Liabilities and Fund Balances	<u>\$ 20,104,752</u>	<u>\$ 4,557,132</u>	<u>\$ 2,624,704</u>	<u>\$ 4,651,499</u>	<u>\$ 31,938,087</u>

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

Lee County, Mississippi

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2014

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 11,221,287
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 \$173,572,758.	146,951,683
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	638,982
Accrued receivables that are not available to pay for current expenditures and therefore are not recorded in the funds.	8,811,598
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	
Long-term liabilities	(23,419,783)
Accrued interest on debt	<u>(209,443)</u>
Total Net Position - Governmental Activities	\$ <u>143,994,324</u>

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

Lee County, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2014

Exhibit 4

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	County Wide Road Fund	County Wide Bridge Fund		
REVENUES					
Property taxes	\$ 13,240,266	\$ 2,497,089	\$ 2,073,751	\$ 1,449,456	\$ 19,260,562
Road and bridge privilege taxes	-	993,897	-	-	993,897
Licenses, commissions and other revenue	1,407,766	14,008	-	25,570	1,447,344
Fines and forfeitures	700,917	-	-	430	701,347
Intergovernmental revenues	3,487,697	1,062,227	1,738,360	1,953,446	8,241,730
Charges for services	1,102,367	29,626	-	1,285,379	2,417,372
Interest income	55,731	11,332	5,802	5,403	78,268
Miscellaneous revenues	392,661	5,634	6,289	178,130	582,714
Total Revenues	\$ 20,387,405	\$ 4,613,813	\$ 3,824,202	\$ 4,897,814	\$ 33,723,234
EXPENDITURES					
Current:					
General government	\$ 9,792,828	\$ -	\$ -	\$ 135,932	\$ 9,928,760
Public safety	7,341,083	-	-	5,485,102	12,826,185
Public works	-	4,720,351	3,623,578	-	8,343,929
Health and welfare	1,170,944	-	-	-	1,170,944
Culture and recreation	1,063,794	-	-	354,784	1,418,578
Conservation of natural resources	270,905	-	-	-	270,905
Economic development and assistance	203,770	-	-	1,457,001	1,660,771
Debt service:					
Principal	59,605	188,293	97,402	1,900,744	2,246,044
Interest	24,765	5,498	18,519	889,984	938,766
Total Expenditures	\$ 19,927,694	\$ 4,914,142	\$ 3,739,499	\$ 10,223,547	\$ 38,804,882
Excess of Revenues over (under) Expenditures	\$ 459,711	\$ (300,329)	\$ 84,703	\$ (5,325,733)	\$ (5,081,648)
OTHER FINANCING SOURCES (USES)					
Long-term non-capital debt issued	\$ -	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000
Proceeds from sale of capital assets	253,542	393,193	10,550	2,500	659,785
Compensation for loss of capital assets	28,498	-	-	3,600	32,098
Transfers in	766,191	-	-	2,907,256	3,673,447
Transfers out	(3,060,512)	-	-	-	(3,060,512)
Total Other Financing Sources and Uses	\$ (2,012,281)	\$ 393,193	\$ 10,550	\$ 3,913,356	\$ 2,304,818
Net Changes in Fund Balances	\$ (1,552,570)	\$ 92,864	\$ 95,253	\$ (1,412,377)	\$ (2,776,830)
Fund Balances - Beginning	\$ 6,716,122	\$ 2,183,566	\$ 770,947	\$ 4,322,281	\$ 13,992,916
Prior period adjustments	\$ -	\$ -	\$ -	\$ 5,201	\$ 5,201
Fund Balances - Beginning, as restated	\$ 6,716,122	\$ 2,183,566	\$ 770,947	\$ 4,327,482	\$ 13,998,117
Fund Balances - Ending	\$ 5,163,552	\$ 2,276,430	\$ 866,200	\$ 2,915,105	\$ 11,221,287

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

Lee County, Mississippi
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, 2014

Exhibit 4-1

Net Changes in Fund Balances - Governmental Funds	\$ (2,776,830)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$9,333,496 exceeded capital outlays of \$6,674,129 in the current period.</p>	(2,659,367)
<p>In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$244,112 and the proceeds from the sale of \$659,785 in the current period.</p>	(415,673)
<p>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.</p>	(23,819)
<p>Revenues 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.</p>	
Ad valorem tax fee-in-lieu	(561,940)
Intergovernmental revenue	(172,724)
Charges for services	(33,992)
<p>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 \$2,246,043 and premium amortization cost of \$945 exceed debt proceeds of \$1,000,000 bond discount amortization of \$13,756.</p>	1,233,232
<p>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:</p>	
(Increase)/Decrease in Accrued Interest	(2,174)
(Increase)/Decrease in Compensated Absences	(957)
Change in Net Position of Governmental Activities	\$ (5,414,244)

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

Lee County, Mississippi
Statement of Net Position - Proprietary Funds
September 30, 2014

Exhibit 5

	Business - Type Activities Enterprise Funds		
	Solid Waste Fund	Turner Park Fund	Total
	Fund	Fund	Total
ASSETS			
Current assets:			
Cash	\$ 400	\$ 3,340	\$ 3,740
Accounts receivable, (net of allowance for uncollectibles of \$ 1,443,370)	290,962	7,389	298,351
Intergovernmental receivables	69,762	-0-	69,762
Other receivables	189,300	-0-	189,300
Total Current Assets	\$ 550,424	\$ 10,729	\$ 561,153
Noncurrent assets:			
Capital assets:			
Land	\$ 47,746	\$ -0-	\$ 47,746
Other capital assets, net	782,923	-0-	782,923
Total Noncurrent Assets	\$ 830,669	\$ -0-	\$ 830,669
Total Assets	\$ 1,381,093	\$ 10,729	\$ 1,391,822
LIABILITIES			
Current liabilities:			
Claims payable	\$ 72,375	\$ 2,383	\$ 74,758
Intergovernmental payables	4,993	-0-	4,993
Due to other funds	110,449	33,820	144,269
Advances from other funds	237,398	-0-	237,398
Unearned revenue	219,821	-0-	219,821
Other payables	-0-	5,400	5,400
Current portions of long-term capital related debt:			
Other long-term liabilities	37,263	-0-	37,263
Current portions of long-term non-capital related debt:			
Other long-term liabilities	19,350	-0-	19,350
Total Current Liabilities	\$ 701,649	\$ 41,603	\$ 743,252
Noncurrent liabilities:			
Capital related debt:			
Other long-term liabilities	\$ 118,267	\$ -0-	\$ 118,267
Non-capital related debt:			
Compensated absences payable	45,815	-0-	45,815
Other long-term liabilities	61,416	-0-	61,416
Total Noncurrent Liabilities	\$ 225,498	\$ -0-	\$ 225,498
NET POSITION			
Net investment in capital assets	\$ 675,139	\$ -0-	\$ 675,139
Unrestricted	(221,193)	(30,874)	(252,067)
Total Net Position	\$ 453,946	\$ (30,874)	\$ 423,072

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

Lee County, Mississippi
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
For the Year Ended September 30, 2014

Exhibit 6

	Business-type Activities Enterprise Funds		
	Solid Waste Fund	Turner Park Fund	Total
Operating Revenues			
Charges for services	\$ 2,304,875	\$ 84,748	\$ 2,389,623
Miscellaneous	11,019	-0-	11,019
Total Operating Revenues	\$ 2,315,894	\$ 84,748	\$ 2,400,642
Operating Expenses			
Personal services	\$ 1,001,720	\$ 2,424	\$ 1,004,144
Contractual services	687,103	68,781	755,884
Materials and supplies	428,659	1,183	429,842
Depreciation expense	144,321	1,082	145,403
Indirect administrative cost	34,467	3,586	38,053
Total Operating Expenses	\$ 2,296,270	\$ 77,056	\$ 2,373,326
Operating Income (Loss)	\$ 19,624	\$ 7,692	\$ 27,316
Nonoperating Revenues (Expenses)			
Interest income	\$ 102	\$ 376	\$ 478
Gain (loss) on sale of capital assets	-0-	348,799	348,799
Interest expense	(17,285)	(122)	(17,407)
Net Nonoperating Revenue (Expenses)	\$ (17,183)	\$ 349,053	\$ 331,870
Net Income Before Transfers	\$ 2,441	\$ 356,745	\$ 359,186
Transfers in	153,256	-0-	153,256
Transfers out	-0-	(766,191)	(766,191)
Changes in Net Position	\$ 155,697	\$ (409,446)	\$ (253,749)
Net Position - Beginning - See Note 16	\$ 298,249	\$ 389,173	\$ 687,422
Prior period adjustments	-0-	(10,601)	(10,601)
Net Position - Beginning, as restated	298,249	378,572	676,821
Net Position - Ending	\$ 453,946	\$ (30,874)	\$ 423,072

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

Lee County, Mississippi
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2014

Exhibit 7

	Business-type Activities Enterprise Funds		
	Solid Waste Fund	Turner Park Fund	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 2,212,091	\$ 88,245	\$ 2,300,336
Payments to suppliers	(1,143,468)	(74,420)	(1,217,888)
Payments to employees	(1,002,694)	(2,424)	(1,005,118)
Payments to general fund for indirect costs	(34,467)	(3,586)	(38,053)
Other operating cash receipts	11,019	-0-	11,019
Net Cash Provided (Used) by Operating Activities	\$ 42,481	\$ 7,815	\$ 50,296
Cash Flows From Noncapital Financing Activities			
Cash received from other funds:			
Operating transfers in	\$ 153,256	\$ -0-	\$ 153,256
Loans from other funds	-0-	28,618	28,618
Cash paid to other funds:			
Operating transfers out	-0-	(766,191)	(766,191)
Interfund loan repayments	(108,266)	-0-	(108,266)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 44,990	\$ (737,573)	\$ (692,583)
Cash Flows From Capital and Related Financing Activities			
Proceeds from sale of capital assets	\$ -0-	\$ 459,883	\$ 459,883
Acquisition of capital assets	(15,623)	-0-	(15,623)
Principal paid on long-term debt	(54,972)	(4,208)	(59,180)
Interest paid on debt	(17,285)	(122)	(17,407)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (87,880)	\$ 455,553	\$ 367,673
Cash Flows From Investing Activities			
Interest and dividends on investments	\$ 102	\$ 376	\$ 478
Net Cash Provided (Used) by Investing Activities	\$ 102	\$ 376	\$ 478
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (307)	\$ (273,829)	\$ (274,136)
Cash and Cash Equivalents at Beginning of Year	707	277,169	277,876
Cash and Cash Equivalents at End of Year	\$ 400	\$ 3,340	\$ 3,740
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 19,624	\$ 7,692	\$ 27,316
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	\$ 144,321	\$ 1,082	\$ 145,403
Provision for uncollectible accounts	172,836	-0-	172,836
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(220,310)	3,497	(216,813)
(Increase) decrease in intergovernmental receivables	(38,858)	-0-	(38,858)
(Increase) decrease in other receivables	(45,585)	-0-	(45,585)
Increase (decrease) in claims payable	(31,794)	(4,418)	(36,212)
Increase (decrease) in intergovernmental payables	4,993	(38)	4,955
Increase (decrease) in compensated absences liability	(1,880)	-0-	(1,880)
Increase (decrease) in unearned revenue	39,134	-0-	39,134
Total Adjustments	\$ 22,857	\$ 123	\$ 22,980
Net Cash Provided (Used) by Operating Activities	\$ 42,481	\$ 7,815	\$ 50,296

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

Lee County, Mississippi
Statement of Fiduciary Assets and Liabilities
September 30, 2014

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 614,517
Due from other funds	77,907
Other receivables	<u>15,565</u>
Total Assets	<u><u>\$ 707,989</u></u>
LIABILITIES	
Intergovernmental payables	\$ 707,966
Due to other funds	<u>23</u>
Total Liabilities	<u><u>\$ 707,989</u></u>

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

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lee 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 Lee County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- Lee-Itawamba Library System
- Cedar Hill Volunteer Fire District
- Pratts-Friendship Volunteer Fire District
- Belden Volunteer Fire District
- Mooreville-Eggville Volunteer Fire District
- Richmond Volunteer Fire District
- Palmetto-Old Union Fire District
- South Lee Volunteer Fire District
- Union Volunteer Fire District
- Unity Volunteer Fire District
- Birmingham Ridge Volunteer Fire District
- Greater Plantersville Volunteer Fire District
- Greater Saltillo Volunteer Fire District
- Greater Verona Volunteer Fire District
- Greater Shannon Volunteer Fire District
- Greater Nettleton Volunteer Fire District

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 | • Tax Assessor |
| • Chancery Clerk | • Tax Collector |
| • Circuit Clerk | • Sheriff |
| • Justice Court Clerk | |
| • Purchase Clerk | |

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies (Continued).

B. Basis of Presentation.

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

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities and business-type 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 and business-type 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 business-type activity or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise 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.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies (Continued).

C. Measurement Focus and Basis of Accounting.

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

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

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.

County Wide Road Fund – This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

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

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies (Continued).

C. Measurement Focus and Basis of Accounting (Continued).

The county reports the following major Enterprise Funds:

Solid Waste Fund – This fund is used to account for the County’s activities of disposal of solid waste within the County.

Turner Park Fund – This fund is used to account for the County’s sewer and water activities within the Turner Industrial Park.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures 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.

PROPRIETARY FUND TYPES

Enterprise Funds – These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPES

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

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies (Continued).

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.

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 statement, 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. Interfund receivables and payable between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type 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.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies (Continued).

H. Capital Assets (Continued).

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 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.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the County's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

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 and Proprietary Funds. 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:

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

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

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies (Continued).

I. Deferred Outflows/Inflows of Resources.

In addition to assets, the statements 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a 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 and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/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.

J. Long-Term Liabilities.

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position.

K. 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.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies (Continued).

K. Equity Classifications (Continued).

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

Unrestricted net position – All other net positions 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 amount 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 receivable 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 principal balance of a permanent fund.

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

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies (Continued).

K. Equity Classifications (Continued).

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.

L. Property Tax Revenues.

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

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

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

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies (Continued).

M. 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.

N. 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 and Proprietary Funds 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.

O. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement 66, *Technical Corrections – 2012 – an amendment of GASB Statement No. 10 and No 62*. The provisions of these standards have been incorporated into the financial statements and notes.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Capital asset adjustment	\$ 15,200
Interfund adjustment	5,201
Total prior period adjustments	<u>\$ 20,401</u>

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

<u>Explanation</u>	<u>Amount</u>
Interfund adjustment - E911 Fund	\$ 5,201
Total prior period adjustments	<u>\$ 5,201</u>

Exhibit 6 - Statement of Revenues, Expenses and Changed in Net Position -
Proprietary Funds.

<u>Explanation</u>	<u>Amount</u>
Interfund adjustment - Turner Park Fund	\$ 5,201
Customer meter deposits - Turner Park Fund	5,400
Total prior period adjustments	<u>\$ 10,601</u>

(3) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$6,816,001 and the bank balance was \$8,171,737. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(3) Deposits and Investments (Continued).

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. However, the Mississippi State Treasurer manages that risk on behalf of the County. 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.

Investments:

Investments balances at September 30, 2014, are as follows:

<u>Instrument Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Federal Home Loan Bks	12/02/17	\$ 500,456	AA+
Federal Farm Cr Bks	09/18/15	1,000,800	AA+
Federal Farm Cr Bks	09/18/17	506,905	AA+
Federal Farm Cr Bks	11/05/18	495,162	AA+
Federa Home Loan Bks	01/30/18	495,175	AA+
Federal Home Ln Mtg	07/28/17	499,060	AA+
Federal Natl Mtg Assn	01/20/15	1,000,260	AA+
FNMA REMIC	05/25/34	256,696	AA+
U.S. Treasury Note	08/31/17	511,720	AA+
U.S. Treasury Note	05/31/18	985,200	AA+
U.S. Treasury Note	10/31/18	296,262	AA+
U S. Treasury Security	08/15/21	426,602	AAA
Total		\$ 6,974,298	

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972), limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The County does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk – Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. None of the county’s investments were held by the investment’s counterparty on behalf of the County, not in the name of the County.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste	\$ 110,449
General Fund	Agency Funds	23
Countywide Road	General Fund	105,572
Countywide Bridge	General Fund	22,817
Other Governmental Funds	General Fund	398
Other Governmental Funds	Turner Park	33,820
Agency Funds	General Fund	77,907
Total		<u>\$ 350,986</u>

The receivable in the General Fund represents a temporary loan. The receivables from the General Fund represent the tax revenues collected in September 2014 but not settled until October 2014. The receivable from Turner Park represents funds deposited in error. 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	Solid Waste	\$ 237,398
Total		<u>\$ 237,398</u>

The advance from the General Fund (Hospital Sale Fund) represents a loan to the Solid Waste Fund for an equipment purchase. The advance is expected to be repaid over the next four years.

C. Transfers In/Out

Transfer In	Transfer Out	Amount
General Fund	Turner Park	\$ 766,191
Other Governmental Funds	General Fund	2,907,256
Solid Waste	General Fund	153,256
Total		<u>\$ 3,826,703</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for operating purposes and capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2014 consisted of the following:

Description	Amount
Governmental Activities:	
Economic Development	\$ 508,264
Legislative tag credit	512,691
FEMA/MEMA reimbursement for tornado cleanup	1,109,281
Motor Vehicle Fuel Tax	31,151
Motor Vehicle Licenses	73,900
Reimbursement for the housing of prisoners	91,195
Welfare	38,766
Other	159,260
Total Governmental Activities - Exhibit 3	\$ 2,524,508
Economic Development	132,355
School Resource Officer reimbursement	35,814
Other	39,588
Total Governmental Activities - Exhibit 1	\$ 2,732,265
Business-type Activities:	
Solid waste fees	\$ 69,762

(6) Ad Valorem Tax Fee In-Lieu Receivable.

Pontotoc County, Union County, and Lee County (PUL Alliance) entered into an Ad Valorem Tax Fee In-Lieu Agreement (Agreement) with the Mississippi Development Authority, the Mississippi Major Economic Impact Authority and Toyota Motor Manufacturing Mississippi, Inc. (TMMMS). The Agreement provides that beginning in January, 2001, and continuing until the retirement of the Public Bonds, TMMMS agrees to make an annual fee payment of \$2,500,000 to the PUL Alliance. The first fee payment was made in January, 2011, and subsequent fee payments shall be made on or before January 31 of each succeeding year. The fee payment shall expire after the 2026 payment or, if the Public Bonds are retired sooner than 2026, it shall expire in the year of retirement. Lee County's portion of this annual payment is one third or \$833,333.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(6) Ad Valorem Tax Fee In-Lieu Receivable (Continued).

Ad valorem tax fee in lieu receivable at September 30, 2014, is as follows:

Ad valorem tax fee in-lieu receivable	\$	7,490,606
Due in one to five years	\$	4,166,667
Due in six to ten years		4,166,667
Due in eleven to twelve years		1,666,666
Total	\$	10,000,000
Less: discount to present value - 5.45%		(2,509,394)
Net receivable	\$	7,490,606

The receivables due in more than one year are discounted to net present value using the County's average interest rate of 5.45% on the bonds issued for the project, which management has determined is an appropriate discount rate commensurate with the risks involved.

Lee County entered into an Ad Valorem Tax Fee In-Lieu Agreement (Agreement) with the Mississippi Development Authority, the City of Baldwin and Auto Parts Manufacturing Mississippi, Inc. (APMM). The Agreement provides that APMM agrees to make an annual fee-in-lieu payment of \$150,000 to Lee County. The first fee payment was made in January, 2013, and subsequent fee payments shall be made on or before January 31 of each succeeding year for the term of the Fee-In-Lieu, which is 10 years. The Agreement shall expire after the January 2022 payment.

Ad valorem tax fee in lieu receivable at September 30, 2014, is as follows:

Ad valorem tax fee in-lieu receivable	\$	1,113,236
Due in one to five years	\$	750,000
Due in six to eight years		450,000
Total	\$	1,200,000
Less: discount to present value - 2.00%		(86,764)
Net receivable	\$	1,113,236

The receivables due in more than one year are discounted to net present value using the County's average interest rate of 2.00%, which management has determined is an appropriate discount rate commensurate with the risks involved.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2014:

Governmental activities:

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments	Balance Sept. 30, 2014
<u>Non-depreciable capital assets</u>					
Land	\$ 4,189,291	\$ 53,253	\$ (58,000)	\$ -0-	\$ 4,184,544
Construction in progress	4,301,252	3,947,198	-0-	15,200	8,263,650
Total non-depreciable capital assets	<u>\$ 8,490,543</u>	<u>\$ 4,000,451</u>	<u>\$ (58,000)</u>	<u>\$ 15,200</u>	<u>\$ 12,448,194</u>
<u>Depreciable capital assets</u>					
Infrastructure	\$ 254,659,899	\$ 1,743,910	\$ -0-	\$ -0-	\$ 256,403,809
Buildings	36,605,219	-0-	-0-	-0-	36,605,219
Improvements other than buildings	980,075	-0-	-0-	-0-	980,075
Mobile equipment	11,909,665	896,225	(1,045,124)	-0-	11,760,766
Furniture and equipment	2,148,649	33,543	(168,616)	-0-	2,013,576
Leased property under capital lease	312,802	-0-	-0-	-0-	312,802
Total depreciable assets	<u>\$ 306,616,309</u>	<u>\$ 2,673,678</u>	<u>\$ (1,213,740)</u>	<u>\$ -0-</u>	<u>\$ 308,076,247</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	\$ 144,986,630	\$ 7,782,660	\$ -0-	\$ -0-	\$ 152,769,290
Buildings	9,800,690	706,374	-0-	-0-	10,507,064
Improvements other than buildings	528,051	30,714	-0-	-0-	558,765
Mobile equipment	8,034,197	707,344	(693,903)	-0-	8,047,638
Furniture and equipment	1,689,457	78,252	(162,164)	-0-	1,605,545
Leased property under capital lease	56,304	28,152	-0-	-0-	84,456
Total accumulated depreciation	<u>\$ 165,095,329</u>	<u>\$ 9,333,496</u>	<u>\$ (856,067)</u>	<u>\$ -0-</u>	<u>\$ 173,572,758</u>
Total depreciable capital assets, net	<u>\$ 141,520,980</u>	<u>\$ (6,659,818)</u>	<u>\$ (357,673)</u>	<u>\$ -0-</u>	<u>\$ 134,503,489</u>
Governmental activities capital assets, net	<u>\$ 150,011,523</u>	<u>\$ (2,659,367)</u>	<u>\$ (415,673)</u>	<u>\$ 15,200</u>	<u>\$ 146,951,683</u>

The adjustment is additional prior year construction cost.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(7) Capital Assets (Continued).

Business-type activities:

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments	Balance Sept. 30, 2014
<u>Non-depreciable capital assets</u>					
Land	\$ 47,746	\$ -0-	\$ -0-	\$ -0-	\$ 47,746
Total non-depreciable capital assets	<u>\$ 47,746</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 47,746</u>
<u>Depreciable capital assets</u>					
Buildings	\$ 425,500	\$ -0-	\$ (331,750)	\$ -0-	\$ 93,750
Improvements other than buildings	137,129	-0-	(137,129)	-0-	-0-
Mobile equipment	1,937,463	-0-	-0-	-0-	1,937,463
Furniture and equipment	39,459	15,623	-0-	-0-	55,082
Total depreciable assets	<u>\$ 2,539,551</u>	<u>\$ 15,623</u>	<u>\$ (468,879)</u>	<u>\$ -0-</u>	<u>\$ 2,086,295</u>
<u>Less accumulated depreciation for:</u>					
Buildings	\$ 292,010	\$ 2,956	\$ (248,094)	\$ -0-	\$ 46,872
Improvements other than buildings	109,702	-0-	(109,702)	-0-	-0-
Mobile equipment	1,086,839	131,403	-0-	-0-	1,218,242
Furniture and equipment	27,214	11,044	-0-	-0-	38,258
Total accumulated depreciation	<u>\$ 1,515,765</u>	<u>\$ 145,403</u>	<u>\$ (357,796)</u>	<u>\$ -0-</u>	<u>\$ 1,303,372</u>
Total depreciable capital assets, net	<u>\$ 1,023,786</u>	<u>\$ (129,780)</u>	<u>\$ (111,083)</u>	<u>\$ -0-</u>	<u>\$ 782,923</u>
Business type activities capital assets, net	<u><u>\$ 1,071,532</u></u>	<u><u>\$ (129,780)</u></u>	<u><u>\$ (111,083)</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 830,669</u></u>

Disposal of Turner Park (Business Type Activity)

On September 16, 2014, the County sold Turner Park sewer and water assets to the City of Saltillo. The City of Saltillo is better equipped to handle the water needs of the industrial customers in the Turner Industrial Park. As a result of the sale, the County recognized a gain on sale of assets in the Turner Park Enterprise Fund of \$348,799.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(7) **Capital Assets (Continued).**

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 418,357
Public safety	346,350
Public works	8,369,074
Health and welfare	1,820
Culture and recreation	112,272
Education	13,370
Conservation of natural resources	3,900
Economic development and assistance	68,353
Total governmental activities depreciation expense	\$ 9,333,496
Business-type activities:	
Solid Waste	\$ 144,321
Turner Park	1,082
Total business-type activities depreciation expense	\$ 145,403

Commitments with respect to unfinished capital projects at September 30, 2014, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
911 Countywide radio system	\$ 754,606	June 2015
Limoss Access Road	188,832	June 2015
General Atomics Access Road	12,250	February 2015
Ashley/Lipford Avenue	63,698	March 2015
Turner Park Industrial Site grading	76,365	April 2015
Total	\$ 1,095,751	

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2014, to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the County retaining the risk of loss on all claims to which the County is exposed. Premium payments to the pool are determined on an actuarial basis. The County has reinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$60,000, and the aggregate policy covers all submitted claims in excess of \$60,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal years 2013 and 2014:

	2013	2014
Unpaid Claims, Beginning of Fiscal Year	\$ 457,999	\$ 466,743
Plus: Incurred Claims (Including IBNRs)	3,538,926	4,052,915
Less: Claims Payments	<u>(3,530,182)</u>	<u>(3,938,785)</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 466,743</u>	<u>\$ 580,873</u>

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(9) Operating Leases.

As Lessor:

On December 5, 2006, Lee County entered into a non-cancellable operating lease agreement with Community Development Foundation for the lease of a building owned by the County for the purpose of economic development. The operating lease stipulated that the lessee would pay approximately \$5,546 per month in lease payments commencing June 1, 2008 for a term of 20 years.

The County receives income from this lease under a noncancellable operating lease. Total income from the lease was \$66,552 for the year ended September 30, 2014. The future minimum lease payments for this lease are as follows:

Year Ending September 30,	Amount
2015	\$ 66,552
2016	66,552
2017	66,552
2018	66,552
2019	66,552
2020-2024	332,759
2025-2028	227,385
Total	\$ 892,904

As Lessee:

On August 2, 2002, Lee County entered into a non-cancellable operating lease agreement with C.H. Page Trust for the lease of a building owned by the C.H. Page Trust for the purpose of housing the Department of Human Services. The operating lease stipulated that the lessee would pay approximately \$20,265 per month in lease payments commencing September 1, 2002 for a term of 15 years.

The County's operating lease does not give rise to property rights. Total costs for the lease was \$243,180 for the year ended September 30, 2014. The future minimum lease payments for this lease are as follows:

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(9) Operating Leases (Continued).

As Lessee: continued.

Year Ending September 30,	Amount
2015	\$ 243,180
2016	243,180
2017	222,915
Total	\$ 709,275

(10) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

Class of Property	Governmental Activities
Mobile equipment	\$ 312,802
Total	\$ 312,802
Less: Accumulated depreciation	84,456
Leased Property Under Capital Leases	\$ 228,346

The following is a schedule by years of the total payments due as of September 30, 2014:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2015	\$ 57,145	\$ 2,922
2016	58,502	1,564
2017	34,765	273
Total	\$ 150,412	\$ 4,759

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(11) Long-term Debt.

Debt outstanding as of September 30, 2014, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Toyota Bonds	\$ 7,205,000	5.00-6.00	7/1/26
GO Bonds Series, 2011	1,203,704	2.00-3.75	9/30/18
911 Bonds, Series 2013	<u>7,545,000</u>	1.50-5.25	8/1/28
Total General Obligation Bonds	<u>\$ 15,953,704</u>		
B. Capital Leases:			
Asphalt paver	<u>\$ 150,412</u>	2.35	4/19/17
D. Other Loans:			
Capital improvements revolving loan	\$ 743,851	3.00	5/1/28
Capital improvements revolving loan	561,701	2.00	12/1/25
Noncap revolving loan	500,000	0.00	10/15/21
Certificates of participation	2,425,000	3.75	6/1/25
Capital improvements revolving loan	1,400,068	3.00	2/1/33
Noncap loan	<u>1,000,000</u>	0.00	6/3/15
Total Other Loans	<u>\$ 6,630,620</u>		
Business-type Activities:			
A. General Obligation Bonds:			
GO Bonds Series, 2011	<u>\$ 236,296</u>	2.00-3.75	9/30/18

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(11) Long-term Debt (Continued).

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		Other Loans	
	Principal	Interest	Principal	Interest
2015	\$ 1,178,387	\$ 704,615	\$ 1,328,322	\$ 164,713
2016	1,211,746	665,638	342,370	153,916
2017	1,255,106	624,019	351,531	142,630
2018	1,303,465	577,837	365,809	131,039
2019	1,025,000	532,323	375,207	118,953
2020-2024	5,865,000	1,932,420	2,576,475	399,827
2025-2029	4,115,000	459,725	976,157	105,027
2030-2033	-0-	-0-	314,749	16,398
Total	\$ 15,953,704	\$ 5,496,577	\$ 6,630,620	\$ 1,232,503

Business-type Activities:

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2015	\$ 56,613	\$ 6,545	\$ -0-	\$ -0-
2016	58,254	4,822	-0-	-0-
2017	59,894	3,013	-0-	-0-
2018	61,535	1,038	-0-	-0-
Total	\$ 236,296	\$ 15,418	\$ -0-	\$ -0-

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, 2014, the amount of outstanding debt was equal to 1.05% of the latest property assessments.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(11) Long-term Debt (Continued).

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

	Balance <u>Oct. 1, 2013</u>	Additions	Reductions	Balance <u>Sept. 30, 2014</u>	Amount due <u>within one year</u>
Governmental Activities:					
Compensated absences	\$ 840,528	\$ 957	\$ -0-	\$ 841,485	\$ -0-
General obligation bonds	17,803,732	-0-	1,850,028	15,953,704	1,178,387
Unamortized premiums	945	-0-	945	-0-	-0-
Unamortized discounts	(170,194)	-0-	(13,756)	(156,438)	(14,555)
Capital leases	206,232	-0-	55,820	150,412	57,145
Other loans	<u>5,970,815</u>	<u>1,000,000</u>	<u>340,195</u>	<u>6,630,620</u>	<u>1,328,322</u>
Totals	<u>\$ 24,652,058</u>	<u>\$ 1,000,957</u>	<u>\$ 2,233,232</u>	<u>\$ 23,419,783</u>	<u>\$ 2,549,299</u>
Business-type Activities:					
Compensated absences	\$ 47,695	\$ -0-	\$ 1,880	\$ 45,815	\$ -0-
General obligation bonds	291,267	-0-	54,971	236,296	56,613
Other loans	<u>4,208</u>	<u>-0-</u>	<u>4,208</u>	<u>-0-</u>	<u>-0-</u>
Totals	<u>\$ 343,170</u>	<u>\$ -0-</u>	<u>\$ 61,059</u>	<u>\$ 282,111</u>	<u>\$ 56,613</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, Bridge Maintenance Fund, E-911 Fund, Agri-Center Fair Fund and Solid Waste Enterprise Fund.

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficit in fund balances at September 30, 2014:

<u>Fund</u>	<u>Deficit Amount</u>
Agri-CenterFair Fund	\$ 4,078
Dare Training	\$ 1,170
General Atomics Access Road	\$ 138,586
Limoss Access Road	\$ 176
Reappraisal Maintenance	\$ 600
Turner Park	\$ 30,874

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(13) Contingencies.

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

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

Solid Waste Revenue Refunding Bonds.

Three Rivers Solid Waste Management Authority issued solid waste revenue bonds. As part of a solid waste disposal service agreement between Lee County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the authority that are not covered by fees generated from solid waste disposal services. The County's pro rata share of the \$3,475,000 bonds balance at September 30, 2014, is \$487,195.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Three Rivers Solid Waste Management Authority operates in a district composed of the counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc, and Union and the cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The Lee County Board of Supervisors appoints one of the seven members of the board of directors. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste deposited. The County did not appropriate any funds for the support of the authority in fiscal year 2014.

Three Rivers Planning and Development District operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Lee County Board of Supervisors appoints five of the forty members of the board of directors. The County appropriated \$46,606 for the support of the district in fiscal year 2014.

Itawamba Community College operates in a district composed of the counties of Chickasaw, Itawamba, Lee, Monroe and Pontotoc. The Lee County Board of Supervisors appoints six of the thirty members of the college board of trustees. The County appropriated \$5,901,155 for the support and maintenance of the college in fiscal year 2014.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(14) Jointly Governed Organizations (Continued).

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Lee County Board of Supervisors appoints one of the seven members of the board of commissioners. The County appropriated \$96,630 for support of the commission in fiscal year 2014.

Lift, Inc. operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Lee County Board of Supervisors appoints two of the twenty-four members of the board of directors. The County appropriated \$7,860 in fiscal year 2014 to the organization.

Northeast Mississippi Emergency Medical Services serves the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Lee County Board of Supervisors appoints four of the thirty-six members of the board of directors. Lee County appropriated \$61,353 for support of the district in fiscal year 2014.

Pontotoc-Union-Lee Alliance (PUL) is an alliance among Pontotoc, Union and Lee counties. The Lee County Board of Supervisors appoints two of the nine members of the board of directors. The County did not appropriate any funds for the support of the alliance in fiscal year 2014.

(15) Defined Benefit Pension Plan.

Plan Description. Lee 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. Benefit provisions are established by state law 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.

Funding Policy. 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 rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members 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, 2014, 2013, and 2012, were \$1,827,892, \$1,686,998, and \$1,452,291, respectively, equal to the required contributions for each year.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

(16) Changes in Accounting Standards.

Effective October 1, 2013, the County implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement redefines certain financial elements previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement changes the method of reporting debt issuance costs. Prior to implementation of GASB Statement No. 65, the County reported debt issuance costs as deferred debt expense which was capitalized and amortized over the life of the debt. Deferred debt expense was reported as a non-current asset on the statement of net position. Under GASB Statement No. 65, bond issuance costs are to be recognized in the period of the debt issue. This resulted in a restatement of previously reported net position, as follows:

	Governmental Activities	Business-type Activities	Total
Net position at September 30, 2013, as previously reported	\$ 150,144,975	\$ 701,802	\$ 150,846,777
Restatement of beginning net position - adoption of GASB Statement No. 65	(756,808)	(14,380)	(771,188)
Net position at September 30, 2013, as restated	\$ 149,388,167	\$ 687,422	\$ 150,075,589

(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 Lee County evaluated the activity of the County through August 27, 2015, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

In November 2014, Lee County obtained a CAP loan in the amount of \$2,775,000 at a simple interest rate of three percent with a term of fifteen years from MS Development Authority to purchase 25.87 acres of property in the Tupelo/Lee Industrial Park South.

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REQUIRED SUPPLEMENTARY INFORMATION

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Lee County, Mississippi
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 12,963,398	\$ 13,208,397	\$ 13,208,397	\$ -0-
Licenses, commissions and other revenue	1,248,600	1,407,395	1,407,395	-0-
Fines and forfeitures	647,850	699,225	699,225	-0-
Intergovernmental revenues	3,039,785	2,975,964	2,975,964	-0-
Charges for services	815,500	1,107,149	1,107,149	-0-
Interest income	26,500	46,969	46,969	-0-
Miscellaneous revenues	422,027	361,479	361,479	-0-
Total Revenues	<u>\$ 19,163,660</u>	<u>\$ 19,806,578</u>	<u>\$ 19,806,578</u>	<u>\$ -0-</u>
EXPENDITURES				
Current:				
General government	\$ 9,276,555	\$ 9,955,574	\$ 9,955,574	\$ -0-
Public safety	7,538,940	7,351,764	7,351,764	-0-
Health and welfare	1,003,707	965,638	965,638	-0-
Culture and recreation	1,022,319	1,026,035	1,026,035	-0-
Conservation of natural resources	272,940	285,485	285,485	-0-
Economic development and assistance	143,986	143,601	143,601	-0-
Debt service:				
Principal	58,889	59,810	59,810	-0-
Interest	25,609	24,560	24,560	-0-
Total Expenditures	<u>\$ 19,342,945</u>	<u>\$ 19,812,467</u>	<u>\$ 19,812,467</u>	<u>\$ -0-</u>
Excess of Revenues over (under) Expenditures	<u>\$ (179,285)</u>	<u>\$ (5,889)</u>	<u>\$ (5,889)</u>	<u>\$ -0-</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	\$ 200	\$ -0-	\$ -0-	\$ -0-
Proceeds from sale of capital assets	4,000	713,425	713,425	-0-
Compensation for loss of capital assets	2,000	28,498	28,498	-0-
Transfers in	1,785,122	1,399,565	1,399,565	-0-
Transfers out	(4,477,549)	(4,151,798)	(4,151,798)	-0-
Total Other Financing Sources and Uses	<u>\$ (2,686,227)</u>	<u>\$ (2,010,310)</u>	<u>\$ (2,010,310)</u>	<u>\$ -0-</u>
Net Change in Fund Balance	\$ (2,865,512)	\$ (2,016,199)	\$ (2,016,199)	\$ -0-
Fund Balances - Beginning	<u>6,492,944</u>	<u>6,508,658</u>	<u>6,508,658</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 3,627,432</u>	<u>\$ 4,492,459</u>	<u>\$ 4,492,459</u>	<u>\$ -0-</u>

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

Lee County, Mississippi
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
County Wide Road Fund
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,423,548	\$ 2,494,859	\$ 2,494,859	\$ -0-
Licenses, commissions and other revenue	962,000	1,005,948	1,005,948	-0-
Fines and forfeitures	1,000	-0-	-0-	-0-
Intergovernmental revenues	995,000	966,542	966,542	-0-
Charges for services	5,100	29,886	29,886	-0-
Interest income	10,000	11,591	11,591	-0-
Miscellaneous revenues	1,300	5,634	5,634	-0-
Total Revenues	\$ 4,397,948	\$ 4,514,460	\$ 4,514,460	\$ -0-
EXPENDITURES				
Current:				
Public works	\$ 4,423,768	\$ 4,556,468	\$ 4,556,468	\$ -0-
Debt service:				
Principal	186,998	188,293	188,293	-0-
Interest	37,042	31,540	31,540	-0-
Total Expenditures	\$ 4,647,808	\$ 4,776,301	\$ 4,776,301	\$ -0-
Excess of Revenues over (under) Expenditures	\$ (249,860)	\$ (261,841)	\$ (261,841)	\$ -0-
OTHER FINANCING SOURCES (USES)				
Proceeds of long-term capital debt	\$ 100	\$ 48,728	\$ 48,728	\$ -0-
Proceeds from sale of capital assets	60,000	-0-	-0-	-0-
Compensation for loss of capital assets	1,000	-0-	-0-	-0-
Transfers in	188,760	274,231	274,231	-0-
Total Other Financing Sources and Uses	\$ 249,860	\$ 322,959	\$ 322,959	\$ -0-
Net Change in Fund Balance	\$ -0-	\$ 61,118	\$ 61,118	\$ -0-
Fund Balances - Beginning	109,345	2,244,800	2,244,800	-0-
Fund Balances - Ending	\$ 109,345	\$ 2,305,918	\$ 2,305,918	\$ -0-

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

Lee County, Mississippi
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
County Wide Bridge Fund
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,029,268	\$ 2,071,452	\$ 2,071,452	\$ -0-
Intergovernmental revenue	48,000	137,650	137,650	-0-
Interest income	5,000	5,887	5,887	-0-
Miscellaneous income	550	6,289	6,289	-0-
Total Revenues	<u>\$ 2,082,818</u>	<u>\$ 2,221,278</u>	<u>\$ 2,221,278</u>	<u>\$ -0-</u>
EXPENDITURES				
Current:				
Public works	\$ 1,965,691	\$ 1,784,307	\$ 1,784,307	\$ -0-
Debt service:				
Principal	97,402	97,402	97,402	-0-
Interest	20,025	18,519	18,519	-0-
Total Expenditures	<u>\$ 2,083,118</u>	<u>\$ 1,900,228</u>	<u>\$ 1,900,228</u>	<u>\$ -0-</u>
Excess of Revenues over (under) Expenditures	<u>\$ (300)</u>	<u>\$ 321,050</u>	<u>\$ 321,050</u>	<u>\$ -0-</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	\$ 100	\$ -0-	\$ -0-	\$ -0-
Proceeds from sale of capital assets	100	10,550	10,550	-0-
Compensation for loss of capital assets	100	-0-	-0-	-0-
Transfers out	-0-	(274,231)	(274,231)	-0-
Total other financing sources (uses)	<u>\$ 300</u>	<u>\$ (263,681)</u>	<u>\$ (263,681)</u>	<u>\$ -0-</u>
Net Change in Fund Balance	\$ -0-	\$ 57,369	\$ 57,369	\$ -0-
Fund Balances - Beginning	<u>705,575</u>	<u>758,451</u>	<u>758,451</u>	<u>-0-</u>
Fund Balances - Ending	<u><u>\$ 705,575</u></u>	<u><u>\$ 815,820</u></u>	<u><u>\$ 815,820</u></u>	<u><u>\$ -0-</u></u>

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

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LEE COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2014

Notes to the Required Supplementary Information

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

LEE COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2014

Notes to the Required Supplementary Information – Continued.

C. Budget/GAAP Reconciliation – Continued.

	Governmental Fund Types		
	General Fund	County Wide Road Fund	County Wide Bridge Fund
Budget (Cash Basis)	\$ (2,016,199)	\$ 61,118	\$ 57,369
Net adjustments for revenue	580,827	169,587	1,602,924
Net adjustments for expenditure	<u>(117,198)</u>	<u>(137,841)</u>	<u>(1,565,040)</u>
GAAP Basis	<u>\$ (1,552,570)</u>	<u>\$ 92,864</u>	<u>\$ 95,253</u>

SUPPLEMENTAL INFORMATION

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Lee County, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Agriculture			
Passed-through Three Rivers Planning and Development District Child and adult care food program	10.558	712-U-541	\$ <u>9,240</u>
Total U.S. Department of Agriculture			\$ <u>9,240</u>
U. S. Department of Housing and Urban Development			
Passed-through the Mississippi Department of Economic and Community Development CDBG-State-Administered CDBG Cluster Community development block grants/state's program and Non-Entitlement Grants in Hawaii	14.228	1130-13-041-ED-01	\$ <u>93,975</u>
Total U.S. Department of Housing and Urban Development			\$ <u>93,975</u>
U.S. Department of Justice			
Direct programs			
Support for Adam Walsh Act Implementation Grant Program	16.750	FWB3000F	\$ 1,457
Equitable Sharing Program	16.922	N/A	<u>2,208</u>
Total direct programs			\$ 3,665
Passed-through the State of Mississippi Department of Public Safety			
Violence against women formula grants	16.588	12SP1411	<u>40,443</u>
Total U.S. Department of Justice			\$ <u>44,108</u>
U.S. Department of Labor			
Passed-through the Mississippi Council of Aging Passed-through Three Rivers Planning and Development District			
Senior community service employment program	17.235	13-S90-05-6053-1	\$ 21,806
Senior community service employment program	17.235	13-S90-05-6054-1	<u>7,696</u>
Total U.S. Department of Labor			\$ <u>29,502</u>
U.S. Department of Transportation			
Passed-through the Mississippi Emergency Management Agency Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	N/A	\$ <u>3,886</u>
Total U.S. Department of Transportation			\$ <u>3,886</u>
Appalachian Regional Commission			
Passed-through the Mississippi Department of Economic and Community Development			
Appalachian Area Development	23.002	APL-0041(44)B	\$ <u>11,168</u>
Totoal Appalachian Regional Commission			\$ <u>11,168</u>

Lee County, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014
-Continued-

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed-through the Mississippi Council of Aging			
Passed-through Three Rivers Planning and Development			
District			
Aging Cluster			
Special programs for the aging__ Title III, Part B__ Grants for supportive services and senior centers	93.044	712-R-141B	\$ 17,678
Special programs for the aging__ Title III, Part C__ Nutrition services	93.045	712-R-232B	3,928
Special programs for the aging__ Title III, Part C__ Nutrition services	93.045	712-R-241B	45,433
Special programs for the aging__ Title III, Part C__ Nutrition services	93.045	712-R-321A	3,181
Special programs for the aging__ Title III, Part C__ Nutrition services	93.045	712-R-332B	76,141
Nutrition services incentive program	93.053	14-LC-3-C1	11,716
Nutrition services incentive program	93.053	14-LC-3-C2	18,260
Nutrition services incentive program	93.053	14-LC-XX-DC	936
Total Aging Cluster			\$ <u>177,273</u>
Social services block grant	93.667	712-V-241A	\$ 46,811
Social services block grant	93.667	712-V-241	80,907
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	14-LC-3RMW	9,446
			\$ <u>137,164</u>
Total U.S. Department of Health and Human Services			\$ <u>314,437</u>
U.S. Department of Homeland Security			
Passed-through the Mississippi Emergency Management Agency			
Disaster Grants - Public Assistance (2014 Tornado)	97.036 *	DR-4175-MS	\$ 925,515
Emergency Management Performance Grants	97.042	72114-664	94,809
Total U.S. Department of Homeland Security			\$ <u>1,020,324</u>
Total Expenditures of Federal Awards			\$ <u><u>1,526,640</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Note A: Significant Accounting Policies

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

* Denotes major federal award program

OTHER INFORMATION

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Lee County, Mississippi
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2014
"UNAUDITED"

<u>NAME</u>	<u>POSITION</u>	<u>INSURANCE COMPANY</u>	<u>BOND AMOUNT</u>
PHIL MORGAN	SUPERVISOR	RENASANT INSURANCE	\$ 100,000.00
BOBBY SMITH	SUPERVISOR	RENASANT INSURANCE	\$ 100,000.00
THOMAS DARRELL RANKIN	SUPERVISOR	RENASANT INSURANCE	\$ 100,000.00
TOMMIE LEE IVY	SUPERVISOR	RENASANT INSURANCE	\$ 100,000.00
BILLY JOE HOLLAND	SUPERVISOR	RENASANT INSURANCE	\$ 100,000.00
JIMMIE H JOHNSON	SHERIFF	ROSS & YERGER	\$ 100,000.00
WILLIAM H BENSON	CHANCERY CLERK	ROSS & YERGER	\$ 100,000.00
JOYCE R LOFTIN	CIRCUIT CLERK	ROSS & YERGER	\$ 100,000.00
PAT CARR	JUSTICE CO. JUDGE	RENASANT INSURANCE	\$ 50,000.00
DENNIS WAYNE VOGUE	JUSTICE CO. JUDGE	RENASANT INSURANCE	\$ 50,000.00
CHARLES H "CHUCK" HOPKINS	JUSTICE CO. JUDGE	RENASANT INSURANCE	\$ 50,000.00
JOHN HOYT SHEFFIELD	JUSTICE CO. JUDGE	RENASANT INSURANCE	\$ 50,000.00
SADIE M HOLLAND	JUSTICE CO. JUDGE	ROSS & YERGER	\$ 50,000.00
RICKEY W THOMPSON	JUSTICE CO. JUDGE	ROSS & YERGER	\$ 50,000.00
SCOTTY DALE CLARK	CONSTABLE	ROSS & YERGER	\$ 50,000.00
TED WOOD	CONSTABLE	ROSS & YERGER	\$ 50,000.00
PHIL GANN	CONSTABLE	ROSS & YERGER	\$ 50,000.00
TOM HENRY LYLES	CONSTABLE	RENASANT INSURANCE	\$ 50,000.00
MARK G WEATHERS	TAX ASSESSOR	ROSS & YERGER	\$ 50,000.00
LEROY E BELK, JR	TAX COLLECTOR	ROSS & YERGER	\$ 100,000.00
JAMES D MOORE	CO ATTORNEY	ROSS & YERGER	\$ 2,000.00
CARL J SCHERFF	COUNTY SURVEYOR	ROSS & YERGER	\$ 10,000.00
SEAN THOMPSON	COUNTY ADMIN	TRAVELER'S	\$ 100,000.00
SEAN THOMPSON	PUR CLERK	TRAVELER'S	\$ 75,000.00
YOLANDA GILBERT	INVENTORY CLERK	ROSS & YERGER	\$ 75,000.00
LISA B BOX	RECEIVING CLERK	OHIO CASUALTY INSURANCE CO	\$ 75,000.00
DENISE R FLANAGAN	AST PUR CLERK	TRAVELER'S	\$ 50,000.00
TAMMY COWARD	ASST INVEN CLERK	OHIO CASUALTY INSURANCE CO	\$ 50,000.00
TIMOTHY J ALLRED	ROAD MANAGER	TRAVELER'S	\$ 50,000.00
TAMMY RODGERS	ASST REC CLERK	OHIO CASUALTY INSURANCE CO	\$ 50,000.00
JOYCE LOFTIN	ASST REC CLERK	OHIO CASUALTY INSURANCE CO	\$ 50,000.00
KIM LOYD	ASST REC CLERK	OHIO CASUALTY INSURANCE CO	\$ 50,000.00
DORIS CANTRELL	ASST REC CLERK	OHIO CASUALTY INSURANCE CO	\$ 50,000.00
BRAD C BARNETT	ASST REC CLERK	TRAVELER'S	\$ 50,000.00
MISTY HARTLINE	ASST REC CLERK	OHIO CASUALTY INSURANCE CO	\$ 50,000.00
MARK WEATHERS	ASST REC CLERK	OHIO CASUALTY INSURANCE CO	\$ 50,000.00
ROBBIE MONTGOMERY	ASST REC CLERK	OHIO CASUALTY INSURANCE CO	\$ 50,000.00
SARA BETH MCCARTER	ASST REC CLERK	TRAVELER'S	\$ 50,000.00
JATARA S WOFFORD	ASST REC CLERK	TRAVELER'S	\$ 50,000.00
JOHN A HALL	ASST REC CLERK	OHIO CASUALTY INSURANCE CO	\$ 50,000.00
KAMISHA MCKINNON	ASST REC CLERK	OHIO CASUALTY INSURANCE CO	\$ 50,000.00
WILLIAM B KILGORE	ASST REC CLERK	TRAVELER'S	\$ 50,000.00
CASSANDRA J RUFF	ASST REC CLERK	TRAVELER'S	\$ 50,000.00
KAREN BALINT	ASST REC CLERK	OHIO CASUALTY INSURANCE CO	\$ 50,000.00
JANET CLARK	ASST REC CLERK	OHIO CASUALTY INSURANCE CO	\$ 50,000.00
RICKEY D SMITH	ASST REC CLERK	OHIO CASUALTY INSURANCE CO	\$ 50,000.00
L SEALS	ASST REC CLERK	OHIO CASUALTY INSURANCE CO	\$ 50,000.00
SUSAN O CARR	ASST REC CLERK	OHIO CASUALTY INSURANCE CO	\$ 50,000.00
MELANIE M WILSON	ASST REC CLERK	TRAVELER'S	\$ 50,000.00
MACKENZIE BROWN	ASST REC CLERK	TRAVELER'S	\$ 50,000.00
JUDY THOMPSON	ASST REC CLERK	TRAVELER'S	\$ 50,000.00
ELISE WILLIAMS ROBBINS	PAYROLL/BILL/PROCESS	OHIO CASUALTY INSURANCE CO	\$ 25,000.00

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SPECIAL REPORTS

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M. M. WINKLER & ASSOCIATES, PLLC

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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
Lee County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lee County, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 27, 2015. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lee County, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lee County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2014-001 to be a material weakness.

**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***

- Continued -

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lee County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to the management of Lee County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules, and the Limited Internal Control and Compliance Review Management Report dated August 27, 2015, included within this document.

Lee County's Response to Finding

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

Purpose of this Report

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

M. M. Winkler & Associates, PLLC

August 27, 2015

M. M. WINKLER & ASSOCIATES, PLLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Members of the Board of Supervisors
Lee County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Lee County, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2014. Lee County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Lee County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lee County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on Lee County, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, Lee County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2014.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

- Continued -

Report on Internal Control Over Compliance

Management of Lee County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Lee County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. According this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

M. M. Winkler & Associates, PLLC

August 27, 2015

M. M. WINKLER & ASSOCIATES, PLLC

Certified Public Accountants

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

Members of the Board of Supervisors
Lee County, Mississippi

We have examined Lee County, Mississippi’s (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Lee County, Mississippi is responsible for the County’s compliance with those requirements. Our responsibility is to express an opinion on the County’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County’s compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County’s compliance with specified requirements. The Board of Supervisors of Lee 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 evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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

Inventory Control Clerk

Finding

As reported in prior year, section 31-7-107, Miss. Code Ann. (1972), requires inventory reports to be filed with the Board of Supervisors, in triplicate, with copies forwarded to the Office of State Auditor no later than October 15th of each year. The required reports were not filed timely.

Recommendation

The Inventory Control Clerk should file the inventory report as required each year.

Inventory Control Clerk’s Response

We will comply.

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

-Continued-

In our opinion, except for the noncompliance referred to in the preceding paragraph, Lee County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

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

Lee 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 the central purchasing system and inventory control system of Lee County, Mississippi, 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.

M. M. Winkler & Associates, PLLC

August 27, 2015

LEE COUNTY, MISSISSIPPI
SCHEDULE OF PURCHASES NOT MADE FROM THE LOWEST BIDDER
For the Year Ended September 30, 2014

Schedule 1

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

LEE COUNTY, MISSISSIPPI
SCHEDULE OF EMERGENCY PURCHASES
For the Year Ended September 30, 2014

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
11/06/2013	Bridge Work	\$ 10,400	Rutledge Contractors, Inc.	Bridge Repair

LEE COUNTY, MISSISSIPPI
SCHEDULE OF PURCHASES MADE NONCOMPETITIVELY
FROM A SOLE SOURCE

For the Year Ended September 30, 2014

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
11/22/2013	ICOP 20/20 DVR	\$ 11,355	ICOP
03/10/2014	Liebert Challenger 3000	\$ 11,552	Liebert Corporation
04/04/2014	Software upgrades	\$ 16,665	Priority Dispatch
04/21/2014	Apex Sketching Interface	\$ 15,790	Delta Computer Systems, Inc.
05/19/2014	Printing and mailing of tax bills	\$ 19,571	Delta Computer Systems, Inc.

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lee County, Mississippi

In planning and performing our audit of the financial statements of Lee County, Mississippi for the year ended September 30, 2014, we considered Lee 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 Lee 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 August 27, 2015, on the financial statements of Lee County, Mississippi.

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

The results of our review procedures and compliance tests identified an immaterial instance of noncompliance with state laws and regulations that is an opportunity for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response is disclosed below:

Finding

Section 19-11-7, Miss. Code Ann. (1972), requires that the budget for the next fiscal year containing a statement of revenues and expenses should be published at least one (1) time during August or September but not later than September 30 of the year in a newspaper published in the county, or if no newspaper is published therein, then in a newspaper having a general circulation therein. The County's first publication of the 2015 fiscal budget occurred in October 2014.

Recommendation

The County should insure the budget for the next fiscal year is published at least one (1) time during August or September but not later than September 30 of the year.

County's Response

We will comply.

**LIMITED INTERNAL CONTROL AND COMPLIANCE
REVIEW MANAGEMENT REPORT**

-Continued-

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

M. M. Winkler & Associates, PLLC

August 27, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LEE COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the government financial statements: | |
| | Governmental activities | Unmodified |
| | Business-type activities | Unmodified |
| | Aggregate discretely presented component units | Adverse |
| | Major funds: | |
| | General Fund | Unmodified |
| | County Wide Road Fund | Unmodified |
| | County Wide Bridge Fund | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | Yes |
| | b. Significant deficiency(ies) identified? | None Reported |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Internal control over major program: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal program: | Unmodified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133? | No |
| 7. | Identification of major federal program: | |
| | a. Disaster Grants – Public Assistance (2014 Tornado)
CFDA #: 97.036 | |

LEE COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2014

-Continued-

Section 1: Summary of Auditor's Results - Continued

- | | | |
|-----|---|------------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

2014-001 Design Deficiency - Segregation of Duties (*Material Weakness*)

Condition: As reported in prior years, a lack of segregation of duties exists within the payroll department.

Criteria: Management is responsible for establishing and maintaining effective internal controls to prevent and detect misstatements that could have a material effect on the financial statements.

Cause of Condition: The County only has one employee that performs all of the payroll functions.

Effect of Condition: This lack of segregation of duties in the payroll function increases the risk that a misstatement could occur and go undetected.

Recommendation: We recommend the county segregate duties of the payroll department, or implement some compensating controls in order to improve internal controls in this area.

Response: Due to the limited number of employees in the Payroll Department, we feel that implementing additional internal controls utilizing employees other than the payroll clerk will mitigate the risk of loss or material misstatement in the most economically feasible manner. We will implement these controls no later than September 30, 2016.

Section 3: Federal Award Findings and Questioned Costs

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