

# LEE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2017

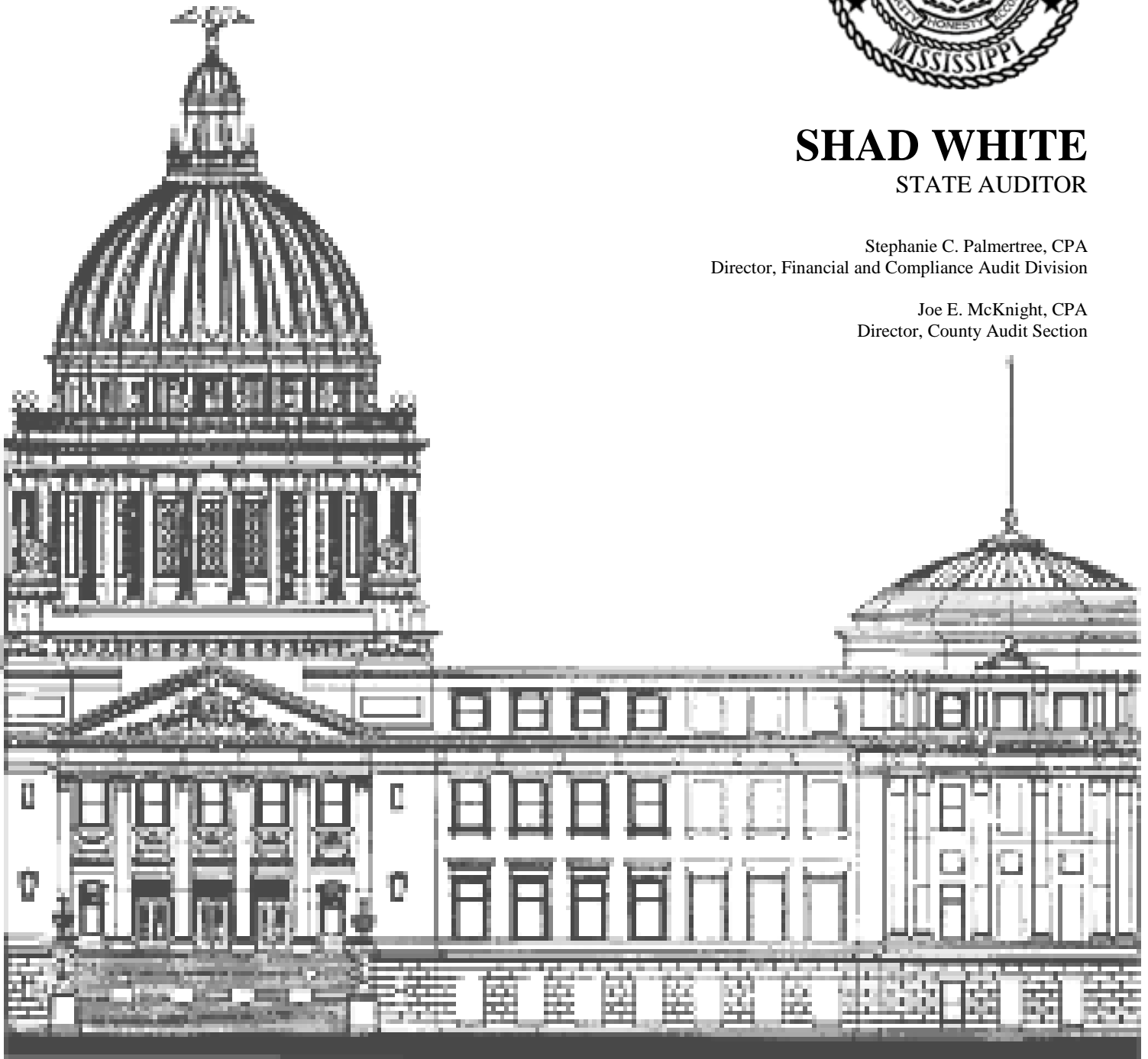


## SHAD WHITE

STATE AUDITOR

Stephanie C. Palmertree, CPA  
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA  
Director, County Audit Section



A Report from the County Audit Section

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**Shad White**  
AUDITOR

April 4, 2019

Members of the Board of Supervisors  
Lee County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2017 financial and compliance audit report for Lee County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

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

Shad White



LEE COUNTY  
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LEE COUNTY

FINANCIAL SECTION

LEE COUNTY

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

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Lee County, Mississippi

**Report on the 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, 2017, 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.

### ***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 has not been determined.

### ***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, 2017, 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.

### ***Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, and Solid Waste Fund***

As discussed in Note 10 the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities, the business-type activities, and the Solid Waste Fund and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities, the business-type activities, and the Solid Waste Fund. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities, the business-type activities, and the Solid Waste Fund has not been determined.

### ***Qualified Opinion***

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, and the Solid Waste Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and the Solid Waste Fund of Lee County, Mississippi, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, County Wide Road Fund, County Wide Bridge Fund, and the aggregate remaining fund information of Lee County, Mississippi, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Omission of Required Supplementary Information*

Lee County, Mississippi, has omitted the Schedule of Funding Progress – Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Supplementary and Other Information*

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 April 4, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lee County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lee County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

April 4, 2019

LEE COUNTY

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## LEE COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

LEE COUNTY

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# LEE COUNTY BOARD OF SUPERVISORS

## 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, 2017. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

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 2017, the U.S. Census Bureau estimated the population to be 84,933. 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 did not increase for the current year, and looking back over the past nineteen year period (1998-2017), 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 \$4,260,661 which represents a 4.01% decrease from the prior fiscal year. The County's ending cash and investment balance increased by \$780,634. This represents a 4.77% increase from the prior fiscal year.

The County had \$69,030,869 in total revenues. Tax revenues account for \$21,692,409 or 31.42% of total revenues. Program specific revenues in the form of charges for services and grants accounted for \$10,763,975 or 15.59% of total revenues.

The County had \$73,291,530 in total expenses, which represents an increase of \$29,010,534 or 65.51% from the prior fiscal year. Expenses in the amount of \$10,763,975 were offset by charges for services, grants, and outside contributions. General revenues of \$58,266,894 were used to provide for expenses.

Among major funds, the General Fund had \$22,458,455 in revenues and \$20,844,450 in expenditures. The General Fund's fund balance increased \$131,228 from the prior year. The Countywide Road Fund had \$4,948,141 in revenues and \$6,307,884 in expenditures. The Countywide Road Fund's fund balance decreased \$400,445 from the prior year. The Countywide Bridge Fund had \$2,324,508 in revenues and \$1,658,413 in expenditures. The Countywide Bridge Fund's fund balance increased \$446,971 from the prior year.

Capital assets, net of accumulated depreciation, decreased by \$2,830,156 or 2.10%. The majority of this decrease was due to the depreciation expense.

Long-term liabilities decreased by \$2,002,706 or 8.58%.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

## 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.

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

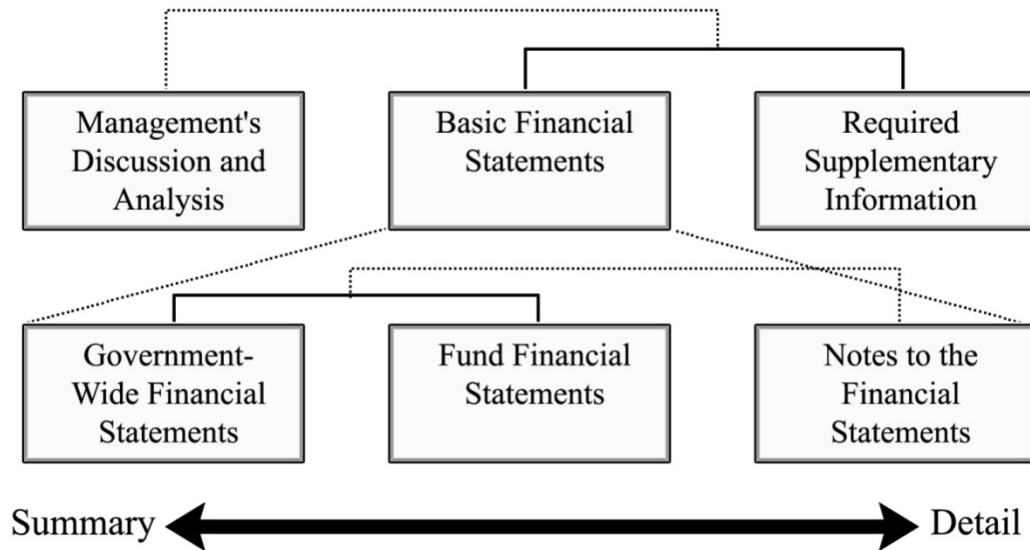


Figure 2 – Major Features of the County's Government-Wide and Fund Financial Statements

	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

## OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

# MANAGEMENT'S DISCUSSION AND ANALYSIS

- 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
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in net position</li> </ul>
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
Type of asset, deferred outflow, liability, deferred inflow information	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital and short and long term	Only assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, and short and long term	All assets, deferred outflows, liabilities, and deferred inflows, 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 year, regardless of when cash is received or paid	All revenues and expenses during 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.

## ***OVERVIEW OF THE FINANCIAL STATEMENTS - Continued***

# MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

## Government-wide Financial Statements – Continued

The **statement of activities** presents information showing how net position changed during the most recent fiscal year. All changes in net assets 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.

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; pension expense and interest on long-term debt. The business-type activities of the County include Solid Waste Collection and Disposal.

The Government-wide Financial Statements can be found on pages 21-23 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. Both 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 25 and 27-28, 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.

The basic governmental funds financial statements can be found on pages 24 and 26 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.

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. The proprietary funds financial statements can be found on pages 29-31 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 activities are presented in a separate Statement of Fiduciary Net Position, which can be found on page 32 of this report.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

## ***OVERVIEW OF THE FINANCIAL STATEMENTS - Continued***

### **Fund Financial Statements – Continued**

**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 33-57 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 and pension standards.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each major special revenue fund. Also, with the County implementation of GASB 68 and 71 the Schedule of the County's Proportionate Share of the Net Pension Liability and Schedule of County's Contributions have been provided. This required supplementary information can be found on pages 61-69 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 and deferred outflows exceeded liabilities and deferred inflows by \$101,889,235 as of September 30, 2017.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

## GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

By far, the largest portion of the County's net position (\$119,834,091) 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.

GASB 68 was implemented in fiscal year 2015.

GASB 77 was implemented in fiscal year 2017.

The following table presents a summary of the County's net position for the fiscal year ended September 30, 2017.

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2016	2017	2016	2017	2016	2017	2016-2017
<b>Assets:</b>							
Current assets	\$ 42,165	45,763	\$ 1,116	1,086	\$ 43,281	46,849	8.24%
Capital assets, net	134,178	131,266	867	949	135,045	132,215	-2.10%
Total assets	176,343	177,028	1,983	2,035	178,326	179,063	0.41%
Deferred Outflows	8,019	6,855	360	304	8,379	7,159	-14.56%
<b>Liabilities:</b>							
Current liabilities	\$ 8,335	6,757	\$ 573	428	\$ 8,908	7,185	-19.34%
Long-term debt outstanding	21,103	21,216	113	56	21,216	21,272	0.26%
Net pension liability	31,394	30,953	1,652	1,629	33,046	32,582	-1.40%
Total liabilities	\$ 60,832	58,926	\$ 2,338	2,113	\$ 63,170	61,039	-3.37%
Deferred inflows	17,352	23,142	33	152	17,385	23,294	33.99%
<b>Net position:</b>							
Net Investment in capital assets	\$ 121,215	118,926	\$ 787	908	\$ 122,002	119,834	-1.78%
Restricted	8,019	8,407	-	-	8,019	8,407	4.83%
Unrestricted	(23,056)	(25,517)	(815)	(835)	(23,871)	(26,352)	10.39%
Total net position	\$ 106,178	101,816	\$ (28)	73	\$ 106,150	101,889	-4.01%

# MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

## GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

	<u>2016</u>	<u>2017</u>
Total unrestricted net position	\$ (23,870,949)	\$ (26,351,451)
Less unrestricted deficit in net position resulting from recognition of GASB 68 and 71	<u>26,508,051</u>	<u>29,548,989</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 2,637,102</u>	<u>\$ 3,197,538</u>

Note: Lee County operates one business-type activity:

### 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 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.

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 \$2,830,156.
- The implementation of GASB 68 and 71, in a prior year, resulted in the recognition of a net pension liability in the amount of \$32,581,850.

**Changes in Net Position** – Lee County's total revenues for the fiscal year ended September 30, 2017 were \$69,030,869. The total cost for all services provided was \$73,291,530. The decrease in net position was \$4,260,661. The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2017.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2016	2017	2016	2017	2016	2017	2016-2017
<b>Revenues:</b>							
Program revenues							
Charges for services	\$ 2,398	2,616	\$ 2,664	2,841	\$ 5,062	5,457	7.80%
Fines and fees	2,141	2,142			2,141	2,142	0.05%
Federal grants	2,032	518			2,032	518	-74.51%
State grants	4,425	3,776			4,425	3,776	-14.67%
Local grants	549	485			549	485	-11.66%
General revenues							
Property taxes	19,622	20,645			19,622	20,645	5.21%
Road & Bridge privilege taxes	1,029	1,048			1,029	1,048	1.85%
Other	1,348	34,944	8	16	1,356	34,960	2478.17%
Total Revenues	33,544	66,174	2,672	2,857	36,216	69,031	90.61%
<b>Expenses:</b>							
General government	9,992	43,681			9,992	43,681	337.16%
Public safety	10,106	10,189			10,106	10,189	0.82%
Public works	13,384	5,749			13,384	5,749	-57.05%
Health and welfare	1,170	1,467			1,170	1,467	25.38%
Culture and recreation	1,553	3,269			1,553	3,269	110.50%
Education	13	13			13	13	0.00%
Conservation of natural resources	184	225			184	225	22.28%
Economic development	327	391			327	391	19.57%
Interest on long-term debt	776	765			776	765	-1.42%
Pension expense	4,375	4,788			4,375	4,788	9.44%
Solid waste collection & disposal			2,401	2,755	2,401	2,755	14.74%
Total Expenses	41,880	70,537	2,401	2,755	44,281	73,292	65.52%
Increase (Decrease) in Net Position	\$ (8,336)	(4,363)	\$ 271	102	\$ (8,065)	(4,261)	-47.17%

**Governmental Activities** – The following table presents the cost of functional activities of the County. 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.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

		Total Costs of Services			Percentage		Net Costs of Services			Percentage	
		2016	2017	2016-2017	Change		2016	2017	2016-2017	Change	
General Government	\$	9,991,649	43,680,722	337.17%			7,353,311	40,884,837	456.01%		
Public Safety		10,106,416	10,188,418	0.81%			6,032,897	7,439,881	23.32%		
Public Works		13,384,429	5,749,442	-57.04%			12,289,451	4,175,196	-66.03%		
Health & Welfare		1,169,619	1,466,884	25.42%			559,602	838,134	49.77%		
Culture and Recreation		1,552,590	3,268,828	110.54%			1,552,590	3,268,828	110.54%		
Education		13,369	13,369	0.00%			13,369	13,369	0.00%		
Conservation of natural resources		183,713	225,316	22.65%			179,963	225,316	25.20%		
Economic Development		327,494	391,298	19.48%			(1,320,210)	215,322	-116.31%		
Interest of Long-term Debt		776,049	765,136	-1.41%			776,049	765,137	-1.41%		
Pension Expense		4,374,763	4,787,611	9.44%			4,374,763	4,787,611	9.44%		

## 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 \$11,701,334 an increase of \$278,079 from the beginning fund balance. The primary reasons for this increase are highlighted in the analysis of governmental-wide activities.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$131,228.

**Business-type funds** – Revenue from the Solid Waste Collection and Disposal Fund increased by 6.90% to \$2,840,581 and expenses increased 14.73% to \$2,754,505.

## 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, 2017, Lee County's total capital assets were \$328,558,411. 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 a decrease from the previous year of \$2,487,772 or 0.45%.

Total accumulated depreciation as of September 30, 2017 was \$196,343,897 including \$3,808,265 of depreciation expense for the year. The balance in total net capital assets was \$132,214,514 at year-end.

Additional information on Lee County's capital assets can be found in note 6 on pages 43-45 of this report.

**Debt Administration** – At September 30, 2017, Lee County had \$21,418,732 in long-term debt outstanding. This includes general obligation bonds, other loans and compensated absences. Of this debt, \$2,234,870 is due within one year.

In the prior year, the County completed two advanced refundings of bonds to reduce the total debt service of the county. Together, the two refundings will save the county a total of \$1,028,237 over a twelve year period ending August 1, 2028.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

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, 2017, was equal to 1.36% 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 52-54 of this report.

## *CURRENT AND FUTURE ITEMS OF IMPACT*

On October 29, 2015, Lee County issued general obligation refunding bonds to advance refund the Toyota bonds originally issued December 18, 2008, in order to reduce the county's debt service payment over the next 10 years. The advanced refunding resulted in a reduction of \$769,459 in debt service payments and an economic gain of \$127,933. The payment in lieu of tax agreement with Toyota as authorized by law is still in force after the refunding and the payment in lieu of taxes will still be used to repay the bonded debt principal and interest.

In September 2016, the county issued general obligation refunding bonds to advance refund bonds originally issued in August 2013, to fund a replacement of the countywide emergency radio infrastructure and end-user radios. These refunding bonds will reduce the county's debt service payments by \$258,778 over the next 12 years and resulted in an economic gain of \$233,194. The bonds will be repaid from the general fund.

## *CURRENT AND FUTURE ITEMS OF IMPACT - Continued*

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.

As of September 2017, Lee County had an unemployment rate of 3.90%. This was slightly lower than the state average of 4.90%. By February 2018, both Lee County's rate and the state's rate had improved to 3.50% and 4.50%, respectively.

Total budgeted revenues increased for the next fiscal year by \$262,698 or 0.71% and total budgeted expenditures increased \$444,298 or 1.12%. The County expects to have a decrease in net position for the next fiscal year.

On March 22, 2018, the County entered into an equipment lease purchase agreement with Bank of America to purchase installed energy efficient lighting for a principal amount of \$1,881,950, with a term of 15 years.

On April 4, 2018, the County issued general obligation bonds in the amount of \$3,740,000 to purchase land intended for use as an industrial park. With interest rates between 3.0% and 4.25%, the debt will be repaid over a twenty year period from the general fund.

## *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.

LEE COUNTY

FINANCIAL STATEMENTS

LEE COUNTY

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LEE COUNTY  
Statement of Net Position  
September 30, 2017

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 9,531,991	410,794	9,942,785
Investments	7,216,775		7,216,775
Accrued interest receivable	28,962		28,962
Property tax receivable	20,161,089		20,161,089
Accounts receivable (net of allowance for uncollectibles of \$1,630,737)		453,740	453,740
Fines receivable (net of allowance for uncollectibles of \$6,689,139)	502,857		502,857
Capital leases receivable	20		20
Intergovernmental receivables	1,336,706	41,365	1,378,071
Other receivables	202,074	207,863	409,937
Internal balances	27,171	(27,171)	-
Ad valorem tax fee in-lieu receivable, net	6,755,147		6,755,147
Capital assets:			
Land and construction in progress	4,616,832	47,746	4,664,578
Other capital assets, net	126,648,817	901,119	127,549,936
Total Assets	177,028,441	2,035,456	179,063,897
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	5,776,117	304,004	6,080,121
Deferred amount on refunding	1,078,556		1,078,556
Total Deferred Outflows of Resources	6,854,673	304,004	7,158,677
LIABILITIES			
Claims payable	987,228	114,333	1,101,561
Intergovernmental payables	3,699,040	994	3,700,034
Accrued interest payable	114,726	425	115,151
Unearned revenue	14,518	251,585	266,103
Amounts held in custody for others	1,298,250		1,298,250
Claims and judgments payable	643,309		643,309
Long-term liabilities			
Net pension liability	30,952,990	1,628,860	32,581,850
Due within one year:			
Capital debt	1,404,593	40,502	1,445,095
Non-capital debt	768,742	21,033	789,775
Due in more than one year:			
Capital debt	11,021,231		11,021,231
Non-capital debt	8,106,920	55,711	8,162,631
Total Liabilities	59,011,547	2,113,443	61,124,990

LEE COUNTY  
Statement of Net Position  
September 30, 2017

Exhibit 1 - Cont'd

	Primary Government		
	Governmental Activities	Business-type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	2,894,898	152,362	3,047,260
Deferred revenues - property taxes	20,161,089		20,161,089
Total Deferred Inflows of Resources	23,055,987	152,362	23,208,349
NET POSITION			
Net investment in capital assets	118,925,728	908,363	119,834,091
Restricted for:			
Expendable:			
General government	1,416,804		1,416,804
Public safety	1,340,384		1,340,384
Public works	5,388,434		5,388,434
Economic development and assistance	260,973		260,973
Unrestricted	(25,516,743)	(834,708)	(26,351,451)
Total Net Position	\$ 101,815,580	73,655	101,889,235

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

LEE COUNTY  
Statement of Activities  
For the Year Ended September 30, 2017

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 43,680,722	2,174,770	588,374	32,741	(40,884,837)		(40,884,837)
Public safety	10,188,418	2,564,123	184,414		(7,439,881)		(7,439,881)
Public works	5,749,442	18,747	1,365,001	190,498	(4,175,196)		(4,175,196)
Health and welfare	1,466,884		628,750		(838,134)		(838,134)
Culture and recreation	3,268,828				(3,268,828)		(3,268,828)
Education	13,369				(13,369)		(13,369)
Conservation of natural resources	225,316				(225,316)		(225,316)
Economic development and assistance	391,298			175,976	(215,322)		(215,322)
Interest on long-term debt	765,137				(765,137)		(765,137)
Pension expense	4,787,611				(4,787,611)		(4,787,611)
Total Governmental Activities	<u>70,537,025</u>	<u>4,757,640</u>	<u>2,766,539</u>	<u>399,215</u>	<u>(62,613,631)</u>		<u>(62,613,631)</u>
Business-type activities:							
Solid Waste	2,754,505	2,840,581				86,076	86,076
Total Business-type Activities	<u>2,754,505</u>	<u>2,840,581</u>	<u>0</u>	<u>0</u>		<u>86,076</u>	<u>86,076</u>
Total Primary Government	<u>\$ 73,291,530</u>	<u>7,598,221</u>	<u>2,766,539</u>	<u>399,215</u>	<u>(62,613,631)</u>	<u>86,076</u>	<u>(62,527,555)</u>
General revenues:							
Property taxes					\$ 20,644,648		20,644,648
Road & bridge privilege taxes					1,047,760		1,047,760
Grants and contributions not restricted to specific programs					1,614,794		1,614,794
Unrestricted investment income					82,366	1,611	83,977
Miscellaneous					34,515,288	14,057	34,529,345
Ad valorem tax fee in-lieu revenue					346,370		346,370
Total General Revenues					<u>58,251,226</u>	<u>15,668</u>	<u>58,266,894</u>
Changes in Net Position					<u>(4,362,405)</u>	<u>101,744</u>	<u>(4,260,661)</u>
Net Position - Beginning					<u>106,177,985</u>	<u>(28,089)</u>	<u>106,149,896</u>
Net Position - Ending					<u>\$ 101,815,580</u>	<u>73,655</u>	<u>101,889,235</u>

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

LEE COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2017

Exhibit 3

	Major Funds			Other	Total
	General Fund	County Wide Road Fund	County Wide Bridge Fund	Governmental Funds	Governmental Funds
<b>ASSETS</b>					
Cash	\$ 6,924,368	258,839	579,234	1,769,550	9,531,991
Investments	3,029,817	3,072,173	1,114,785		7,216,775
Cash with fiscal agent					0
Accrued interest receivable	12,469	11,815	4,379	299	28,962
Property tax receivable	14,721,268	2,674,250	2,231,305	534,266	20,161,089
Fines receivable (net of allowance for uncollectibles of \$6,689,139)	502,857				502,857
Intergovernmental receivables	952,934	181,542	8,122	194,108	1,336,706
Other receivables	85,357	8,275	13,208	95,143	201,983
Due from other funds	27,262	202,128	98,454	22,258	350,102
Total Assets	\$ 26,256,332	6,409,022	4,049,487	2,615,624	39,330,465
<b>LIABILITIES</b>					
Liabilities:					
Claims payable	\$ 792,212	154,156	9,363	31,497	987,228
Intergovernmental payables	3,348,083		1,001	7,742	3,356,826
Due to other funds	665,054				665,054
Unearned revenue				14,518	14,518
Amounts held in custody for others	1,199,566			98,684	1,298,250
Claims and judgments payable	643,309				643,309
Total Liabilities	\$ 6,648,224	154,156	10,364	152,441	6,965,185
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue - property taxes	14,721,268	2,674,250	2,231,305	534,266	20,161,089
Unavailable revenue - fines	502,857				502,857
Total Deferred Inflows of Resources	\$ 15,224,125	2,674,250	2,231,305	534,266	20,663,946
<b>Fund balances:</b>					
Restricted for:					
General government	1,043,121			373,683	1,416,804
Public safety	46,123			1,294,261	1,340,384
Public works		3,580,616	1,807,818		5,388,434
Economic development and assistance				260,973	260,973
Unassigned	3,294,739				3,294,739
Total Fund Balances	\$ 4,383,983	3,580,616	1,807,818	1,928,917	11,701,334
Total Liabilities, Deferred Inflows and Fund Balances	\$ 26,256,332	6,409,022	4,049,487	2,615,624	39,330,465

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



## LEE COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2017

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 11,701,334
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 \$194,877,258.	131,265,649
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	502,857
Accrued receivables that are not available to pay for current expenditures and, therefore, are not recorded in the funds.	
Ad valorem tax free in-lieu receivable, net	6,755,147
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(21,301,486)
Accrued interest payable is not due and payable in the current period and, therefore, are not deferred in the funds.	(114,726)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(30,952,990)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	20
Deferred amount on refunding	1,078,556
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	5,776,117
Deferred inflows of resources related to pensions	<u>(2,894,898)</u>
Total Net Position - Governmental Activities	\$ <u><u>101,815,580</u></u>

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

## LEE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2017

	Major Funds			Other	Total
	General Fund	County Wide Road Fund	County Wide Bridge Fund	Governmental Funds	Governmental Funds
REVENUES					
Property taxes	\$ 14,914,424	2,764,722	2,298,693	666,809	20,644,648
Road and bridge privilege taxes		1,047,760			1,047,760
Licenses, commissions and other revenue	1,559,099	14,351		25,158	1,598,608
Fines and forfeitures	628,174				628,174
In lieu taxes - ad valorem	150,000			841,125	991,125
Intergovernmental revenues	3,359,069	1,097,689		370,439	4,827,197
Charges for services	1,191,588	2,010	1,103	1,375,253	2,569,954
Interest income	47,953	21,514	10,504	2,395	82,366
Miscellaneous revenues	608,148	95	14,208	105,622	728,073
Total Revenues	22,458,455	4,948,141	2,324,508	3,386,801	33,117,905
EXPENDITURES					
Current:					
General government	10,277,966			114,289	10,392,255
Public safety	7,546,889			2,292,930	9,839,819
Public works		6,107,610	1,542,176		7,649,786
Health and welfare	1,468,076				1,468,076
Culture and recreation	1,090,412			186,303	1,276,715
Conservation of natural resources	229,038				229,038
Economic development and assistance	164,488			45,942	210,430
Debt service:					
Principal	54,541	179,103	106,124	1,737,946	2,077,714
Interest	13,040	21,171	10,113	596,720	641,044
Total Expenditures	20,844,450	6,307,884	1,658,413	4,974,130	33,784,877
Excess of Revenues over (under) Expenditures	1,614,005	(1,359,743)	666,095	(1,587,329)	(666,972)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued		174,368			174,368
Long-term non-capital debt issued	750	1,575	1,575		3,900
Proceeds from sale of capital assets	195,900	538,892			734,792
Compensation for loss of capital assets	2,736	29,255			31,991
Transfers in		215,208		1,687,654	1,902,862
Transfers out	(1,682,163)		(220,699)		(1,902,862)
Total Other Financing Sources and Uses	(1,482,777)	959,298	(219,124)	1,687,654	945,051
Net Changes in Fund Balances	131,228	(400,445)	446,971	100,325	278,079
Fund Balances - Beginning	4,252,755	3,981,061	1,360,847	1,828,592	11,423,255
Fund Balances - Ending	\$ 4,383,983	3,580,616	1,807,818	1,928,917	11,701,334

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

## LEE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2017

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 278,079
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$36,966,307 exceeded depreciation of \$3,669,786 in the current period.	33,296,521
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$35,460,212 and the proceeds from the sale of capital assets of \$734,792 and compensation of loss of capital assets of \$31,991 in the current period.	(36,226,995)
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.	(32,949)
Revenues in the Statement of Activities that do not provide current financial resources are not required as revenues in the funds:	
Ad valorem tax fee in-lieu	(644,754)
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 \$2,077,714 exceeded debt proceeds of \$178,268, and bond discount amortization of \$16,293.	1,883,153
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:	
Decrease in compensated absences liability	63,508
Increase in accrued interest payable	(7,599)
Amortization of bond premium	9,065
Amortization of deferred amount on refunding	(109,267)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	

## LEE COUNTY

Exhibit 4-1 - Cont'd

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, 2017

Amount

Some items reported in the Statement of Activities relating to the implementation of GASB 68  
are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period

(4,787,611)

Recording of contributions made during the year

1,916,444

Change in Net Position of Governmental Activities

\$ (4,362,405)

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

LEE COUNTY  
Statement of Net Position - Proprietary Fund  
September 30, 2017

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 410,794
Accounts receivable (net of allowance for uncollectibles of \$1,630,737)	453,740
Intergovernmental receivables	41,365
Other receivables	207,863
Total Current Assets	<u>1,113,762</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	47,746
Other capital assets, net	901,119
Total Noncurrent Assets	<u>948,865</u>
Total Assets	<u>2,062,627</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>304,004</u>
Total Deferred Outflows of Resources	<u>304,004</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	114,333
Intergovernmental payables	994
Due to other funds	27,171
Accrued interest payable	425
Unearned revenue	251,585
Capital debt:	
Other long-term liabilities	40,502
Non-capital debt:	
Other long-term liabilities	21,033
Total Current Liabilities	<u>456,043</u>
Noncurrent liabilities:	
Net pension liability	1,628,860
Non-capital debt:	
Compensated absences payable	55,711
Total Noncurrent Liabilities	<u>1,684,571</u>
Total Liabilities	<u>2,140,614</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>152,362</u>
Total Deferred Inflows of Resources	<u>152,362</u>
<b>NET POSITION</b>	
Net investment in capital assets	908,363
Unrestricted	(834,708)
Total Net Position	<u>\$ 73,655</u>

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

## LEE COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund  
For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 2,840,581
Miscellaneous	10,114
Total Operating Revenues	<u>2,850,695</u>
Operating Expenses	
Cost of sales	
Personal services	1,172,189
Contractual services	710,937
Materials and supplies	429,768
Depreciation expense	138,479
Indirect administrative cost	45,635
Pension expense	251,980
Total Operating Expenses	<u>2,748,988</u>
Operating Income	<u>101,707</u>
Nonoperating Revenues (Expenses)	
Interest income	1,611
Interest expense	(5,517)
Other income (expenses)	3,943
Net Nonoperating Revenue (Expenses)	<u>37</u>
Changes in Net Position	<u>101,744</u>
Net Position - Beginning	<u>(28,089)</u>
Net Position - Ending	\$ <u><u>73,655</u></u>

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

LEE COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2017

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,677,629
Payments to suppliers	(1,292,498)
Payments to employees	(1,268,119)
Payments to General Fund for indirect costs	(45,635)
Other operating cash receipts	10,115
Net Cash Provided (Used) by Operating Activities	<u>81,492</u>
Cash Flows From Noncapital Financing Activities	
Cash paid to other funds:	
Interfund loan repayments	(97,552)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(97,552)</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(217,771)
Principal paid on long-term debt	(59,894)
Interest paid on debt	(5,502)
Other receipts (payments)	1,505
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(281,662)</u>
Cash Flows From Investing Activities	
Interest and dividends on investments	1,611
Net Cash Provided (Used) by Investing Activities	<u>1,611</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(296,111)
Cash and Cash Equivalents at Beginning of Year	<u>706,905</u>
Cash and Cash Equivalents at End of Year	<u>\$ 410,794</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 101,707
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	138,479
Provision for uncollectible accounts	(13,852)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(116,556)
(Increase) decrease in intergovernmental receivables	(27,383)
(Increase) decrease in other receivables	(11,856)
(Increase) decrease in deferred outflows - pensions	55,521
Increase (decrease) in claims payable	(151,669)
Increase (decrease) in intergovernmental payables	29
Increase (decrease) in net pension liability	(23,188)
Increase (decrease) in compensated absences liability	3,849
Increase (decrease) in unearned revenue	6,696
Increase (decrease) in deferred inflows - pensions	119,715
Total Adjustments	<u>(20,215)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 81,492</u>

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

LEE COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2017

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 381,278
Accrued interest receivable	
Intergovernmental receivables	
Due from other funds	342,214
Other receivables	<u>17,792</u>
Total Assets	\$ <u><u>741,284</u></u>
LIABILITIES	
Amounts held in custody for others	\$
Other liabilities	91
Intergovernmental payables	741,193
Due to other funds	
Total Liabilities	\$ <u><u>741,284</u></u>



## LEE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2017

#### (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 Volunteer 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
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor
- Tax Collector
- Sheriff

##### B. Basis of Presentation.

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

## LEE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2017

#### 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, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures. 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.

#### 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.

## LEE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2017

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

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

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

#### PROPRIETARY FUND TYPE

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 TYPE

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

#### D. Account Classifications.

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

#### E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements. Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

# LEE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2017

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." Interfund receivables and payables 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. 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.

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

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

## LEE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2017

#### I. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred amount on refunding – For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 11 for additional details.

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

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.

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 11 for additional details.

#### J. Pensions.

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

#### K. Long-term Liabilities.

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

In the government-wide financial statements 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.

## LEE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2017

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

#### L. Equity Classifications.

##### Government-wide Financial Statements:

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

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

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

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

##### Net Position Flow Assumption:

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

##### Fund Financial Statements:

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

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

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

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

##### Fund Balance Flow Assumption:

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

## LEE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2017

#### M. Property Tax Revenues:

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

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

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

#### N. Intergovernmental Revenues in Governmental Funds.

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

#### O. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements 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.

#### P. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. The provisions of these standards have been incorporated into the financial statements and notes.

#### (2) Deposits and Investments.

##### Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$10,324,063, and the bank balance was \$10,572,506. 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

## Notes to Financial Statements For the Year Ended September 30, 2017

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

### Investments:

Investments balances at September 30, 2017, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
American Express Cert Deposit	01/30/18	\$ 200,088	N/A
Discover Bank Cert Depsit	02/05/18	200,088	N/A
Goldman Sachs Bank Cert Deposit	02/05/18	200,088	N/A
Federal Home Loan Mtg	07/27/20	297,756	AA+
Federal Home Loan Bks	06/15/20	497,755	AA+
Federal Natl Mtg Assn	01/27/20	149,432	AA+
Federal Home Loan Mtg	09/29/20	499,475	AA+
Federal Home Loan Mtg	11/26/19	299,838	AA+
U. S. Treasury Note	10/31/18	299,580	AAA
U. S. Treasury Note	05/31/18	998,340	AA+
U. S. Treasury Note	05/31/18	302,145	AA+
U. S. Treasury Note	04/30/18	251,978	AAA
U. S. Treasury Note	12/15/17	249,933	AAA
U. S. Treasury Note	08/31/18	500,675	AAA
U. S. Treasury Note	11/30/17	250,465	AA+
U. S. Treasury Note	02/18/18	599,622	AAA
U. S. Treasury Note	11/30/20	252,575	AAA
U. S. Treasury Note	05/31/19	149,550	AAA
U. S. Treasury Note	12/31/18	250,308	AAA
U. S. Treasury Note	08/28/21	302,937	AAA
U. S. Treasury Note	08/15/21	464,147	AAA
Total		\$ <u>7,216,775</u>	

**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 investments 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

## Notes to Financial Statements For the Year Ended September 30, 2017

### (3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2017:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 27,171
General Fund	Agency Funds	91
County Wide Road Fund	General Fund	202,128
County Wide Bridge Fund	General Fund	98,454
Other Governmental Funds	General Fund	22,258
Agency Funds	General Fund	342,214
Total		\$ <u>692,316</u>

The receivable in the General Fund represents a temporary loan. The receivables from the General Fund represent the tax revenues collected in September 2017 but not settled until October 2017. All interfund balances are expected to be repaid within one year from the date of the financial statements.

#### B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
County Wide Road Fund	County Wide Bridge Fund	\$ 215,208
Other Governmental Funds	County Wide Bridge Fund	5,491
Other Governmental Funds	General Fund	1,682,163
Total		\$ <u>1,902,862</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.

### (4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2017, consisted of the following:

LEE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2017

Description	Amount
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 510,262
FEMA/MEMA reimbursement for tornado cleanup	198,490
Reimbursement for housing prisoners	144,500
Gas severance tax	82,945
Truck and bus privilege tax	70,775
Reimbursement for civil defense	49,991
911 fees	41,261
Reimbursement for school resource officer	35,392
State Aid Road reimbursement	34,023
Local grant	25,600
District Attorney grant	10,111
Other	66,743
Economic development	51,909
Other	14,704
	<hr/>
Total Governmental Activities	\$ <u>1,336,706</u>
<b>Business-type Activities:</b>	
Solid waste fees	\$ <u>41,365</u>
	<hr/>
Total Business-type Activities	\$ <u>41,365</u>

(5) 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.

Ad Valorem Tax Fee-In-Lieu Receivable at September 30, 2017 is as follows:

Year Ending September 30	Amount
2018	\$ 833,333
2019	833,333
2020	833,333
2021	833,333
2022	833,333
2023-2026	3,333,335
	<hr/>
Total	\$ 7,500,000
Less: Discount to Present Value	(1,464,145)
	<hr/>
Net Receivable	\$ <u>6,038,855</u>

# LEE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2017

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, 2017 is as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2018	\$ 150,000
2019	150,000
2020	150,000
2021	150,000
2022	<u>150,000</u>
Total	\$ 750,000
Less: Discount to Present Value	<u>(33,708)</u>
Net Receivable	<u><u>\$ 716,292</u></u>

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

Notes to Financial Statements  
For the Year Ended September 30, 2017

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2017:

**Governmental activities:**

	Balance Oct. 1, 2016	Additions	Deletions	Adjustments *	Balance Sept. 30, 2017
<b><u>Non-depreciable capital assets:</u></b>					
Land	\$ 4,743,045	609,000	735,213	-	4,616,832
Construction in progress	1,680,500	71,330	-	(1,751,830)	-
Total non-depreciable capital assets	6,423,545	680,330	735,213	(1,751,830)	4,616,832
<b><u>Depreciable capital assets:</u></b>					
Infrastructure	257,740,353	1,486,137	-	-	259,226,490
Buildings	38,835,796	33,037,050	36,577,034	-	35,295,812
Improvements other than buildings	5,500,060	-	387,998	1,751,830	6,863,892
Mobile equipment	16,723,009	1,681,494	830,324	288,430	17,862,609
Furniture and equipment	2,148,868	81,296	141,282	-	2,088,882
Leased property under capital leases	501,192	-	-	(312,802)	188,390
Total depreciable capital assets	321,449,278	36,285,977	37,936,638	1,727,458	321,526,075
<b><u>Less accumulated depreciation for:</u></b>					
Infrastructure	168,370,834	850,887	-	-	169,221,721
Buildings	12,009,035	752,490	1,709,214	-	11,052,311
Improvements other than buildings	968,791	267,141	310,399	-	925,533
Mobile equipment	10,471,258	1,609,510	336,259	118,826	11,863,335
Furniture and equipment	1,672,442	127,589	110,010	-	1,690,021
Leased property under capital leases	202,929	62,169	-	(140,761)	124,337
Total accumulated depreciation	193,695,289	3,669,786	2,465,882	(21,935)	194,877,258
Total depreciable capital assets, net	127,753,989	32,616,191	35,470,756	1,749,393	126,648,817
Governmental activities capital assets, net	\$ 134,177,534	33,296,521	36,205,969	(2,437)	131,265,649

LEE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2017

**Business-type activities:**

	Balance Oct. 1, 2016	Additions	Deletions	Adjustments *	Balance Sept. 30, 2017
<u>Non-depreciable capital assets:</u>					
Land	\$ 47,746				47,746
Total non-depreciable capital assets	47,746	-	-	-	47,746
<u>Depreciable capital assets:</u>					
Buildings	93,750				93,750
Mobile equipment	1,986,836	217,771		24,373	2,228,980
Furniture and equipment	45,028				45,028
Total depreciable capital assets	2,125,614	217,771	-	24,373	2,367,758
<u>Less accumulated depreciation for:</u>					
Buildings	50,622	1,875			52,497
Mobile equipment	1,212,764	136,604		21,936	1,371,304
Furniture and equipment	42,838				42,838
Total accumulated depreciation	1,306,224	138,479	-	21,936	1,466,639
Total depreciable capital assets, net	819,390	79,292	-	2,437	901,119
Business-type activities capital assets, net	\$ 867,136	79,292	-	2,437	948,865

\* Adjustments were made to transfer construction in progress of roads and bridges completed during the year to infrastructure, to transfer leased mobile equipment under capital lease that were paid off during the fiscal year, and to transfer mobile equipment from governmental activities to business-type activities during the current year.

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental activities:</b>	
General government	\$ 433,917
Public safety	1,465,412
Public works	1,401,875
Health and welfare	3,175
Culture and recreation	95,940
Education	13,369
Conservation of natural resources	3,900
Economic development and assistance	252,198
Total governmental activities depreciation expense	\$ 3,669,786
<b>Business-type activities:</b>	
Solid waste	\$ 138,479
Total business-type activities depreciation expense	\$ 138,479

# LEE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2017

### (7) Claims and Judgments.

#### Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2017, to January 1, 2018. 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 2016 and 2017:

	<u>2016</u>	<u>2017</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 524,144	346,025
Plus: Incurred Claims (Including IBNRs)	3,739,001	5,036,863
Less: Claims Payments	<u>(3,917,120)</u>	<u>(4,739,579)</u>
Unpaid Claims, End of Fiscal Year	<u>346,025</u>	<u>643,309</u>

### (8) 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 lease would pay approximately \$5,546 per month in lease payments commencing June 1, 2008 for a term of 20 years. At the end of the lease term, Community Development Foundation (the leasee) has the option to renew for an additional five year period.

The County receives income from property it leases under noncancellable operating leases. Total income from such leases was \$66,552 for the year ended September 30, 2017. The future minimum lease receivables for these leases are as follows:

# LEE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2017

<u>Year Ending September 30</u>	<u>Amount</u>
2018	66,552
2019	66,552
2020	66,552
2021	66,552
2022	66,552
2023 - 2027	332,759
2028 - 2032	44,369
	<hr/>
Total Minimum Payments Required	\$ <u><u>709,888</u></u>

On November 10, 2014, Lee County entered into an operating lease agreement with Grammer, Inc., a Minnesota corporation, for the lease of a building owned by the County for the purpose of manufacturing automotive components. The operating lease stipulated that the lessee would pay approximately \$12,250 per month in lease payments commencing December 1, 2014 for a term of 15 years. At the end of the lease term, Grammer has the option to extend the lease for two subsequent five year periods. Grammer also has the option to purchase the property at any time following the seventh anniversary of rent commencement date for a price of \$84,000 times the number of years of the term having elapsed as of the date of closing plus the principal amount of the County loan which remains unamortized at the time of conveyance of the property.

The County receives income from this operating lease. Total income from the lease was \$147,000 for the year ended September 30, 2017. The future minimum lease receivables for these leases are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2018	147,000
2019	147,000
2020	147,000
2021	147,000
2022	147,000
2023 - 2027	735,000
2028 - 2032	318,500
	<hr/>
Total Minimum Payments Required	\$ <u><u>1,788,500</u></u>

### As Lessee:

On June 19, 2017, 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 \$20,265 per month in lease payments, commencing September 1, 2017, for a term of 15 years.

The County has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$243,180 for the year ended September 30, 2017. The future minimum lease payments for these leases are as follows:

LEE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2017

<u>Year Ending September 30</u>	<u>Amount</u>
2018	243,180
2019	243,180
2020	243,180
2021	243,180
2022	243,180
2023 - 2027	1,215,900
2028 - 2032	1,195,635
	<hr/>
Total Minimum Payments Required	\$ <u><u>3,627,435</u></u>

(9) Capital Leases.

As Lessor:

On February 21, 2017, Lee County entered into a capital lease agreement with Cooper Tire and Rubber Company (Cooper Tire) for the lease of property and buildings, which were gifted to Lee County by Cooper Tire in accordance with a Memorandum of Understanding between the County and Cooper Tire dated August 14, 2014. The capital lease stipulated that the lessee would pay approximately \$1 per year in lease payments commencing February 21, 2017 for a term of twenty years. At the end of the lease term, Cooper Tire has the option to purchase the buildings and land for \$1.

The County leases the following property with varying terms and options as of September 30, 2017:

<u>Classes of Property</u>	<u>Amount</u>
Land	\$ 609,000
Buildings	<u>32,961,780</u>
	<hr/>
Total	\$ <u><u>33,570,780</u></u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2017, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>
2018	\$ 1
2019	1
2020	1
2021	1
2022	1
2023 - 2027	5
2028 - 2032	5
2033 - 2037	<u>5</u>
	<hr/>
Total	\$ <u><u>20</u></u>



# LEE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2017

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Furniture and equipment	\$ 188,390
Less: Accumulated depreciation	<u>(124,337)</u>
Leased Property Under Capital Leases	<u>\$ 64,053</u>

The following is a schedule by years of the total payments due as of September 30, 2017:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 42,229	2,900
2019	43,068	2,060
2020	43,924	1,204
2021	<u>37,269</u>	<u>337</u>
Total	<u>\$ 166,490</u>	<u>6,501</u>

### (10) Other Postemployment Benefits.

#### Plan Description

The Lee County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Lee County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

### (11) Defined Benefit Pension Plan.

#### *General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

## LEE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2017

**Benefits Provided.** Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

**Contributions.** At September 30, 2017, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2017, 2016 and 2015 were \$1,998,654, \$1,933,862 and \$1,791,703, respectively, equal to the required contributions for each year.

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

At September 30, 2017, the County reported a liability of \$32,581,850 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2017 net pension liability was 0.196 percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.011 percent from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2017, the County recognized pension expense of \$5,039,591. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LEE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 438,677	237,741
Net difference between projected and actual earnings on pension plan investments	2,772,486	2,517,451
Changes of assumptions	667,770	55,433
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	1,684,902	236,635
County contributions subsequent to the measurement date	516,286	-
Total	\$ 6,080,121	3,047,260

\$516,286 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30	Amount
2018	\$ 1,834,475
2019	1,106,443
2020	205,021
2021	(629,364)
Total	\$ 2,516,575

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00_ percent
Salary increases	3.75 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

# LEE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2017

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Assets	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	-
Total	<u>100.00 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
County's proportionate share of the net pension liability	\$ 42,733,274	32,581,850	24,153,966

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

LEE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2017

(12) Long-term Debt.

Debt outstanding as of September 30, 2017, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
Toyota Refunding Bonds	\$ 5,855,000	3.00-3.50%	06/2026
GO Bonds Series, 2011	313,464	2.00-3.75%	09/2018
911 Bonds Series, 2013	1,960,000	1.50-5.25%	08/2021
911 Refunding Bonds	<u>4,895,000</u>	2.00-2.125%	08/2028
Total General Obligation Bonds	\$ <u>13,023,464</u>		
B. Capital Leases:			
Viper 911 phone system	\$ <u>166,490</u>	1.97%	07/2021
Total Capital Leases	\$ <u>166,490</u>		
C. Other Loans:			
Capital improvements revolving loan	\$ 422,888	2.00%	12/2025
Capital improvements revolving loan	1,220,195	3.00%	02/2033
Capital improvements revolving loan	605,202	3.00%	05/2028
Noncapital revolving loan	500,000	0.00%	10/2021
Certificates of participation	1,860,000	3.75%	06/2025
Capital improvements loan	2,328,247	3.00%	01/2029
Software license loan	37,150	0.00%	03/2020
Noncapital revolving loan	1,950	0.00%	09/2018
Capital loan	<u>174,368</u>	0.00%	11/2019
Total Other Loans	\$ <u>7,150,000</u>		
<b>Business-type Activities:</b>			
A. General Obligation Bonds:			
GO Bonds Series, 2011	\$ <u>61,535</u>	2.00-3.75%	09/2018
Total General Obligation Bonds	\$ <u>61,535</u>		

# LEE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2017

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
2018	\$ 1,518,464	343,861	603,578	198,667
2019	1,230,000	305,196	615,964	181,641
2020	1,265,000	268,896	626,601	164,201
2021	1,305,000	230,286	577,021	145,977
2022	1,345,000	188,595	1,097,167	127,394
2023 - 2027	5,665,000	428,795	2,634,558	345,895
2028 - 2032	695,000	14,769	962,192	57,556
2033 - 2037	-	-	32,919	206
Total	\$ 13,023,464	1,780,398	7,150,000	1,221,537

### Business-type Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2018	\$ 61,535	1,038
Total	\$ 61,535	1,038

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, 2017, the amount of outstanding debt was equal to 1.36% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2017, \$4,245,000 of bonds outstanding were considered defeased.

LEE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2017

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

	Balance Oct. 1, 2016	Additions	Reductions	Adjustments	Balance Sept. 30, 2017	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 939,137	-	63,508	-	875,629	-
Claims and judgments					-	
General obligation bonds	14,498,570		1,475,106		13,023,464	1,518,464
Less:						
Discounts	(16,293)		(16,293)		-	
Add:						
Premiums	94,968		9,065		85,903	9,065
Capital leases	242,661		76,171		166,490	42,228
Other loans	7,498,169	178,268	526,437	-	7,150,000	603,578
Total	\$ 23,257,212	178,268	2,133,994	-	21,301,486	2,173,335

	Balance Oct. 1, 2016	Additions	Reductions	Adjustments	Balance Sept. 30, 2017	Amount due within one year
<b>Business-type Activities:</b>						
Compensated absences	\$ 51,862	3,849	-	-	55,711	-
General obligation bonds	121,429		59,894		61,535	61,535
Total	\$ 173,291	3,849	59,894	-	117,246	61,535

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

(13) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2017:

Fund	Deficit Amount
Greater Plantersville Fire District Fund	\$ 39
Greater Saltillo Fire District Fund	100

(14) 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.

# LEE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2017

**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 Contingencies** - 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 \$2,285,000 bonds balance at September 30, 2017, is \$320,357.

### (15) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the County's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2017
Industrial revenue bonds and notes	\$ 610,883

### (16) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of (\$25,516,743) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$490,472 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The \$5,285,645 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next three years. The \$2,894,898 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next four years.

The governmental activities' net investment in capital assets net position of \$118,925,728 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$85,903 of the \$1,078,566 balance of deferred outflows of resources at September 30, 2017, will be recognized as an expense and will decrease the net investment in capital assets net position over the next 11 years.

The business-type activities' unrestricted net position amount of (\$834,708) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$25,814 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The \$278,190 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next three years. The \$152,362 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next four years.



## LEE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2017

#### (17) 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 2017.

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 \$46,603 for the support of the district in fiscal year 2017.

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 \$6,549,949 for the support and maintenance of the college in fiscal year 2017.

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 2017.

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 \$8,657 in fiscal year 2017 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 2017.

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 2017.

#### (18) Tax Abatements.

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

The Lee County Board of Supervisors maintains a policy outlining certain requirements to be met in order to qualify for the exemption. Once the requirements have been met, the exemption is granted. All abatements are for ten years and are for economic development purposes.

# LEE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2017

The County has three types of abatements, none of which provides for the abatement of school or state tax levies:

### Section 27-31-53

All or a portion of the assessed value of personal property in transit through this state

### Sections 27-31-101, Miss. Code Ann. (1972)

All allowable property tax levies

### Section 27-31-104, Miss. Code Ann. (1972)

Payments in lieu of taxes

<u>Category</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Construction and expansion of a manufacturing facility	\$ 2,258,772
Freeport warehouse	\$ 1,105,622

The companies are required to create a minimum of \$500,000 in new capital investment within a single calendar year and/or create at least 25 full-time jobs with wages exceeding 125% of the most recent state average annual wage to be eligible for the exemption. These minimum guidelines may be waived if it is determined, by a majority vote of the Board of Supervisors, to be a necessary benefit for new economic development growth.

### (19) 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 April 4, 2019, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2017, the County issued the following debt obligation(s):

<u>Issue</u>	<u>Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
04/04/2018		3.00-4.25%	\$ 3,740,000	General obligation bonds	Ad valorem tax

On March 28, 2018, the County entered into an equipment lease purchase agreement to the principal amount of \$1,881,950 with Bank of America to purchase installed energy efficient lighting. The interest rate is 3.492% with a term of 15 years.

LEE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LEE COUNTY

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LEE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2017  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 14,693,885	15,039,150	15,039,150	
Licenses, commissions and other revenue	1,363,100	1,571,917	1,571,917	
Fines and forfeitures	587,800	631,357	631,357	
Intergovernmental revenues	3,130,643	3,302,636	3,302,636	
Charges for services	880,000	1,186,591	1,186,591	
Interest income	34,530	58,711	58,711	
Miscellaneous revenues	546,861	680,910	680,910	
Total Revenues	<u>21,236,819</u>	<u>22,471,272</u>	<u>22,471,272</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	11,611,174	10,693,874	10,693,874	
Public safety	8,139,836	7,577,428	7,577,428	
Health and welfare	1,111,244	1,336,904	1,336,904	
Culture and recreation	1,137,734	1,090,796	1,090,796	
Education	579,337	394,909	394,909	
Total Expenditures	<u>22,579,325</u>	<u>21,093,911</u>	<u>21,093,911</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,342,506)</u>	<u>1,377,361</u>	<u>1,377,361</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	1,296,325	955,900	955,900	
Other financing uses	<u>(2,349,352)</u>	<u>(1,873,075)</u>	<u>(1,873,075)</u>	
Total Other Financing Sources and Uses	<u>(1,053,027)</u>	<u>(917,175)</u>	<u>(917,175)</u>	<u>0</u>
Net Change in Fund Balance	(2,395,533)	460,186	460,186	
Fund Balances - Beginning	<u>978,909</u>	<u>1,808,462</u>	<u>1,808,462</u>	
Fund Balances - Ending	<u>\$ (1,416,624)</u>	<u>2,268,648</u>	<u>2,268,648</u>	<u>0</u>

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

LEE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 County Wide Road Fund  
 For the Year Ended September 30, 2017  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,616,643	2,761,280	2,761,280	
Licenses, commissions and other revenue	962,000	1,065,903	1,065,903	
Fines and forfeitures	500			
Intergovernmental revenues	1,050,000	1,049,929	1,049,929	
Charges for services	5,100	2,010	2,010	
Interest income	12,000	38,704	38,704	
Miscellaneous revenues	2,400	1,494	1,494	
Total Revenues	<u>4,648,643</u>	<u>4,919,320</u>	<u>4,919,320</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	5,282,851	6,121,071	6,121,071	
Total Expenditures	<u>5,282,851</u>	<u>6,121,071</u>	<u>6,121,071</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(634,208)</u>	<u>(1,201,751)</u>	<u>(1,201,751)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	241,308	771,046	771,046	
Total Other Financing Sources and Uses	<u>241,308</u>	<u>771,046</u>	<u>771,046</u>	<u>0</u>
Net Change in Fund Balance	(392,900)	(430,705)	(430,705)	
Fund Balances - Beginning	<u>218,134</u>	<u>3,758,103</u>	<u>3,758,103</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (174,766)</u>	<u>3,327,398</u>	<u>3,327,398</u>	<u>0</u>

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

LEE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 County Wide Bridge Fund  
 For the Year Ended September 30, 2017  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,196,005	2,295,544	2,295,544	
Intergovernmental revenues	50,000			
Charges for services	500	1,103	1,103	
Interest income	5,000	14,288	14,288	
Miscellaneous revenues	500	1,000	1,000	
Total Revenues	<u>2,252,005</u>	<u>2,311,935</u>	<u>2,311,935</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>2,197,753</u>	<u>1,877,293</u>	<u>1,877,293</u>	
Total Expenditures	<u>2,197,753</u>	<u>1,877,293</u>	<u>1,877,293</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>54,252</u>	<u>434,642</u>	<u>434,642</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	<u>300</u>			<u>0</u>
Total Other Financing Sources and Uses	<u>300</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	54,552	434,642	434,642	
Fund Balances - Beginning	<u>589,501</u>	<u>1,253,357</u>	<u>1,253,357</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 644,053</u>	<u>1,687,999</u>	<u>1,687,999</u>	<u>0</u>

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

LEE COUNTY

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

Last 10 Fiscal Years\*

For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.196%	0.185%	0.180%	0.19%
County's proportionate share of the net pension liability (asset) \$	32,581,850	33,045,618	27,824,450	23,062,521
County's covered payroll \$	12,551,926	12,278,470	11,375,872	11,605,656
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	259.58%	269.13%	244.59%	198.72%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

\* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year is compiled, the County has only presented information for the years in which information is available.

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



LEE COUNTY  
Schedule of County Contributions  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,998,654	1,933,862	1,791,703	1,827,892
Contributions in relation to the contractually required contribution	<u>1,998,654</u>	<u>1,933,862</u>	<u>1,791,703</u>	<u>1,827,892</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 12,689,851	12,278,470	11,375,872	11,605,656
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

LEE COUNTY

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# LEE COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2017 UNAUDITED

### A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor and Tax Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

### B. Basis of Presentation.

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

### C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types		
	General Fund	County Wide Road Fund	County Wide Bridge Fund
Budget (Cash Basis)	\$ 460,186	(430,705)	434,642
Increase (Decrease)			
Net adjustments for revenue accruals	32,801,449	217,073	14,148
Net adjustments for expenditure accruals	(33,130,407)	(186,813)	(1,819)
GAAP Basis	\$ 131,228	(400,445)	446,971

LEE COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2017  
UNAUDITED

Pension Schedules

A. Changes of assumptions.

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022 rather than projected with Scale BB to 2016, which was used prior to 2017. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumptions was reduced from 3.75% to 3.25%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

B. Changes in benefit provisions.

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

Method and assumptions used in calculations of actuarially determined contributions.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end).

LEE COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2017  
UNAUDITED

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

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

LEE COUNTY

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LEE COUNTY

OTHER INFORMATION

LEE COUNTY

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LEE COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2017  
UNAUDITED

Name	Position	Company	Bond
Phil Morgan	Supervisor District 1	Travelers	\$100,000
Michael Smith	Supervisor District 2	Travelers	\$100,000
Tony Roper	Supervisor District 3	Travelers	\$100,000
Tommie Lee Ivy	Supervisor District 4	Travelers	\$100,000
Billy Joe Holland	Supervisor District 5	Travelers	\$100,000
Sean Thompson	County Administrator	Travelers	\$100,000
William H. Benson	County Administrator	Travelers	\$100,000
William H. Benson	Chancery Clerk	Travelers	\$100,000
Sean Thompson	Purchase Clerk	Travelers	\$75,000
William H. Benson	Purchase Clerk	Travelers	\$75,000
Denise Flanagan	Assistant Purchase Clerk	Travelers	\$50,000
Raena Sawyer	Assistant Purchase Clerk	Travelers	\$50,000
Lisa Box	Receiving Clerk	Liberty Mutual	\$75,000
Tammy Rodgers	Assistant Receiving Clerk	Liberty Mutual	\$50,000
Camille Mangum	Assistant Receiving Clerk	Travelers	\$50,000
Kim Loyd	Assistant Receiving Clerk	Liberty Mutual	\$50,000
Brad C. Barnett	Assistant Receiving Clerk	Travelers	\$50,000
Zaneta Michelle Bell Henry	Assistant Receiving Clerk	Travelers	\$50,000
Mark Weathers	Assistant Receiving Clerk	Liberty Mutual	\$50,000
Robbie Montgomery	Assistant Receiving Clerk	Liberty Mutual	\$50,000
Sara Beth McCarter	Assistant Receiving Clerk	Travelers	\$50,000
John A. Hall	Assistant Receiving Clerk	Liberty Mutual	\$50,000
Kamisha McKinnon	Assistant Receiving Clerk	Liberty Mutual	\$50,000
William B. Kilgore	Assistant Receiving Clerk	Travelers	\$50,000
Karen Balint	Assistant Receiving Clerk	Liberty Mutual	\$50,000
Janet Clark	Assistant Receiving Clerk	Liberty Mutual	\$50,000
L Seals	Assistant Receiving Clerk	Liberty Mutual	\$50,000
Susan O Carr Winters	Assistant Receiving Clerk	Liberty Mutual	\$50,000
Mackenzie Brown Williams	Assistant Receiving Clerk	Travelers	\$50,000
Judy Thompson	Assistant Receiving Clerk	Travelers	\$50,000
S B McCarter	Assistant Receiving Clerk	Travelers	\$50,000
Samuel Maurell Staples	Assistant Receiving Clerk	Travelers	\$50,000
Terry Hope Bradley	Assistant Receiving Clerk	Travelers	\$50,000
Ja-Tara Sade Chism	Assistant Receiving Clerk	Travelers	\$50,000
Yolanda Glass-Gilbert	Inventory Control Clerk	Travelers	\$75,000
Phyllis M. Dye	Inventory Control Clerk	Travelers	\$75,000
Tammy Coward	Assistant Inventory Control Clerk	Liberty Mutual	\$50,000
Lisa Gann	Assistant Inventory Control Clerk	Travelers	\$50,000
Timothy J. Allred	Road Manager	Travelers	\$50,000
Joe Shirley Huckaby	Constable	Travelers	\$50,000
Ted Wood	Constable	Travelers	\$50,000
Phil Gann	Constable	Travelers	\$50,000
Tom H Lyles	Constable	Travelers	\$50,000
Camille Roberts Dulaney	Circuit Clerk	Travelers	\$100,000
Jimmie Howell Johnson	Sheriff	Travelers	\$100,000
Charles Hopkins	Justice Court Judge	Travelers	\$50,000
John Hoyt Sheffield	Justice Court Judge	Travelers	\$50,000
Sadie M. Holland	Justice Court Judge	Travelers	\$50,000

LEE COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2017  
UNAUDITED

Name	Position	Company	Bond
Marcus Crump	Justice Court Judge	Ross & Yerger	\$50,000
Debbie Berryman	Justice Court Clerk	Travelers	\$50,000
Zanetta Michelle Bell Henry	Deputy Justice Court Clerk	Travelers	\$50,000
Melissa Dawn McCormick	Deputy Justice Court Clerk	Travelers	\$50,000
Haley Maxwell	Deputy Justice Court Clerk	Travelers	\$50,000
Rhonda Gibson	Deputy Justice Court Clerk	Travelers	\$50,000
Melba Williams	Deputy Justice Court Clerk	Travelers	\$50,000
Angela G Stafford	Deputy Justice Court Clerk	Western Surety	\$50,000
Rachel Harris	Deputy Justice Court Clerk	Travelers	\$50,000
Penny O'Quinn	Deputy Justice Court Clerk	Travelers	\$50,000
Carolene G. Franklin	Deputy Justice Court Clerk	Travelers	\$50,000
Peggy Lynn Martin	Deputy Justice Court Clerk	Travelers	\$50,000
Leroy E. Belk, Jr	Tax Collector	Travelers	\$100,000
Mark G. Weathers	Tax Assessor	Travelers	\$50,000
Glenda Roberts	Deputy Tax Assessor	Western Surety Company	\$10,000
Brenda G. Bruce-Ethridge	Deputy Tax Assessor	Western Surety Company	\$10,000
Kay Clayton	Deputy Tax Assessor	Travelers	\$50,000
Patricia Grubbs	Deputy Tax Assessor	Western Surety Company	\$10,000
Sandra G. Long	Deputy Tax Assessor	Western Surety Company	\$10,000
Emily Hood Rankin	Deputy Tax Assessor	Western Surety Company	\$10,000
Debbie Ann Summers	Deputy Tax Assessor	Travelers	\$10,000
Kimberly Ann Watson	Deputy Tax Assessor	Western Surety Company	\$10,000
Donna Y. Williams	Deputy Tax Assessor	Western Surety Company	\$10,000
Eutika Nave	Deputy Tax Assessor	Travelers	\$50,000
Toni Mask	Deputy Tax Assessor	Travelers	\$50,000
Sarah Beth McCarter	Deputy Tax Collector	Western Surety Company	\$50,000
Allison Wilson	Deputy Tax Collector	Western Surety Company	\$50,000
Daniela Marisa Weaver	Deputy Tax Collector	Travelers	\$50,000
Cynthia D. Clanton	Deputy Tax Collector	Western Surety Company	\$50,000
LaCreshia K. Bowdry-Staples	Deputy Tax Collector	Travelers	\$50,000
Leah Kathryn Graham	Deputy Tax Collector	Travelers	\$50,000
Angela Garrett	Deputy Tax Collector	Western Surety Company	\$50,000
Jimmy D King	Deputy Tax Collector	Western Surety Company	\$50,000
Binita Barath	Deputy Tax Collector	Travelers	\$50,000
Candace Richey Haynes	Deputy Tax Collector	Travelers	\$50,000
Crystal Heatherly	Deputy Tax Collector	Travelers	\$50,000
Shelley K. Boswell	Deputy Tax Collector	Western Surety Company	\$50,000
Jatara Sade Chism Wofford	Deputy Tax Collector	Travelers	\$50,000
Kay Clayton	Deputy Tax Collector	Travelers	\$50,000
Janice Marie Crowe	Deputy Tax Collector	Western Surety Company	\$50,000
Robbie Montgomery	Deputy Tax Collector	Western Surety Company	\$50,000
Eutika L. Nave	Deputy Tax Collector	Western Surety Company	\$50,000
Savannah Richey	Deputy Tax Collector	Travelers	\$50,000
Tracie B Riley	Deputy Tax Collector	Travelers	\$50,000

LEE COUNTY

SPECIAL REPORTS

LEE COUNTY

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Supervisors  
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 (the County), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 4, 2019. 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 financial reporting entity that include the financial data for its component units. The report is qualified on the governmental activities, business-type activities, and the solid waste fund because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America.

**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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lee County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2017-001, 2017-002, 2017-003, 2017-004, and 2017-005 that we consider to be material weaknesses.

## **Compliance and Other Matters**

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

We noted certain matters that we reported to the management of Lee County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated April 4, 2019, included within this document.

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

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

## **Purpose of this Report**

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



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

April 4, 2019



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

INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, 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 bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2017. 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 such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of 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 current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

**Purchase Clerk.**

1. Purchase over \$50,000 was not advertised for competitive bidding.

Repeat Finding                      No

Criteria                              Section 31-7-13, Miss. Code Ann. (1972) specifies that purchases which involve an expenditure of more than \$50,000, exclusive of freight and shipping charges, may be made from the lowest and best bidder after advertising for competitive bids once each week for two consecutive weeks in a regular newspaper published in the county in which such governing authority is located.

Condition	The County purchased seven tractors for a total purchase price of \$728,766.72 that were declared to be purchased on state contract; however, the purchase price exceeded the state contract price by \$50,114.97. Competitive bids were not sought by advertisement as required by statute.
Cause	Lack of internal controls surrounding state purchasing requirements.
Effect	Failure to advertise for competitive bids for purchases over \$50,000, as required by state law, could result in a loss of public funds.
Recommendation	The Board of Supervisors and Purchase Clerk should ensure that purchases with an estimated cost of more than \$50,000 are advertised for competitive bids as required by state law.
Views of Responsible Official(s)	The seven tractors were on state contract. The additions to the base contract were a sole source from that vendor.

#### **Inventory Control Clerk.**

2.	<u>Inventory Control Clerk should file inventory report by October 15.</u>
Repeat Finding	Yes
Criteria	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 the State Auditor no later than October 15th of each year.
Condition	As reported in the prior year's audit reports, the inventory reports were not filed with the Board of Supervisors by October 1 as required. The inventory reports were filed with the Office of the State Auditor on October 13, 2017.
Cause	The reports were not filed timely as required by Section 31-7-107, Miss. Code Ann. (1972).
Effect	By not filing the annual reports with the proper persons, the County is not in compliance with applicable statutes.
Recommendation	The Inventory Control Clerk should file the inventory reports with the Board of Supervisors and copies should be forwarded to the Office of the State Auditor by October 15th of each year, as required by law.
Views of Responsible Official(s)	I will comply with the proper filing time (with Board of Supervisors) in the future. Inventory report was spread on minutes, but it was late.

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, 2017.

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

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

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

April 4, 2019

LEE COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder  
For the Year Ended September 30, 2017

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

LEE COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2017

Schedule 2

Our tests did not identify any emergency purchases.

## LEE COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2017

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
10/3/2016	Express Poll Tablet/Scanning	\$ 89,657	ES&S
11/30/2016	Climate Control	\$ 9,765	XYBIX
2/24/2017	In-Car Video System	\$ 23,530	Watch Guard



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

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

Members of the Board of Supervisors  
Lee County, Mississippi

In planning and performing our audit of the financial statements of Lee County, Mississippi for the year ended September 30, 2017, 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 April 4, 2019, 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 certain areas immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

**Board of Supervisors.**

1.	<u>The Board of Supervisors should not charge unauthorized fees.</u>
Repeat Finding	No
Criteria	Effective April 2017, Section 19-5-22, Miss. Code Ann. (1972), allows an additional amount not to exceed up to one dollar or ten percent per month, whichever is greater, on the current monthly bill may be assessed on the balance of any delinquent monthly solid waste fees.
Condition	Auditors noted unauthorized additional fees were charged on delinquent solid waste accounts.
Cause	Fees were charged on solid waste accounts before such fees were statutorily allowed.
Effect	Failure to ensure proper authorization for additional fees could result in improper use of funds.

Recommendation	The Board of Supervisors should ensure that procedures are in place to ensure unauthorized additional fees are not charged on solid waste accounts.
Views of Responsible Official(s)	<p>The County began to charge and collect monthly fees for solid waste collection in 1994 under Section 17-17-227. In addition, the County utilized the authority granted under Section 19-5-21 related to any increases in the monthly fee for solid waste collection.</p> <p>An Attorney General's opinion was issued in October 2016 stopping the assessment of the late fee. As a result, the County immediately ceased that process until March 2017 when the Legislature passed HB 1149 giving direct statutory authority for the assessment of the late fee.</p>
2.	<u>A new bond should be secured every four years.</u>
Repeat Finding	No
Criteria	Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law to be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government.
Condition	Several employees required to be bonded did not have a new bond secured every four years.
Cause	Lack of internal controls surrounding bond procurement and maintenance.
Effect	Failure to comply with the statutes could result in loss of public funds.
Recommendation	The Board of Supervisors should ensure that a new bond is secured every four years as required by law.
Views of Responsible Official(s)	We concur.

#### **Board of Supervisors and Circuit Clerk.**

3.	<u>Deputy Circuit Clerks should be bonded as required by state statute.</u>
Repeat Finding	No
Criteria	Section 9-7-123(2), Miss. Code Ann. (1972), requires that all Deputy Circuit Clerks be bonded for three percent of the prior year's taxes with a minimum of \$50,000 and a maximum of \$100,000.
Condition	Several Deputy Circuit Clerks were not bonded as required by state statute.
Cause	Lack of internal controls surrounding bond procurement and maintenance.
Effect	Failure to comply with the statutes could result in loss of public funds.
Recommendation	The Circuit Clerk should ensure that all Deputy Circuit Clerks are as required by state statute.
Views of Responsible Official(s)	We concur.

**Chancery Clerk.**

4. County signed warrants without sufficient funds.

Repeat Finding No

Criteria Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same.

Condition Warrants were issued on two funds which did not have sufficient cash balances. The Greater Plantersville Fire Fund and Greater Saltillo Fire Fund had a negative cash balance during fiscal year 2017.

Cause Lack of proper controls surrounding warrants.

Effect Failure to have sufficient cash balances in county funds prior to writing checks on these funds resulted in other funds' cash being used for purposes other than their intended purpose.

Recommendation The Chancery Clerk should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Views of Responsible Official(s) We concur.

5. The Chancery Clerk deducted unallowable and undocumented expenses on the annual financial report.

Repeat Finding Yes

Criteria Section 9-1-43, Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. A business expense must be both ordinary and necessary to be deductible.

Condition The Chancery Clerk claimed \$937 in expenses in 2017 for which there was insufficient documentation or was not an allowable business expense.

Cause Internal controls were not properly in place to prevent an expense for which there was insufficient documentation or was not an allowable business expense.

Effect Failure to ensure proper authorization for additional fees could result in improper use of funds.

Recommendation The Chancery Clerk should ensure adequate documentation is maintained for all fee journal expenses.

Views of Responsible Official(s) I concur. However, these expenses do not cause the cap to be exceeded.

**Tax Collector.**

7.	<u>Timely bank deposits should be made.</u>
Repeat Finding	No
Criteria	An effective system of internal control over cash requires that bank deposits be made on a timely basis.
Condition	As noted during audit testwork, the Tax Collector failed to make daily deposits.
Cause	Lack of proper internal controls over cash deposits.
Effect	Failure to make timely bank deposits could result in the loss or misappropriation of public funds.
Recommendation	The Tax Collector should implement internal controls to ensure that bank deposits are made on a timely basis.
Views of Responsible Official(s)	The instances are periods when we have high volume of payments by checks and cash. Ex: the last day to make property tax payments which occurs in February 1 <sup>st</sup> . To resolve this, we will batch checks and increase staffing to handle the surge in activity – payments.

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



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

April 4, 2019



LEE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

LEE COUNTY

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# LEE COUNTY

## Summary of Findings and Recommendations For the Year Ended September 30, 2017

### Section 1: Summary of Auditor's Results

#### ***Financial Statements:***

1. Type of auditor's report issued on the financial statements:
 

Governmental activities	Qualified
Business-type activities	Qualified
Aggregate discretely presented component units	Adverse
General Fund	Unmodified
County wide Road Maintenance Fund	Unmodified
County wide Bridge Maintenance Fund	Unmodified
Aggregate remaining fund information	Unmodified
Solid Waste Fund	Qualified
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 noted? No

### Section 2: Financial Statement Findings

Board of Supervisors.

#### Material Weakness

2017-001.	<u>The County should comply with GASB Statement 74 and report on postemployment benefits.</u>
Repeat Finding	No
Criteria	Lee County offers health insurance benefit coverage through the County's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 74 as a single employer defined benefit healthcare plan.
Condition	The County does not issue a publicly available financial report for its health insurance plan. The County has not recorded a liability associated with other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.
Cause	Failure to properly record the postemployment liability in accordance with GASB Statement 74.
Effect	Failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities, business-type activities, and Solid Waste Fund.
Recommendation	The Board of Supervisors should have an actuarial valuation at least biennially so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America

## LEE COUNTY

### Summary of Findings and Recommendations For the Year Ended September 30, 2017

Views of Responsible Official(s)	The County has a very small number of retirees who pay an increased premium to maintain their health insurance. The proceeds from their premiums have more than paid for their expenses. The cost of an actuarial valuation is prohibitive and any liability would be immaterial to the financial statements.
Material Weakness	
2017-002.	<u>Component units should be included in County's financial statements.</u>
Repeat Finding	No
Criteria	Generally accepted accounting principles require the financial data of the County's 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.
Condition	The financial statements do not include the financial data for the County's legally separate component units.
Cause	Failure to include the component unit data in the County's financial statements.
Effect	The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.
Recommendation	The Board of Supervisors should provide the audited financial data for its discretely presented component units for inclusion in the County's financial statements.
Views of Responsible Official(s)	Lee County has fifteen fire districts and provides support to the Lee County Library. The inclusion of their financial data is cost prohibitive and in our opinion does not affect the accuracy of the financial statements for the County.
Material Weakness	
2017-003.	A lack of segregation duties exists within the payroll department.
Repeat Finding	Yes; 2016-001
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.
Condition	As reported in prior years, a lack of segregation of duties exists within the payroll department.
Cause	The County only has one employee that performs all of the payroll functions.
Effect	The 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.
Views of Responsible Official(s)	The limited number of personnel precludes the segregation of duties in the payroll department. The County is working to develop a policy to provide additional oversight in order to mitigate any potential risk.

LEE COUNTY

Summary of Findings and Recommendations  
For the Year Ended September 30, 2017

Justice Court Clerk.

Material Weakness

2017-004. Cash collection and disbursement functions in the Justice Court Clerk's office are not adequately segregated.

Repeat Finding No

Criteria An effective system of internal controls should include an adequate segregation of duties.

Condition Cash collection and disbursement functions in the Justice Court office are not adequately separated for effective internal control. The Justice Court Clerk's Bookkeeper prepares the total daily check-up sheets, prepares and makes bank deposits, reconciles the bank statements, posts to the cash journal, prepares monthly settlements, and writes and signs checks for all disbursements.

Cause Proper internal controls are not in place to ensure an adequate segregation of duties.

Effect Failure to have adequate separation of duties could result in the loss or misappropriation of public funds.

Recommendation The Justice Court Clerk should take steps to ensure that there is an adequate segregation of duties in the collection and disbursement functions of the Justice Court office or that there is external oversight over operations of the Justice Court Office.

Views of Responsible Official(s) I will comply.

Sheriff.

Material Weakness

2017-005. Segregation of duties in the Sheriff's office should be strengthened.

Repeat Finding No

Criteria An effective system of internal controls should include an adequate segregation of duties.

Condition Cash collection, disbursement and reconciliation functions are not adequately segregated for effective internal controls. The bookkeeper prepares and makes deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds.

Cause Proper internal controls are not in place to ensure an adequate segregation of duties.

Effect Failure to implement adequate segregation of duties could result in the loss of public funds.

Recommendation The Sheriff should implement a system for review of the accounting records by another person.

Views of Responsible Official(s) Thank you for your help on this matter. After reviewing your report and seeing the suggestions, I will sign off as a secondary person on these issues.