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LEE COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS AND
SPECIAL REPORTS

For the Year Ended September 30, 2019

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

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LEE COUNTY, MISSISSIPPI

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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, 2019, 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 these 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.

INDEPENDENT AUDITOR'S REPORT

- Continued -

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 Unit” paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of Lee County, Mississippi, as of September 30, 2019, 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 Opinions on Governmental Activities, Business-type Activities, and the Solid Waste Fund

As discussed in Note 10 to 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 Opinions 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, business-type activities, and the Solid Waste Fund of Lee County, Mississippi, as of September 30, 2019, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund, County-Wide Road Fund, the County-Wide Bridge Fund and the aggregate remaining fund information of Lee County, Mississippi, as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 the County's 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.

INDEPENDENT AUDITOR'S REPORT

- Continued -

Omission of Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lee County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021, 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.

M. M. Winkler & Associates, PLLC

November 29, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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LEE COUNTY BOARD OF SUPERVISORS

MICHAEL W. SMITH
MEMBER – 2ND DISTRICT
SALTILLO, MISSISSIPPI

PHIL MORGAN
MEMBER – 1ST DISTRICT
SALTILLO, MISSISSIPPI

TOMMIE LEE IVY
MEMBER – 4TH DISTRICT
SHANNON, MISSISSIPPI

BILL BENSON, CLERK
SHANNON, MISSISSIPPI

TONY ROPER
MEMBER – 3RD DISTRICT
TUPELO, MISSISSIPPI

BILLY JOE HOLLAND
MEMBER - 5TH DISTRICT
VERONA, MISSISSIPPI

MANAGEMENT’S DISCUSSION AND ANALYSIS

INTRODUCTION

This discussion and analysis of Lee County’s financial performance provides an overall narrative review of the County’s financial activities for the year ended September 30, 2019. 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 2019, the U.S. Census Bureau estimated the population to be 85,436. The local economic base is driven mainly by manufacturing and retail.

FINANCIAL HIGHLIGHTS

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

Lee County continues to grow both economically and in population. The tax rate increased slightly for the current year. Looking back over the past twenty-one year period (1998-2019), tax rates rose only 4.93% 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 \$165,128 which represents a 0.17% decrease from the prior fiscal year. The County’s ending cash and investment balance increased by \$6,369,998. This represents a 38.75% increase from the prior fiscal year.

The County had \$39,390,939 in total revenues. Tax revenues account for \$22,577,379 or 57.32% of total revenues. Revenues in the form of charges for services account for \$4,784,684 or 12.15%

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

FINANCIAL HIGHLIGHTS - Continued

of total revenues. Revenue generated by fines and other fees account for \$2,017,723 or 5.12%. State revenues, in the form of reimbursements, shared revenue or grants, account for \$3,938,603 or 10.00% of total revenues. Additionally, \$2,471,405 or 6.27%, of total revenues were Federal revenues in the form of grants. Grants from other local jurisdictions amount to \$762,180 or 1.93% of total revenues. Revenue from ad valorem tax fee-in-lieu was \$276,535 or 0.70%. Investment and miscellaneous revenues totaled \$2,562,430 or 6.51% of total revenues.

The County had \$39,556,067 in total expenses, which represents an increase of \$1,480,430 or 3.89% from the prior fiscal year. Expenses in the amount of \$12,277,237 were offset by charges for services, grants, and outside contributions. General revenues of \$27,113,702 were used to provide for expenses.

Among major funds, the General Fund had \$24,098,404 in revenues and \$22,143,838 in expenditures. The General Fund's fund balance increased \$847,727 from the prior year. The County Wide Road Fund had \$5,369,166 in revenues and \$5,238,078 in expenditures. The County Wide Road Fund's fund balance increased \$164,268 from the prior year. The County Wide Bridge Fund had \$2,592,737 in revenues and \$1,952,537 in expenditures. The County Wide Bridge Fund's fund balance increased \$640,200 from the prior year.

Capital assets, net of accumulated depreciation, decreased by \$1,472,198 or 1.09%. The majority of this decrease was due to the depreciation expense.

Long-term liabilities decreased by \$233,450 or 0.41%

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

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

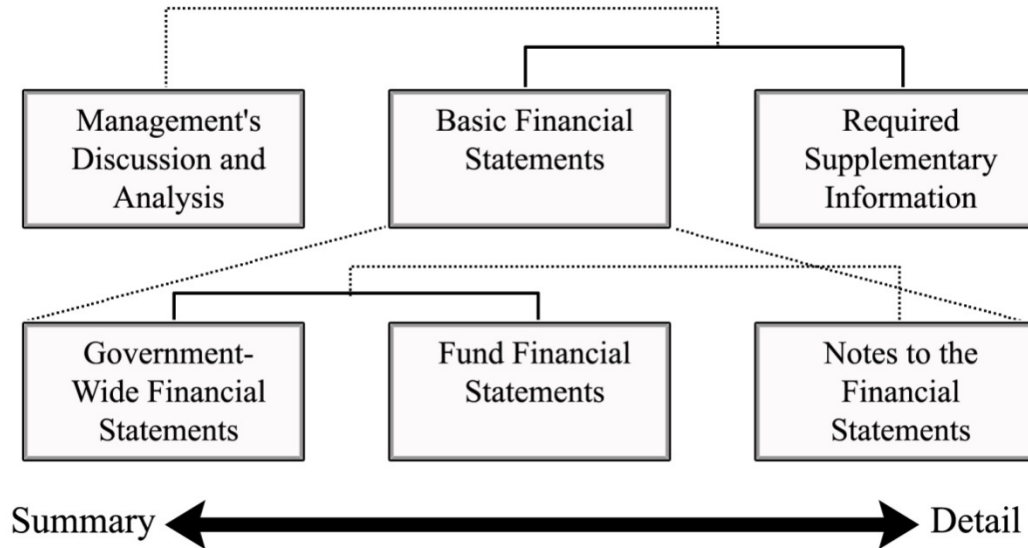


Figure 2 – Major Features of the County's Government-Wide and Fund Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

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

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of asset, 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Government-wide Financial Statements – Continued

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; conservation of natural resources; economic development; 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 27-28 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. 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 30 and 32, respectively.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Fund Financial Statements – Continued

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

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

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 33-35 of this report.

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

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 37-72 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 75-83 of this report.

Additionally, a schedule of expenditures of federal awards is required by Uniform Guidance and can be found on pages 87-88 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 \$99,060,864 as of September 30, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

By far, the largest portion of the County's net position (\$118,362,005) 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, 2019.

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2018	2019	2018	2019	2018	2019	2018-2019
Assets:							
Current assets	\$ 45,420	53,027	\$ 920	687	\$ 46,340	53,714	15.91%
Capital assets, net	133,894	132,141	1,109	1,390	135,003	133,531	-1.09%
Total assets	179,314	185,168	2,029	2,077	181,343	187,245	3.25%
Deferred Outflows	2,449	2,062	78	63	2,527	2,125	-15.91%
Liabilities:							
Current liabilities	\$ 4,912	10,358	\$ 392	402	\$ 5,304	10,760	102.87%
Long-term debt outstanding	24,740	22,469	58	50	24,798	22,519	-9.19%
Net pension liability	30,813	32,756	1,621	1,724	32,434	34,480	6.31%
Total liabilities	\$ 60,465	65,583	\$ 2,071	2,176	\$ 62,536	67,759	8.35%
Deferred inflows	22,054	22,524	53	27	22,107	22,551	2.01%
Net position:							
Net Investment in capital assets	\$ 117,816	116,972	\$ 1,109	1,390	\$ 118,925	118,362	-0.47%
Restricted	9,094	10,181			9,094	10,181	11.95%
Unrestricted	(27,666)	(28,030)	(1,127)	(1,453)	(28,793)	(29,483)	-2.40%
Total net position	\$ 99,244	99,123	\$ (18)	(63)	\$ 99,226	99,060	-0.17%

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>2018</u>	<u>2019</u>
Total unrestricted net position	\$ (28,792,189)	\$ (29,482,760)
Less unrestricted deficit in net position resulting from recognition of GASB 68 and 71	<u>31,934,669</u>	<u>33,756,264</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 3,142,480</u>	<u>\$ 4,273,504</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 \$1,472,198.
- The implementation of GASB 68 and 71, in a prior year, resulted in the recognition of a net pension liability in the amount of \$34,480,264.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Changes in Net Position – Lee County's total revenues for the fiscal year ended September 30, 2019 was \$39,390,939. The total cost for all services provided was \$39,556,067. The decrease in net position was \$165,128. The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2019.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018-2019</u>
Revenues:							
Program revenues							
Charges for services	\$ 2,235	2,010	\$ 2,751	2,775	\$ 4,986	4,785	-4.03%
Fines and fees	2,070	2,017			2,070	2,017	-2.56%
Federal grants	794	2,471			794	2,471	211.21%
State grants	3,804	3,939			3,804	3,939	3.55%
Local grants	646	762			646	762	17.96%
General revenues							
Property taxes	20,624	21,488			20,624	21,488	4.19%
Road & Bridge privilege taxes	1,071	1,089			1,071	1,089	1.68%
Other	1,405	2,836	12	4	1,417	2,840	100.42%
Total Revenues	<u>32,649</u>	<u>36,612</u>	<u>2,763</u>	<u>2,779</u>	<u>35,412</u>	<u>39,391</u>	11.24%
Expenses:							
General government	10,596	10,667			10,596	10,667	0.67%
Public safety	10,054	10,118			10,054	10,118	0.64%
Public works	6,301	7,631			6,301	7,631	21.11%
Health and welfare	1,312	1,266			1,312	1,266	-3.51%
Culture and recreation	1,005	1,033			1,005	1,033	2.79%
Education	13	13			13	13	0.00%
Conservation of natural resources	227	263			227	263	15.86%
Economic development	808	1,188			808	1,188	47.03%
Interest on long-term debt	778	834			778	834	7.20%
Pension expense	4,126	3,719			4,126	3,719	-9.86%
Solid waste collection & disposal			2,855	2,824	2,855	2,824	-1.09%
Total Expenses	<u>35,220</u>	<u>36,732</u>	<u>2,855</u>	<u>2,824</u>	<u>38,075</u>	<u>39,556</u>	3.89%
Increase (Decrease) in Net Position	\$ <u>(2,571)</u>	<u>(120)</u>	\$ <u>(92)</u>	<u>(45)</u>	\$ <u>(2,663)</u>	<u>(165)</u>	93.80%

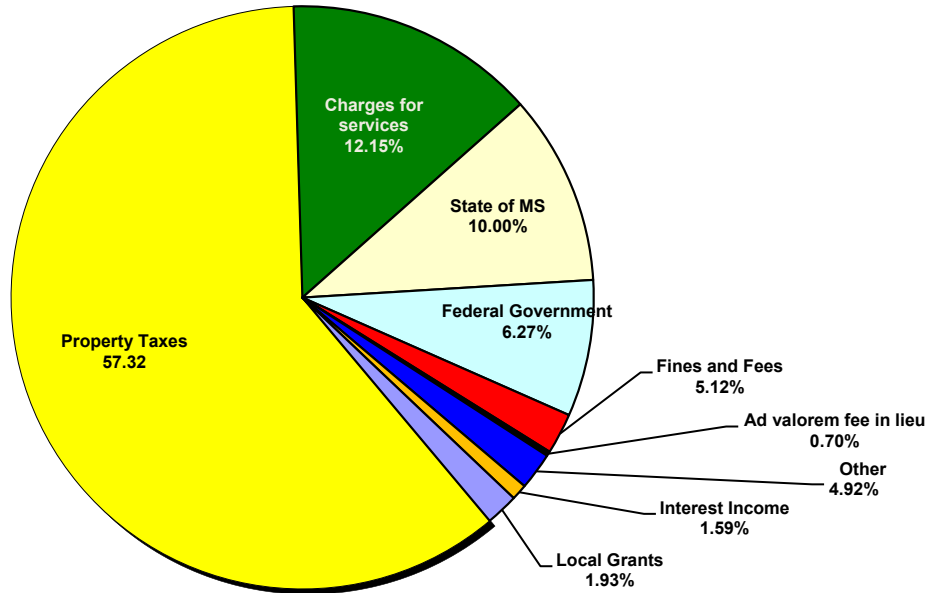
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

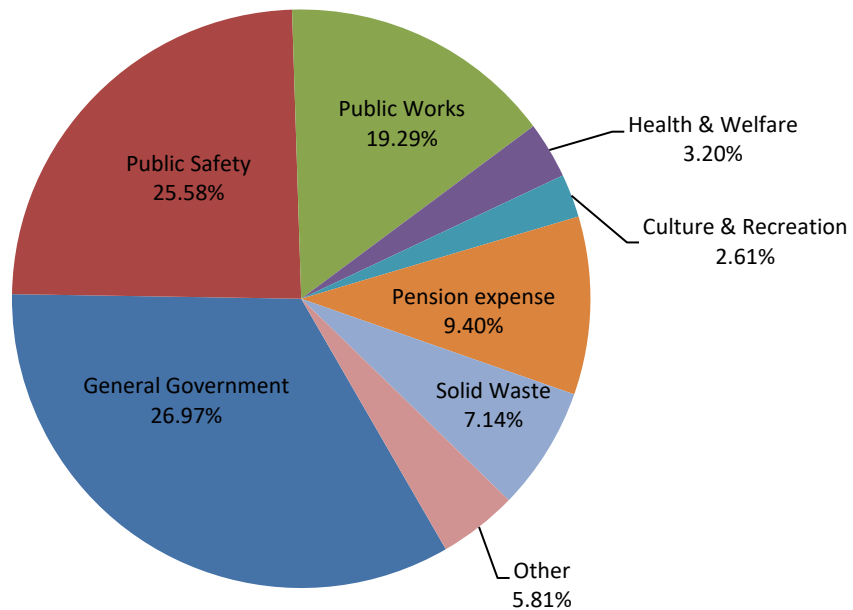
GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

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

Where The County Gets Its Revenue



How County Revenues Are Used



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities – The following table presents the cost of 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.

		Total Costs of Services		Percentage Change		Net Costs of Services		Percentage Change	
		<u>2018</u>	<u>2019</u>	<u>2018-2019</u>	\$	<u>2018</u>	<u>2019</u>	<u>2018-2019</u>	
General Government	\$	10,596,119	10,666,579	0.66%		7,458,237	7,615,242	2.11%	
Public Safety		10,054,248	10,118,427	0.64%		7,666,573	7,216,878	-5.87%	
Public Works		6,300,933	7,631,472	21.12%		5,448,254	6,187,141	13.56%	
Health & Welfare		1,311,779	1,266,193	-3.48%		698,180	663,794	-4.93%	
Culture and Recreation		1,005,155	1,032,844	2.75%		1,005,155	1,032,844	2.75%	
Education		13,368	13,370	0.01%		13,368	13,370	0.01%	
Conservation of natural resources		227,124	263,293	15.92%		227,124	263,293	15.92%	
Economic Development		808,157	1,187,245	46.91%		(38,398)	(315,695)	-722.17%	
Interest of Long-term Debt		778,139	834,384	7.23%		778,139	834,384	7.23%	
Pension Expense		4,126,060	3,718,558	-9.88%		4,126,060	3,718,558	-9.88%	

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 \$14,775,543, an increase of \$1,743,345, 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 \$847,727.

Business-type funds – Revenue from the Solid Waste Collection and Disposal Fund increased by 0.59% to \$2,778,721 and expenses decreased 1.08% to \$2,823,702.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2019, Lee County's total capital assets were \$335,755,897. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$1,585,066 or 0.47%.

Total accumulated depreciation as of September 30, 2019 was \$202,225,282 including \$3,712,519 of depreciation expense for the year. The balance in total net capital assets was \$133,530,615 at year-end.

Additional information on Lee County's capital assets can be found in note 6 on pages 53-55 of this report.

Debt Administration – At September 30, 2019, Lee County had \$22,518,874 in long-term debt outstanding. This includes general obligation bonds, capital leases, other loans and compensated absences. Of this debt, \$2,181,797 is due within one year.

In prior years, 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.

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, 2019, was equal to 0.57% of the latest property assessment, significantly below the 15% limitation.

Additional information on Lee County's long-term debt can be found in note 12 on pages 65-67 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

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 2019, Lee County had an unemployment rate of 4.50%. This was below the state average of 5.60%. By February 2020, both Lee County's rate and the state's rate had dropped to 4.10% and 5.40%, respectively.

Total budgeted revenues increased for the next fiscal year by \$118,565 or .29% and total budgeted expenditures increased \$1,862,294 or 4.45%. The County expects to have a decrease in net position for the next fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

CURRENT AND FUTURE ITEMS OF IMPACT - Continued

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.

On March 30, 2019, the County issued an interfund loan from Capital Reserve account to the Solid Waste account to purchase a new garbage truck. With an interest rate of 3%, the debt will be repaid over five years from the Solid Waste fund.

On April 14, 2020, the County entered a lease purchase agreement for the purchase of equipment for the Road and Solid Waste departments. With an interest rate of 2.98%, the debt will be repaid over seven years from County Wide Road and Solid Waste funds.

On May 4, 2020, the County entered a lease purchase agreement for the purchase of equipment for the Road Department. With an interest rate of 2.59%, the debt will be repaid over five years from the County Wide Road 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.

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**PRIMARY GOVERNMENT
FINANCIAL STATEMENTS**

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Lee County, Mississippi
Statement of Net Position
September 30, 2019

Exhibit 1

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
Assets			
Cash	\$ 14,573,411	\$ 216,826	\$ 14,790,237
Investments	8,019,052	-	8,019,052
Accrued interest receivable	73,538	-	73,538
Property tax receivable	22,008,767	-	22,008,767
Accounts receivable, (net of allowance for uncollectibles of \$ 1,807,389)	-	455,688	455,688
Fines receivable, (net of allowance for uncollectibles of \$ 7,467,103.)	571,970	-	571,970
Capital lease receivables	20	-	20
Intergovernmental receivables	1,996,664	13,863	2,010,527
Other receivables	191,576	219,875	411,451
Internal balances	219,383	(219,383)	-
Ad valorem tax fee in-lieu receivable, net	5,372,617	-	5,372,617
Capital assets:			
Land and construction in progress	8,692,461	47,746	8,740,207
Other capital assets, net	123,448,447	1,341,961	124,790,408
Total Assets	\$ 185,167,906	\$ 2,076,576	\$ 187,244,482
Deferred Outflows of Resources			
Deferred outflows related to pension	\$ 1,202,470	\$ 63,288	\$ 1,265,758
Deferred amount on refunding	860,023	-	860,023
Total Deferred Outflows of Resources	\$ 2,062,493	\$ 63,288	\$ 2,125,781
Liabilities			
Claims payable	\$ 1,556,680	\$ 121,907	\$ 1,678,587
Intergovernmental payables	4,144,526	1,192	4,145,718
Accrued interest payable	127,652	126	127,778
Unearned revenue	-	279,125	279,125
Amounts held in custody for others	2,184,952	-	2,184,952
Claims and judgements	502,741	-	502,741
Unearned revenue - grants	1,840,835	-	1,840,835
Long-term liabilities			
Net pension liability	32,756,484	1,723,780	34,480,264
Due within one year:			
Capital related debt	1,367,091	-	1,367,091
Non-capital related debt	814,706	-	814,706
Due in more than one year:			
Capital related debt	13,801,519	-	13,801,519
Non-capital related debt	6,485,584	49,974	6,535,558
Total Liabilities	\$ 65,582,770	\$ 2,176,104	\$ 67,758,874
Deferred Inflows of Resources			
Deferred inflows related to pension	\$ 514,670	\$ 27,088	\$ 541,758
Property tax for future reporting period	22,008,767	-	22,008,767
Total deferred inflows of resources	\$ 22,523,437	\$ 27,088	\$ 22,550,525
Net Position			
Net investment in capital assets	\$ 116,972,298	\$ 1,389,707	\$ 118,362,005
Restricted for:			
Expendable:			
General government	1,969,293	-	1,969,293
Public safety	1,339,896	-	1,339,896
Public works	6,836,406	-	6,836,406
Economic development	36,024	-	36,024
Unrestricted	(28,029,725)	(1,453,035)	(29,482,760)
Total Net Position	\$ 99,124,192	\$ (63,328)	\$ 99,060,864

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

Lee County, Mississippi
Statement of Activities
For the Year Ended September 30, 2019

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 10,666,579	\$ 1,916,959	\$ 1,134,378	\$ -	\$ (7,615,242)		\$ (7,615,242)
Public safety	10,118,427	2,102,254	220,265	579,030	(7,216,878)		(7,216,878)
Public works	7,631,472	8,513	1,211,501	224,317	(6,187,141)		(6,187,141)
Health and welfare	1,266,193	-	602,399	-	(663,794)		(663,794)
Culture and recreation	1,032,844	-	-	-	(1,032,844)		(1,032,844)
Education	13,370	-	-	-	(13,370)		(13,370)
Conservation of natural resources	263,293	-	-	-	(263,293)		(263,293)
Economic development and assistance	1,187,245	-	234,009	1,268,931	315,695		315,695
Interest on long-term debt	834,384	-	-	-	(834,384)		(834,384)
Pension expense	3,718,558	-	-	-	(3,718,558)		(3,718,558)
Total Governmental Activities	\$ 36,732,365	\$ 4,027,726	\$ 3,402,552	\$ 2,072,278	\$ (27,229,809)		\$ (27,229,809)
Business-type activities:							
Solid waste	\$ 2,823,702	\$ 2,774,681	\$ -	\$ -	\$ -	\$ (49,021)	\$ (49,021)
Total Business-type Activities	\$ 2,823,702	\$ 2,774,681	\$ -	\$ -	\$ -	\$ (49,021)	\$ (49,021)
Total Primary Government	\$ 39,556,067	\$ 6,802,407	\$ 3,402,552	\$ 2,072,278	\$ (27,229,809)	\$ (49,021)	\$ (27,278,830)
General revenues:							
Taxes:							
Property taxes					\$ 21,488,092	\$ -	\$ 21,488,092
Road & bridge privilege taxes					1,089,287	-	1,089,287
Ad Valorem tax fee-in-lieu revenue					276,535	-	276,535
Grants and contributions not restricted to specific programs					1,697,358	-	1,697,358
Unrestricted investment income					622,899	4,040	626,939
Miscellaneous					1,935,491	-	1,935,491
Total General Revenues					\$ 27,109,662	\$ 4,040	\$ 27,113,702
Changes in Net Position					\$ (120,147)	\$ (44,981)	\$ (165,128)
Net Position - Beginning					\$ 99,244,339	(18,347)	\$ 99,225,992
Net Position - Ending					\$ 99,124,192	\$ (63,328)	\$ 99,060,864

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

Lee County, Mississippi
Balance Sheet - Governmental Funds
September 30, 2019

Exhibit 3

	Major Funds			Other	Total
	General Fund	County Wide Road Fund	County Wide Bridge Fund	Governmental Funds	Governmental Funds
ASSETS					
Cash	\$ 8,058,030	\$ 444,143	\$ 1,621,878	\$ 4,449,360	\$ 14,573,411
Investments	3,345,783	3,429,579	1,243,690	-	8,019,052
Accrued interest receivable	40,123	17,890	11,150	4,375	73,538
Property tax receivable	16,160,735	2,850,739	2,376,172	621,121	22,008,767
Fines receivable (net of allowance for uncollectibles of \$7,467,103)	571,970	-	-	-	571,970
Intergovernmental receivables	1,396,559	320,063	127,797	96,168	1,940,587
Other receivables	70,625	-	-	108,681	179,306
Due from other funds	50,118	204,456	100,445	24,720	379,739
Advances to other funds	170,242	-	-	-	170,242
Total Assets	<u>\$ 29,864,185</u>	<u>\$ 7,266,870</u>	<u>\$ 5,481,132</u>	<u>\$ 5,304,425</u>	<u>\$ 47,916,612</u>
LIABILITIES					
Liabilities:					
Claims payable	\$ 770,934	\$ 607,565	\$ 75,971	\$ 102,210	\$ 1,556,680
Intergovernmental payables	3,783,229	1,149	-	11,998	3,796,376
Due to other funds	678,748	-	-	-	678,748
Amounts held in custody for others	1,480,048	-	-	704,904	2,184,952
Claims and judgments payable	502,741	-	-	-	502,741
Unearned revenue - grants	-	-	-	1,840,835	1,840,835
Total Liabilities	<u>\$ 7,215,700</u>	<u>\$ 608,714</u>	<u>\$ 75,971</u>	<u>\$ 2,659,947</u>	<u>\$ 10,560,332</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenues - property taxes	\$ 16,160,735	\$ 2,850,739	\$ 2,376,172	\$ 621,121	\$ 22,008,767
Unavailable revenues - fines	571,970	-	-	-	571,970
Total Deferred Inflows of Resources	<u>\$ 16,732,705</u>	<u>\$ 2,850,739</u>	<u>\$ 2,376,172</u>	<u>\$ 621,121</u>	<u>\$ 22,580,737</u>
Fund balances:					
Nonspendable:					
Advances	\$ 170,242	\$ -	\$ -	\$ -	\$ 170,242
Restricted for:					
General government	1,279,211	-	-	690,082	1,969,293
Public safety	42,645	-	-	1,297,251	1,339,896
Public works	-	3,807,417	3,028,989	-	6,836,406
Economic development and assistance	-	-	-	36,024	36,024
Unassigned	4,423,682	-	-	-	4,423,682
Total Fund Balances	<u>\$ 5,915,780</u>	<u>\$ 3,807,417</u>	<u>\$ 3,028,989</u>	<u>\$ 2,023,357</u>	<u>\$ 14,775,543</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 29,864,185</u>	<u>\$ 7,266,870</u>	<u>\$ 5,481,132</u>	<u>\$ 5,304,425</u>	<u>\$ 47,916,612</u>

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

Lee County, Mississippi
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2019

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 14,775,543
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 \$200,671,087	132,140,908
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	571,970
Accrued receivables that are not available to pay for current expenditures and therefore are not recorded in the funds.	
Ad valorem tax fee in-lieu receivable, net	5,372,617
Intergovernmental receivables	56,077
Other receivables	12,270
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	
Long-term liabilities	(22,468,900)
Accrued interest on debt	(127,652)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(32,756,484)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	20
Deferred amount on refunding	860,023
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	1,202,470
Deferred inflows of resources related to pensions	(514,670)
Total Net Position - Governmental Activities	\$ <u><u>99,124,192</u></u>

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

Lee County, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2019

Exhibit 4

	Major Funds			Other	Total
	General	County Wide	County Wide	Governmental	Governmental
	Fund	Road Fund	Bridge Fund	Funds	Funds
REVENUES					
Property taxes	\$ 15,692,762	\$ 2,835,479	\$ 2,347,383	\$ 612,468	\$ 21,488,092
Road and bridge privilege taxes	-	1,089,287	-	-	1,089,287
Licenses, commissions and other revenue	1,464,719	17,589	-	23,364	1,505,672
Fines and forfeitures	520,977	-	-	-	520,977
In-lieu taxes - ad valorem	150,000	-	-	833,825	983,825
Intergovernmental revenues	4,250,389	1,284,332	151,486	1,451,380	7,137,587
Charges for services	634,530	8,513	-	1,329,022	1,972,065
Interest income	376,251	133,966	92,952	19,729	622,898
Miscellaneous revenues	1,008,776	-	916	119,968	1,129,660
Total Revenues	\$ 24,098,404	\$ 5,369,166	\$ 2,592,737	\$ 4,389,756	\$ 36,450,063
EXPENDITURES					
Current:					
General government	\$ 10,870,985	\$ -	\$ -	\$ 181,506	\$ 11,052,491
Public safety	7,702,168	-	-	2,218,396	9,920,564
Public works	-	5,179,955	1,952,537	-	7,132,492
Health and welfare	1,265,249	-	-	-	1,265,249
Culture and recreation	1,074,180	-	-	-	1,074,180
Conservation of natural resources	261,572	-	-	-	261,572
Economic development and assistance	969,409	-	-	1,141,711	2,111,120
Debt service:					
Principal	275	58,123	-	2,111,882	2,170,280
Interest	-	-	-	806,977	806,977
Total Expenditures	\$ 22,143,838	\$ 5,238,078	\$ 1,952,537	\$ 6,460,472	\$ 35,794,925
Excess of Revenues over (under) Expenditures	\$ 1,954,566	\$ 131,088	\$ 640,200	\$ (2,070,716)	\$ 655,138
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	\$ 1,055,027	\$ -	\$ -	\$ -	\$ 1,055,027
Compensation for loss of capital assets	-	33,180	-	-	33,180
Transfers in	-	-	-	2,161,866	2,161,866
Transfers out	(2,161,866)	-	-	-	(2,161,866)
Total Other Financing Sources and Uses	\$ (1,106,839)	\$ 33,180	\$ -	\$ 2,161,866	\$ 1,088,207
Net Changes in Fund Balances	\$ 847,727	\$ 164,268	\$ 640,200	\$ 91,150	\$ 1,743,345
Fund Balances - Beginning	5,068,053	3,643,149	2,388,789	1,932,207	13,032,198
Fund Balances - Ending	\$ 5,915,780	\$ 3,807,417	\$ 3,028,989	\$ 2,023,357	\$ 14,775,543

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

Lee County, Mississippi
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2019

Exhibit 4-1

Net Changes in Fund Balances - Governmental Funds	\$	1,743,345
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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 outlay of \$2,211,944 is exceeded by depreciation outlays of \$3,497,776 in the current period.		(1,285,832)
--	--	-------------

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$587,503 and the proceeds from the sale of capital assets of \$1,055,027		(467,524)
--	--	-----------

Fines 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.		55,892
---	--	--------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Ad valorem tax fee-in-lieu		(707,290)
Intergovernmental revenue		34,603
Charges for services		(3,244)
Licenses, commissions, and miscellaneous		3,880

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 \$2,170,280 and bond premium amortization of \$9,100 exceeds bond discount amortization of \$1,870		2,177,510
--	--	-----------

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:

(Increase)/Decrease in Accrued Interest		74,629
(Increase)/Decrease in Compensated Absences		93,668
Amortization of Deferred Outflow on Bond Refunding		(109,267)

Some items reported in the Statement of Activities relating to the implementation of GASB 68 are reported in the governmental funds. These activities include:

Recording of pension expense for the current period		(3,718,558)
Recording of contributions made during the year		1,988,041

Change in Net Position of Governmental Activities	\$	<u>(120,147)</u>
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The notes to the financial statements are an integral part of this statement.

Lee County, Mississippi
Statement of Net Position - Proprietary Fund
September 30, 2019

Exhibit 5

	Business - Type Activities Enterprise Fund
	Solid Waste Fund
Assets	
Current assets:	
Cash	\$ 216,826
Accounts receivable, (net of allowance for uncollectibles of \$ 1,807,389)	455,688
Intergovernmental receivables	13,863
Other receivables	219,875
Total Current Assets	\$ 906,252
Noncurrent assets:	
Capital assets:	
Land	\$ 47,746
Other capital assets, net	1,341,961
Total Noncurrent Assets	\$ 1,389,707
Total Assets	\$ 2,295,959
Deferred Outflows of Resources	
Deferred outflows related to pensions	\$ 63,288
Total Deferred Outflows of Resources	\$ 63,288
Liabilities	
Current liabilities:	
Claims payable	\$ 121,907
Intergovernmental payables	1,192
Due to other funds	49,141
Advances from other funds	170,242
Accrued interest payables	126
Unearned revenue	279,125
Total Current Liabilities	\$ 621,733
Noncurrent liabilities:	
Pension liability	\$ 1,723,780
Non-capital related debt:	
Compensated absences payable	49,974
Total Noncurrent Liabilities	\$ 1,773,754
Total Liabilities	\$ 2,395,487
Deferred Inflows of Resources	
Deferred inflows related to pensions	\$ 27,088
Total Deferred Inflows of Resources	\$ 27,088
Net Position	
Net investment in capital assets	\$ 1,389,707
Unrestricted	(1,453,035)
Total Net Position	\$ (63,328)

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

Lee County, Mississippi
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2019

Exhibit 6

	Business-type Activities Enterprise Fund
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 2,765,281
Miscellaneous	<u>9,400</u>
Total Operating Revenues	\$ <u>2,774,681</u>
Operating Expenses	
Personal services	\$ 1,174,114
Pension expense	195,713
Contractual services	753,769
Materials and supplies	421,384
Depreciation expense	214,743
Indirect administrative cost	<u>58,715</u>
Total Operating Expenses	\$ <u>2,818,438</u>
Operating Income (Loss)	\$ <u>(43,757)</u>
Nonoperating Revenues (Expenses)	
Interest income	\$ 4,040
Interest expense	<u>(5,264)</u>
Net Nonoperating Revenue (Expenses)	\$ <u>(1,224)</u>
Changes in Net Position	\$ (44,981)
Net Position - Beginning	<u>(18,347)</u>
Net Position - Ending	\$ <u><u>(63,328)</u></u>

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

Lee County, Mississippi
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2019

Exhibit 7

	Business-type Activities Enterprise Fund
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,783,480
Payments to suppliers	(1,179,086)
Payments to employees	(1,286,994)
Payments to general fund for indirect costs	(58,715)
Other operating cash receipts	9,400
Net Cash Provided (Used) by Operating Activities	\$ 268,085
Cash Flows From Noncapital Financing Activities	
Loans from other funds	\$ 255,287
Interfund loan repayments	(35,904)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 219,383
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	\$ (496,509)
Interest paid on debt	(5,476)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (501,985)
Cash Flows From Investing Activities	
Interest and dividends on investments	\$ 4,040
Net Cash Provided (Used) by Investing Activities	\$ 4,040
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (10,477)
Cash and Cash Equivalents at Beginning of Year	227,303
Cash and Cash Equivalents at End of Year	\$ 216,826
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (43,757)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 214,743
Salvage value of capital asset deletions	608
Provision for uncollectible accounts	62,639
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(41,240)
(Increase) decrease in intergovernmental receivables	(275)
(Increase) decrease in other receivables	(18,348)
(Increase) decrease in deferred outflows - pensions	14,601
Increase (decrease) in claims payable	(4,641)
Increase (decrease) in intergovernmental payables	100
Increase (decrease) in unearned revenue	15,423
Increase (decrease) in net pension liability	102,298
Increase (decrease) in compensated absences liability	(8,246)
Increase (decrease) in deferred inflows - pensions	(25,820)
Total Adjustments	\$ 311,842
Net Cash Provided (Used) by Operating Activities	\$ 268,085

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

Lee County, Mississippi
Statement of Fiduciary Assets and Liabilities
September 30, 2019

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 427,736
Due from other funds	349,127
Other receivables	<u>13,822</u>
Total Assets	<u>\$ 790,685</u>
LIABILITIES	
Intergovernmental payables	\$ 789,708
Due to other funds	<u>977</u>
Total Liabilities	<u>\$ 790,685</u>

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

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lee County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Lee County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

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

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

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

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

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Fund are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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

C. Measurement Focus and Basis of Accounting.

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

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund – This fund is used to account for and report all financial resources not accounted for and reported in another fund.

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

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

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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

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

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.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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

D. Account Classifications.

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

E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements, and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payable are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payable between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business type activities are reported in the government wide financial statements as "internal balances."

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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

H. Capital Assets (Continued).

Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

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

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

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

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

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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

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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred amount on refunding – For current refunding’s and advance refunding’s 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 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.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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

L. Equity Classifications (Continued).

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 or unassigned. The following are descriptions of fund classifications used by the County:

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

Restricted fund balance includes amounts that have constraints placed upon the use of the resources 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.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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

L. Equity Classifications (Continued).

Fund Balance Flow Assumption:

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

M. Property Tax Revenues:

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

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

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

N. Intergovernmental Revenues in Governmental Funds.

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

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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

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. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The provisions of this standard has been incorporated into the financial statements and notes.

(2) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2019, was \$15,217,973 and the bank balance was \$16,338,519. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(2) Deposits and Investments (Continued).

Investments:

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments balances at September 30, 2019, are as follows:

Investment Type	Maturities	Fair Value Level	Fair Value
Federal Home Loan Mtg	07/27/20	2	299,529
Federal Home Loan Bds	06/15/20	2	500,610
Federal Home Loan Bds	05/05/21	2	200,184
Federal Home Loan Bds	08/26/22	2	249,612
Federal Home Loan Mtg	09/29/20	2	500,210
Federal Home Loan Mtg	11/26/19	2	300,027
Federal Home Loan Mtg	07/29/20	2	150,196
U. S. Treasury Note	11/30/20	1	250,578
U. S. Treasury Note	08/28/21	1	301,098
U. S. Treasury Note	08/31/21	1	553,503
U. S. Treasury Note	10/31/21	1	201,442
U. S. Treasury Note	08/31/20	1	300,762
U. S. Treasury Note	08/15/20	1	251,665
U. S. Treasury Note	01/31/20	1	450,139
U. S. Treasury Note	05/15/21	1	255,567
U. S. Treasury Note	05/31/20	1	602,460
U. S. Treasury Note	02/29/20	1	650,943
U. S. Treasury Note	08/31/20	1	402,832
U. S. Treasury Note	11/15/19	1	300,480
U. S. Treasury Note	02/15/23	1	253,458
U. S. Treasury Note	06/30/22	1	304,401
U. S. Treasury Note	08/15/21	1	254,943
U. S. Treasury Security	08/15/21	1	484,413
Total			<u><u>8,019,052</u></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 investment in interest bearing deposits to no more than one year.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(2) Deposits and Investments (Continued).

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.

(3) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Agency Fund	\$ 977
General Fund	Enterprise Fund	49,141
Countywide Road	General Fund	204,456
Countywide Bridge	General Fund	100,445
Other Governmental Funds	General Fund	24,720
Agency Fund	General Fund	349,127
Total		<u>\$ 728,866</u>

The receivable in the General Fund represents a temporary loan. The receivables from the General Fund represent the tax revenues collected in September 2019 but not settled until October 2019. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise Fund	\$ 170,242
Total		<u>\$ 170,242</u>

The purpose of the advance was for the purchase of Solid Waste truck.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(3) Interfund Transactions and Balances (Continued).

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 2,161,866
Total		\$ 2,161,866

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, 2019 consisted of the following:

Description	Amount
Governmental Activities:	
Economic Development	\$ 39,195
Legislative tag credit	705,630
Public Safety	101,836
Motor Vehicle Licenses	85,200
Reimbursement for the housing of prisoners	112,304
Welfare	144,091
911 fees	20,631
District Attorney grant	35,786
Local grant	10,000
Storm Shelter grant	191,548
Public Works	333,602
State Aid	23,689
Drug Court reimbursement	20,567
School Resource Officer	51,983
Other	64,525
Total Governmental Activities - Exhibit 3	\$ 1,940,587
Drug Court reimbursement	20,597
Economic Development	35,324
Other	156
Total Governmental Activities - Exhibit 1	\$ 1,996,664
Business-type Activities:	
Solid waste fees	\$ 13,863

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(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, 2019, is as follows:

Year ending September 30	Amount
2020	\$ 833,333
2021	833,333
2022	833,333
2023	833,333
2024	833,333
2025-2026	1,666,666
Total	\$ 5,833,331
Less: discount to present value - 5.45%	(898,970)
Net receivable	\$ 4,934,361

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, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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

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, 2019, is as follows:

Year ending September 30	Amount
2020	\$ 150,000
2021	150,000
2022	150,000
Total	\$ 450,000
Less: discount to present value - 2.00%	(11,744)
Net receivable	\$ <u>438,256</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, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(6) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2018	Additions	Deletions	Adjustments	Balance Sept. 30, 2019
Non-depreciable capital assets:					
Land	\$ 8,078,042	\$ 125,000	\$ 396,750	\$ -	\$ 7,806,292
Construction in progress	1,592,046	1,176,073	-	(1,881,950)	886,169
Total non-depreciable capital assets	<u>\$ 9,670,088</u>	<u>\$ 1,301,073</u>	<u>\$ 396,750</u>	<u>\$ (1,881,950)</u>	<u>\$ 8,692,461</u>
Depreciable capital assets:					
Infrastructure	\$ 260,045,895	\$ -	\$ -	\$ -	\$ 260,045,895
Buildings	35,295,812	79,270	-	-	35,375,082
Improvements other than buildings	6,863,892	-	-	-	6,863,892
Mobile equipment	17,603,518	750,791	214,464	-	18,139,845
Furniture and equipment	2,049,778	80,810	506,108	-	1,624,480
Leased property under capital leases	188,390	-	-	1,881,950	2,070,340
Total depreciable capital assets	<u>\$ 322,047,285</u>	<u>\$ 910,871</u>	<u>\$ 720,572</u>	<u>\$ 1,881,950</u>	<u>\$ 324,119,534</u>
Less accumulated depreciation for:					
Infrastructure	\$ 170,100,676	\$ 878,955	\$ -	\$ -	\$ 170,979,631
Buildings	11,732,955	682,229	-	-	12,415,184
Improvements other than buildings	1,192,674	267,141	-	-	1,459,815
Mobile equipment	12,865,183	1,514,747	192,844	-	14,187,086
Furniture and equipment	1,745,115	79,426	456,954	-	1,367,587
Leased property under capital leases	186,506	75,278	-	-	261,784
Total accumulated depreciation	<u>\$ 197,823,109</u>	<u>\$ 3,497,776</u>	<u>\$ 649,798</u>	<u>\$ -</u>	<u>\$ 200,671,087</u>
Total depreciable capital assets, net	<u>\$ 124,224,176</u>	<u>\$ (2,586,905)</u>	<u>\$ 70,774</u>	<u>\$ 1,881,950</u>	<u>\$ 123,448,447</u>
Governmental activities capital assets, net	<u><u>\$ 133,894,264</u></u>	<u><u>\$ (1,285,832)</u></u>	<u><u>\$ 467,524</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 132,140,908</u></u>

The adjustment was to reclass completed construction in progress to depreciable assets.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(6) Capital Assets (Continued).

Business-type activities:

	Balance Oct. 1, 2018	Acquisitions	Dispositions	Adjustments	Balance Sept. 30, 2019
Non-depreciable capital assets:					
Land	\$ 47,746	\$ -	\$ -	\$ -	\$ 47,746
Total non-depreciable capital assets	<u>\$ 47,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,746</u>
Depreciable capital assets:					
Buildings	\$ 93,750	\$ -	\$ -	\$ -	\$ 93,750
Improvements other than buildings	-	-	-	-	-
Mobile equipment	2,271,961	496,509	6,065	-	2,762,405
Furniture and equipment	40,001	-	-	-	40,001
Total depreciable capital assets	<u>\$ 2,405,712</u>	<u>\$ 496,509</u>	<u>\$ 6,065</u>	<u>\$ -</u>	<u>\$ 2,896,156</u>
Less accumulated depreciated for:					
Buildings	\$ 54,372	\$ 1,875	\$ -	\$ -	\$ 56,247
Improvements other than buildings	-	-	-	-	-
Mobile equipment	1,252,223	212,868	5,457	-	1,459,634
Furniture and equipment	38,314	-	-	-	38,314
Total accumulated depreciation	<u>\$ 1,344,909</u>	<u>\$ 214,743</u>	<u>\$ 5,457</u>	<u>\$ -</u>	<u>\$ 1,554,195</u>
Total depreciable capital assets, net	<u>\$ 1,060,803</u>	<u>\$ 281,766</u>	<u>\$ 608</u>	<u>\$ -</u>	<u>\$ 1,341,961</u>
Business type activities capital assets, net	<u>\$ 1,108,549</u>	<u>\$ 281,766</u>	<u>\$ 608</u>	<u>\$ -</u>	<u>\$ 1,389,707</u>

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(6) Capital Assets (Continued).

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 526,372
Public safety	1,391,457
Public works	1,298,311
Health and welfare	1,820
Culture and recreation	10,348
Education	13,370
Conservation of natural resources	3,900
Economic development and assistance	<u>252,198</u>
Total governmental activities depreciation expense	<u>\$ 3,497,776</u>
Business-type activities:	
Solid Waste	<u>\$ 214,743</u>
Total business-type activities depreciation expense	<u>\$ 214,743</u>

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

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected date of Completion</u>
The Hive project	\$ 88,831	August 2020

(7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2019, to January 1, 2020. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(7) Claims and Judgments (Continued).

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 2018 and 2019:

	2018	2019
Unpaid Claims, Beginning of Fiscal Year	\$ 643,309	\$ 769,808
Plus: Incurred Claims (Including IBNRs)	4,323,157	3,400,396
Less: Claims Payments	<u>(4,196,658)</u>	<u>(3,667,463)</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 769,808</u>	<u>\$ 502,741</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 lessee 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 original term, Community Development Foundation has the option to renew for an additional five year period.

The County receives income from this lease under a non-cancellable operating lease. Total income from the lease was \$66,552 for the year ended September 30, 2019. The future minimum lease payments for this lease are as follows:

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(8) Operating Leases (Continued).

Year Ending September 30,	Amount
2020	\$ 66,552
2021	66,552
2022	66,552
2023	66,552
2024	66,552
2025-2028	244,023
Total	\$ 576,783

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 this term, Grammer has the option to extend the lease for two subsequent five years periods. Grammer also has the option to purchase the property at any time following the seventh anniversary of the rent commencement date for a price of \$84,000 times the number of years of the term having elapsed as of 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, 2019. The future minimum lease payments for this lease are as follows:

Year Ending September 30,	Amount
2020	\$ 147,000
2021	147,000
2022	147,000
2023	147,000
2024	147,000
2025-2029	735,000
2030	24,500
Total	\$ 1,494,500

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(8) Operating Leases (Continued).

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

The County's operating lease does not give rise to property rights. Total costs for the lease was \$243,180 for the year ended September 30, 2019. The future minimum lease payments for this lease are as follows:

Year Ending September 30,	Amount
2020	\$ 243,180
2021	243,180
2022	243,180
2023	243,180
2024	243,180
2025-2029	1,215,900
2030-2032	709,275
	<u>3,141,075</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.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(9) Capital Leases (Continued).

The County leases the following property with varying terms and options as of September 30, 2019:

<u>Class of Property</u>	<u>Amount</u>
Land	\$ 609,000
Building	32,961,780
Total	<u>\$ 33,570,780</u>

The future minimum lease receivables as of September 30, 2019 are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>
2020	\$ 1
2021	1
2022	1
2023	1
2024	1
2025-2029	5
2030-2034	5
2035-2037	<u>5</u>
Total	<u>20</u>

As Lessee:

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

<u>Class of Property</u>	<u>Governmental Activities</u>
Furniture and equipment	\$ 2,070,340
Total	<u>\$ 2,070,340</u>
Less: Accumulated depreciation	<u>261,784</u>
Leased Property Under Capital Leases	<u>\$ 1,808,556</u>

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(9) Capital Leases (Continued).

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 146,572	60,940
2021	143,534	56,458
2022	110,007	52,377
2023	113,882	48,502
2024	117,894	44,491
2025-2029	654,764	157,159
2030-2033	<u>530,644</u>	<u>37,702</u>
Total	\$ <u>1,817,297</u>	\$ <u>457,629</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 75 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the 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.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(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.

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 become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2019, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2019 was 17.40% of annual covered payroll. This rate increased as of July 1, 2019 from 15.75%. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(11) Defined Benefit Pension Plan (Continued).

The County's contributions (employer share only) to PERS for the years ended September 30, 2019, 2018, and 2017, were \$2,092,677, \$1,957,540, and \$1,998,654, respectively, equal to the required contributions for each year.

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

At September 30, 2019, the County reported a liability of \$34,480,264 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2019 net pension liability was 0.196 percent, which was based on a measurement date of June 30, 2019. This was an increase of .001% from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the County recognized pension expense of \$3,914,271. At September 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 20,294	\$ 37,116
Net difference between projected and actual earnings on pension plan investments	-	413,801
Changes of assumptions	338,050	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	321,171	90,841
County contributions subsequent to the measurement date	586,243	-
Total	\$ 1,265,758	\$ 541,758

\$586,243 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(11) Defined Benefit Pension Plan (Continued).

Year ending September 30:		
2020	\$	339,068
2021		(491,603)
2022		132,870
2023		157,422
Total	\$	<u><u>137,757</u></u>

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

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

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major class as of June 30, 2019, are summarized in the following table:

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(11) Defined Benefit Pension Plan (Continued).

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 45,325,506	\$ 34,480,264	\$ 25,528,496

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, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(12) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds			
Toyota Refunding	\$ 4,530,000	3.00-3.50	6/20/26
911 Bonds, Series 2013	1,010,000	1.50-5.25	8/1/21
911 Refunding	4,735,000	2.00-2.125	8/1/28
Special obligation bonds, series 2018	<u>3,605,000</u>	3.00-4.25	4/1/38
Total General Obligation Bonds	<u>\$ 13,880,000</u>		
B. Capital Leases			
Viper 911 phone system	81,194	1.97	7/26/21
Energy efficient lighting	\$ <u>1,736,103</u>	3.49	04/01/33
Total Capital Leases	<u>1,817,297</u>		
C. Other Loans			
Capital improvements revolving loan	\$ 505,430	3.00	5/1/28
Capital improvements revolving loan	325,614	2.00	12/1/25
Noncap revolving loan	500,000	0.00	10/15/21
Certificates of participation	1,445,000	3.75	6/1/25
Capital improvements revolving loan	1,090,977	3.00	2/1/33
Capital improvements loan	1,998,635	3.00	1/1/29
Mobile equipment loan	58,123	0.00	11/8/19
Software license loan	7,710	0.00	3/1/20
Furniture and equipment loan	<u>114</u>	0.00	9/6/18
Total Other Loans	<u>\$ 5,931,603</u>		

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

12) Long-term Debt (Continued).

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

Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2020	\$ 1,400,000	\$ 406,576	\$ 627,995	\$ 164,201
2021	1,445,000	363,916	577,022	145,978
2022	1,490,000	318,024	1,097,167	127,394
2023	1,535,000	279,474	617,649	108,100
2024	1,575,000	239,424	638,410	88,152
2025-2029	4,410,000	688,303	2,039,575	190,958
2030-2034	1,035,000	340,788	333,785	16,447
2035-2038	990,000	107,738	-	-
	<u>\$ 13,880,000</u>	<u>\$ 2,744,243</u>	<u>\$ 5,931,603</u>	<u>\$ 841,230</u>
Total				

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2019, the amount of outstanding debt was equal to 0.57% of the latest property assessments.

Prior Year Defeasance of Debt – In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2019, \$4,245,000 of bonds outstanding was considered defeased.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(12) Long-term Debt (Continued).

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

Governmental Activities:

	Balance Oct. 1, 2018	Additions	Reductions	Balance Sept. 30, 2019	Amount due within one year
Compensated absences	\$ 898,916	\$ -	\$ 93,668	\$ 805,248	\$ -
General obligation bonds	15,245,000	-	1,365,000	13,880,000	1,400,000
Less:					
Discount	(35,530)	-	(1,870)	(33,660)	(1,870)
Add:					
Premium	77,512	-	9,100	68,412	9,100
Capital leases	2,006,211	-	188,914	1,817,297	146,572
Other loans	6,547,969	-	616,366	5,931,603	627,995
Totals	<u>\$ 24,740,078</u>	<u>\$ -</u>	<u>\$ 2,271,178</u>	<u>\$ 22,468,900</u>	<u>\$ 2,181,797</u>

Business-type Activities:

Compensated absences	\$ 58,220	\$ -	\$ 8,246	\$ 49,974	\$ -
Totals	<u>\$ 58,220</u>	<u>\$ -</u>	<u>\$ 8,246</u>	<u>\$ 49,974</u>	<u>\$ -</u>

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

(13) Deficit Fund Balances of Individual Funds.

The following funds reported deficit in fund balances at September 30, 2019:

Fund	Deficit Amount
Greater Plantersville Fire District	\$ 37
Greater Saltillo Fire District	49

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(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.

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

Solid Waste Revenue Refunding Bonds

Three Rivers Solid Waste Management Authority issued solid waste revenue bonds. As part of a solid waste disposal service agreement between Lee County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the authority that are not covered by fees generated from solid waste disposal services. The County's pro rata share of the \$1,425,000 bonds balance at September 30, 2019, is \$199,785.

(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:

<u>Description</u>	<u>Deficit Amount</u>
Industrial revenue bonds and notes	\$ 511,608

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(16) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of \$(28,029,725) includes the effect of deferred inflows/outflows of resources related to pension. A portion of the deferred outflow of resources related to pension in the amount of \$556,931 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The \$645,539 balance of deferred outflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next 4 years. The \$514,670 balance of the deferred inflow of resources related to pension at September 30, 2019, will be recognized in pension expense over the next 3 years.

The governmental activities' unrestricted net position amount of \$(28,029,725) includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$61,688 of the \$431,814 balance of deferred outflows of resources at September 30, 2019, will be recognized as an expense and will decrease the unrestricted net position over the next 7 years.

The governmental activities' net investment in capital assets of \$116,972,298 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$47,579 of the \$428,209 balance of deferred outflows of resources at September 30, 2019, will be recognized as an expense and will decrease the unrestricted net position over the next 9 years.

The business-type activities' unrestricted net position amount of \$(1,453,035) 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 \$29,312 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The \$33,976 balance of the deferred outflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next 4 years. The \$27,088 balance of the deferred inflow of resources related to pension at September 30, 2019, will be recognized in pension expense over the next 3 years.

(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 2019.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(17) Jointly Governed Organizations (Continued).

Three Rivers Planning and Development District operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Lee County Board of Supervisors appoints five of the forty members of the board of directors. The County appropriated \$46,606 for the support of the district in fiscal year 2019.

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 \$6,724,231 for the support and maintenance of the college in fiscal year 2019.

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 \$106,630 for support of the commission in fiscal year 2019.

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 2019 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 2019.

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 2019.

(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.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(18) Tax Abatements (Continued).

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.

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	\$ 2,498,468
Freeport warehouse	\$ 887,906

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) Unearned Revenue Grants.

During the current year, the County received \$1,340,835 from the State of MS for the Emergency Road and Bridge Repair project. These funds were not spent until the following fiscal year. The County also received \$500,000 from the State of MS to be used on infrastructure on the Hive project. These funds remain unspent as of September 30, 2019.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(20) 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 November 29, 2021, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

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

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
4/14/2020	2.98%	\$ 2,646,634	Lease Purchase	Ad Valorem Tax
4/14/2020	2.98%	\$ 217,984	Lease Purchase	Solid Waste Fees
5/4/2020	2.59%	\$ 1,070,196	Lease Purchase	Ad Valorem Tax

REQUIRED SUPPLEMENTARY INFORMATION

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Lee County, Mississippi
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2019
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 15,435,125	\$ 15,169,964	\$ 15,169,964	\$ -
Licenses, commissions and other revenue	1,376,100	1,446,610	1,446,610	-
Fines and forfeitures	568,100	526,135	526,135	-
Intergovernmental revenues	2,883,543	3,787,458	3,787,458	-
Charges for services	865,100	635,615	635,615	-
Interest income	68,700	274,284	274,284	-
Miscellaneous revenues	1,493,571	784,013	784,013	-
Total Revenues	<u>\$ 22,690,239</u>	<u>\$ 22,624,079</u>	<u>\$ 22,624,079</u>	<u>\$ -</u>
EXPENDITURES				
Current:				
General government	\$ 11,827,584	\$ 10,822,875	\$ 10,822,875	\$ -
Public safety	8,090,236	7,706,986	7,706,986	-
Health and welfare	1,274,818	1,173,987	1,173,987	-
Culture and recreation	1,129,919	1,065,079	1,065,079	-
Conservation of natural resources	318,091	271,860	271,860	-
Economic development and assistance	153,986	441,378	441,378	-
Debt service:				
Principal	-	-	-	-
Interest	17,100	8,520	8,520	-
Total Expenditures	<u>\$ 22,811,734</u>	<u>\$ 21,490,685</u>	<u>\$ 21,490,685</u>	<u>\$ -</u>
Excess of Revenues over (under) Expenditures	<u>\$ (121,495)</u>	<u>\$ 1,133,394</u>	<u>\$ 1,133,394</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	\$ 100	\$ -	\$ -	\$ -
Proceeds from sale of capital assets	4,000	1,055,027	1,055,027	-
Compensation for loss of capital assets	100	-	-	-
Transfers in	1,235,545	1,260,545	1,260,545	-
Transfers out	(2,396,131)	(3,422,411)	(3,422,411)	-
Total Other Financing Sources and Uses	<u>\$ (1,156,386)</u>	<u>\$ (1,106,839)</u>	<u>\$ (1,106,839)</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ (1,277,881)	\$ 26,555	\$ 26,555	\$ -
Fund Balances - Beginning	<u>7,828,693</u>	<u>4,730,446</u>	<u>4,730,446</u>	<u>-</u>
Fund Balances - Ending	<u><u>\$ 6,550,812</u></u>	<u><u>\$ 4,757,001</u></u>	<u><u>\$ 4,757,001</u></u>	<u><u>\$ -</u></u>

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

Lee County, Mississippi
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
County Wide Road Fund
For the Year Ended September 30, 2019
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,727,262	\$ 2,745,491	\$ 2,745,491	\$ -
Licenses, commissions and other revenue	983,000	1,099,628	1,099,628	-
Fines and forfeitures	500	-	-	-
Intergovernmental revenues	1,195,000	1,051,883	1,051,883	-
Charges for services	5,100	8,513	8,513	-
Interest income	30,000	82,266	82,266	-
Miscellaneous revenues	2,400	140	140	-
Total Revenues	<u>\$ 4,943,262</u>	<u>\$ 4,987,921</u>	<u>\$ 4,987,921</u>	<u>\$ -</u>
EXPENDITURES				
Current:				
Public works	\$ 5,149,494	\$ 5,023,809	\$ 5,023,809	\$ -
Debt service:				
Principal	58,123	-	-	-
Interest	-	10,220	10,220	-
Total Expenditures	<u>\$ 5,207,617</u>	<u>\$ 5,034,029</u>	<u>\$ 5,034,029</u>	<u>\$ -</u>
Excess of Revenues over (under) Expenditures	<u>\$ (264,355)</u>	<u>\$ (46,108)</u>	<u>\$ (46,108)</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	\$ 25,000	\$ -	\$ -	\$ -
Compensation for loss of capital assets	1,000	33,180	33,180	-
Transfers in	215,208	215,208	215,208	-
Total Other Financing Sources and Uses	<u>\$ 241,208</u>	<u>\$ 248,388</u>	<u>\$ 248,388</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ (23,147)	\$ 202,280	\$ 202,280	\$ -
Fund Balances - Beginning	<u>(642,524)</u>	<u>3,657,175</u>	<u>3,657,175</u>	<u>-</u>
Fund Balances - Ending	<u><u>\$ (665,671)</u></u>	<u><u>\$ 3,859,455</u></u>	<u><u>\$ 3,859,455</u></u>	<u><u>\$ -</u></u>

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

Lee County, Mississippi
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
County Wide Bridge Fund
For the Year Ended September 30, 2019
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,272,611	\$ 2,271,608	\$ 2,271,608	\$ -
Intergovernmental revenue	50,000	23,689	23,689	-
Charges for services	-	-	-	-
Interest income	15,000	69,955	69,955	-
Miscellaneous income	500	916	916	-
Total Revenues	<u>\$ 2,338,111</u>	<u>\$ 2,366,168</u>	<u>\$ 2,366,168</u>	<u>\$ -</u>
EXPENDITURES				
Current:				
Public works	\$ 1,702,670	\$ 1,669,597	\$ 1,669,597	\$ -
Debt service:				
Principal	-	-	-	-
Interest	-	3,681	3,681	-
Total Expenditures	<u>\$ 1,702,670</u>	<u>\$ 1,673,278</u>	<u>\$ 1,673,278</u>	<u>\$ -</u>
Excess of Revenues over (under) Expenditures	<u>\$ 635,441</u>	<u>\$ 692,890</u>	<u>\$ 692,890</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	\$ 100	\$ -	\$ -	\$ -
Proceeds from sale of capital assets	100	-	-	-
Compensation for loss of capital assets	100	-	-	-
Transfers out	(215,208)	(215,208)	(215,208)	-
Total other financing sources (uses)	<u>\$ (214,908)</u>	<u>\$ (215,208)</u>	<u>\$ (215,208)</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ 420,533	\$ 477,682	\$ 477,682	\$ -
Fund Balances - Beginning	<u>790,405</u>	<u>2,382,689</u>	<u>2,382,689</u>	<u>-</u>
Fund Balances - Ending	<u><u>\$ 1,210,938</u></u>	<u><u>\$ 2,860,371</u></u>	<u><u>\$ 2,860,371</u></u>	<u><u>\$ -</u></u>

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

Lee County, Mississippi

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

Last 10 Fiscal Years*

For the Year Ended September 30, 2019

	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.20%	0.20%	0.20%	0.19%	0.18%	0.19%
County's proportionate share of the net pension liability (asset)	\$ 34,480,264	32,434,293	32,581,852	33,045,619	27,824,450	23,062,521
County's covered payroll	\$ 12,995,802	12,428,802	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	265.32%	260.96%	259.58%	269.13%	244.59%	198.72%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

Lee County, Mississippi
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2019

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,092,677	1,957,540	1,998,654	1,933,862	1,791,703	1,827,892
Contributions in relation to the						
contractually required contribution	2,092,677	1,957,540	1,998,654	1,933,862	1,791,703	1,827,892
Contribution deficiency (excess)	\$ -	-	-	-	-	-
County's covered payroll	\$ 12,995,802	12,428,802	12,689,850	12,278,470	11,375,872	11,605,656
Contributions as a percentage of covered payroll	16.10%	15.75%	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.

On July 1, 2019, the PERS contribution rate for employers changed from 15.75% to 17.40%, thus resulting in a blended rate for the year ended September 30, 2019.

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

LEE COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2019
UNAUDITED

Notes to the Required Supplementary Information

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

LEE COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2019
UNAUDITED

Notes to the Required Supplementary Information – Continued.

C. Budget/GAAP Reconciliation – Continued.

	Governmental Fund Types		
	General Fund	County Wide Road Fund	County Wide Bridge Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ 26,555	\$ 202,280	\$ 477,682
Increase (Decrease)			
Net adjustments for revenues	22,233	166,037	226,569
Net adjustments for expenditures	<u>798,939</u>	<u>(204,049)</u>	<u>(64,051)</u>
Net Change in Fund Balance - GAAP Basis	<u>\$ 847,727</u>	<u>\$ 164,268</u>	<u>\$ 640,200</u>

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 retirements 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%.

LEE COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2019
UNAUDITED

A. Changes of assumptions (continued)

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 assumption 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% to 7%.

2019

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

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.

For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for Ages 75 to 119.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

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

For males, 137% of male rates at all ages.

For females, 115% of female rates at all ages.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

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

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

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

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

LEE COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2019
UNAUDITED

B. Change in benefit provisions

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.

C. Method and assumptions used in calculations of actuarially determined contributions.

The Actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.25 percent to 18.5 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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SUPPLEMENTARY INFORMATION

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Lee County, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Agriculture			
Passed-through Three Rivers Planning and Development District			
Child and adult care food program	10.558	19 CACFP	\$ 7,352
Passed-through Natural Resource Conservation Service			
Emergency Watershed Protection Program	10.923	NR194423XXXXC032	55,163
Total U.S. Department of Agriculture			\$ 62,515
U. S. Department of Housing and Urban Development			
Passed-through the Mississippi Department of Economic and Community Development			
Community development block grants/state's program	14.228	1134-17-041-PF-01	\$ 255,542
Total U.S. Department of Housing and Urban Development			\$ 255,542
U.S. Department of Justice			
Direct programs			
Bulletproof vest partnership program	16.607	N/A	\$ 5,470
Total direct program			\$ 5,470
Passed-through the Mississippi Department of Health			
Crime Victims Assistance	16.575	2020-VA-047	\$ 18,143
Violence against women formula grants	16.588	OAIV-SFY-2019-01	31,756
Violence against women formula grants	16.588	OAIV-SFY-2020-01	10,585
Total passed-through the Mississippi Department of Health			\$ 60,484
Total U.S. Department of Justice			\$ 65,954
U.S. Department of Labor			
Passed-through the Mississippi Council of Aging			
Passed-through Three Rivers Planning and Development District			
Senior community service employment program	17.235	19-S90-05-6059-1	\$ 19,177
Total U.S. Department of Labor			\$ 19,177
U.S. Department of Transportation			
Passed -through the Mississippi Department of Transportation			
Passed -through Three Rivers Planning and Development District			
Federal Transit Cluster			
Federal Transit Capital Investment Grant			
New Starts, Small Starts, and Core Capacity	20.500	N/A	\$ 3,273
Total U.S. Department of Transportation			\$ 3,273
Appalachian Regional Commission			
Passed-through the Mississippi Department of Economic and Community Development			
Appalachian Area Development	23.002	* ARC MS 19245	\$ 886,169
Totoal Appalachian Regional Commission			\$ 886,169
U.S. Department of Health and Human Services			
Passed-through the Mississippi Council of Aging			
Passed-through Three Rivers Planning and Development District			
Aging Cluster			
Special programs for the aging-Title III, Part B-Grants for supportive services and senior centers	93.044	18-LC-B-SC	\$ 150
Special programs for the aging-Title III, Part B-Grants for supportive services and senior centers	93.044	19-LC-B-SC	17,570

Lee County, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Special programs for the aging-Title III, Part C-Nutrition services	93.045	18-LC-3-C1	93
Special programs for the aging-Title III, Part C-Nutrition services	93.045	19-LC-3-C1	47,665
Special programs for the aging-Title III, Part C-Nutrition services	93.045	19-LC-3-C2	35,876
Nutrition services incentive program	93.053	19-LC-3C1	16,262
Nutrition services incentive program	93.053	19-LC-3-C2	11,784
Nutrition services incentive program	93.053	19-LC-XX-DC	1,280
Nutrition services incentive program	93.053	19-LC-3-XX-HDM	7,200
Total Aging Cluster			\$ 137,880
Social services block grant	93.667	19-LC-XX-DC	\$ 38,939
Social services block grant	93.667	19-LC-XX-TR	80,743
Social services block grant	93.667	18-XX-HDM	1,176
Social services block grant	93.667	19-XX-HDM	23,700
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	19-LC-3RMW	9,532
			\$ 154,090
Total U.S. Department of Health and Human Services			\$ 291,970
U.S. Department of Homeland Security			
Passed-through the Mississippi Emergency Management Agency			
Disaster Grants - Public Assistance	97.036	DR-4429	\$ 238,662
Hazard Mitigation grant	97.039	* 1604-0526	579,030
Emergency Management Performance Grant	97.042	72114-664	61,973
Total U.S. Department of Homeland Security			\$ 879,665
Total Expenditures of Federal Awards			\$ 2,464,265

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Lee County under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lee County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Lee County.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amount reported as expenditures in prior years.

Note C - Indirect Cost Rate

Lee County has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D - Hazard Mitigation Grant, 1604-0526

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$579,030 to a subrecipient during the year ended September 30, 2019.

* Denotes major federal award program

OTHER INFORMATION

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Lee County, Mississippi
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2019
UNAUDITED

NAME	POSITION	INSURANCE COMPANY	BOND AMOUNT
PHIL MORGAN	SUPERVISOR	TRAVELERS	\$ 100,000.00
MIKE SMITH	SUPERVISOR	TRAVELERS	\$ 100,000.00
TONY ROPER	SUPERVISOR	TRAVELERS	\$ 100,000.00
TOMMIE LEE IVY	SUPERVISOR	TRAVELERS	\$ 100,000.00
BILLY JOE HOLLAND	SUPERVISOR	TRAVELERS	\$ 100,000.00
JIMMIE H JOHNSON	SHERIFF	TRAVELERS	\$ 100,000.00
WILLIAM H BENSON	CHANCERY CLERK	TRAVELERS	\$ 100,000.00
CAMILLE MANGUM DULANEY	CIRCUIT CLERK	TRAVELERS	\$ 100,000.00
CRYSTAL BARNETT	DEPUTY CIR CLERK	TRAVELERS	\$ 50,000.00
DAWN COON	DEPUTY CIR CLERK	TRAVELERS	\$ 50,000.00
LIZA JANE YOUNG	DEPUTY CIR CLERK	TRAVELERS	\$ 50,000.00
MEAGAN KELTON	DEPUTY CIR CT CLERK	TRAVELERS	\$ 50,000.00
DARLA L MOSES	DEPUTY CIR CT CLERK	WESTERN	\$ 50,000.00
VICKI W WATSON	DEPUTY CIR CT CLERK	WESTERN	\$ 50,000.00
TERESA WILLIAMS	DEPUTY CIR CT CLERK	TRAVELERS	\$ 50,000.00
HALLE ROBERTS	DEPUTY CIR CT CLERK	TRAVELERS	\$ 50,000.00
KENSEY HOPKINS	DEPUTY CO CT CLERK	TRAVELERS	\$ 50,000.00
KIM L LOYD	DEPUTY CO CT CLERK	WESTERN	\$ 50,000.00
ALMA WELCH	DEPUTY CO CT CLERK	TRAVELERS	\$ 50,000.00
BRANDI BEST	DEPUTY CO CT CLERK	TRAVELERS	\$ 50,000.00
ANNA GREGORY	DEPUTY CO CT CLERK	TRAVELERS	\$ 50,000.00
BRENTLEY RAWSON	DEPUTY YOUTH CT CLERK	TRAVELERS	\$ 50,000.00
ANNA GRACE CAMPBELL	DEPUTY YOUTH CT CLERK	TRAVELERS	\$ 50,000.00
TONI CISOWSKI	DEPUTY YOUTH CT CLERK	TRAVELERS	\$ 50,000.00
CHARLES H "CHUCK" HOPKINS	JUSTICE CO. JUDGE	TRAVELERS	\$ 50,000.00
JOHN HOYT SHEFFIELD	JUSTICE CO. JUDGE	TRAVELERS	\$ 50,000.00
SADIE M HOLLAND	JUSTICE CO. JUDGE	TRAVELERS	\$ 50,000.00
MARCUS CRUMP	JUSTICE CO. JUDGE	TRAVELERS	\$ 50,000.00
DEBBIE BERRYMAN	DEPUTY JUSTICE CT CLERK	TRAVELERS	\$ 50,000.00
CAROLENE FRANKLIN	DEPUTY JUSTICE CT CLERK	TRAVELERS	\$ 50,000.00
RHONDA GIBSON	DEPUTY JUSTICE CT CLERK	TRAVELERS	\$ 50,000.00
RACHEL HARRIS	DEPUTY JUSTICE CT CLERK	TRAVELERS	\$ 50,000.00
ZANETA MICHELLE HENRY	DEPUTY JUSTICE CT CLERK	TRAVELERS	\$ 50,000.00
MELISSA DAWN MCCORMICK	DEPUTY JUSTICE CT CLERK	TRAVELERS	\$ 50,000.00
HAYLEY MAXWELL	DEPUTY JUSTICE CT CLERK	TRAVELERS	\$ 50,000.00
ANGELA STAFFORD	DEPUTY JUSTICE CT CLERK	TRAVELERS	\$ 50,000.00
MELBA WILLIAMS	DEPUTY JUSTICE CT CLERK	TRAVELERS	\$ 50,000.00
AMY BEASLEY	DEPUTY JUSTICE CT CLERK	TRAVELERS	\$ 50,000.00
DANA LARAYNE ROBERTS	DEPUTY JUSTICE CT CLERK	TRAVELERS	\$ 50,000.00
JOE HUCKABY	CONSTABLE	TRAVELERS	\$ 50,000.00
TED WOOD	CONSTABLE	TRAVELERS	\$ 50,000.00
PHIL GANN	CONSTABLE	TRAVELERS	\$ 50,000.00
TOM HENRY LYLES	CONSTABLE	TRAVELERS	\$ 50,000.00
MARK G WEATHERS	TAX ASSESSOR	TRAVELERS	\$ 50,000.00
KAY CLAYTON	DEPUTY TAX ASSESSOR	TRAVELERS	\$ 50,000.00
PATRICIA GRUBBS	DEPUTY TAX ASSESSOR	WESTERN	\$ 50,000.00
SANDRA G LONG	DEPUTY TAX ASSESSOR	WESTERN	\$ 50,000.00
TONI MASK	DEPUTY TAX ASSESSOR	TRAVELERS	\$ 50,000.00
EUTIKA NAVE	DEPUTY TAX ASSESSOR	TRAVELERS	\$ 50,000.00
EMILY HOOD RANKIN	DEPUTY TAX ASSESSOR	WESTERN	\$ 50,000.00
GLENDA ROBERTS	DEPUTY TAX ASSESSOR	WESTERN	\$ 50,000.00
DEBBIE ANN SUMMERS	DEPUTY TAX ASSESSOR	TRAVELERS	\$ 50,000.00
KIMBERLY ANN WATSON	DEPUTY TAX ASSESSOR	WESTERN	\$ 50,000.00
DONNA Y WILLIAMS	DEPUTY TAX ASSESSOR	WESTERN	\$ 50,000.00
LEROY E BELK, JR	TAX COLLECTOR	TRAVELERS	\$ 100,000.00
SHELLEY BOSWELL	DEPUTY TAX COLLECTOR	WESTERN	\$ 50,000.00
J'TARRA CHISM	DEPUTY TAX COLLECTOR	TRAVELERS	\$ 50,000.00

Lee County, Mississippi
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2019
 UNAUDITED

NAME	POSITION	INSURANCE COMPANY	BOND AMOUNT
CYNTHIA D CLANTON	DEPUTY TAX COLLECTOR	WESTERN	\$ 50,000.00
ANGELA GARRETT	DEPUTY TAX COLLECTOR	WESTERN	\$ 50,000.00
CANDACE RICHEY HAYNES	DEPUTY TAX COLLECTOR	WESTERN	\$ 50,000.00
CRYSTAL HEATHERLY	DEPUTY TAX COLLECTOR	TRAVELERS	\$ 50,000.00
SARA BETH MCCARTER	DEPUTY TAX COLLECTOR	WESTERN	\$ 50,000.00
ROBBIE MONTGOMERY	DEPUTY TAX COLLECTOR	WESTERN	\$ 50,000.00
TRACIE RILEY	DEPUTY TAX COLLECTOR	TRAVELERS	\$ 50,000.00
ALLISON WILSON	DEPUTY TAX COLLECTOR	WESTERN	\$ 50,000.00
DANIELA WEAVER	DEPUTY TAX COLLECTOR	TRAVELERS	\$ 50,000.00
LEAH GRAHAM	DEPUTY TAX COLLECTOR	TRAVELERS	\$ 50,000.00
GLADYS KNIGHT CHRISTIAN	DEPUTY TAX COLLECTOR	TRAVELERS	\$ 50,000.00
TANYA ROBBINS	DEPUTY TAX COLLECTOR	TRAVELERS	\$ 50,000.00
LACRESHIA BOWDRY-STAPLES	DEPUTY TAX COLLECTOR	TRAVELERS	\$ 50,000.00
JAMES D MOORE	CO ATTORNEY	TRAVELERS	\$ 2,000.00
CARL J SCHERFF	COUNTY SURVEYOR	TRAVELERS	\$ 10,000.00
WILLIAM H BENSON	INTERIM COUNTY ADMIN	TRAVELERS	\$ 100,000.00
WILLIAM H BENSON	INTERIM PUR CLERK	TRAVELERS	\$ 75,000.00
RAENA SAWYER	ASST PURCHASE CLERK	TRAVELERS	\$ 50,000.00
PHYLLIS DYE	INVENTORY CLERK	TRAVELERS	\$ 75,000.00
LISA GANN	ASST INVENTORY CLERK	TRAVELERS	\$ 50,000.00
TAMMY COWARD	ASST INVENTORY CLERK	LIBERTY MUTUTAL	\$ 50,000.00
TIMOTHY J ALLRED	ROAD MANAGER	TRAVELERS	\$ 50,000.00
LISA B BOX	RECEIVING CLERK	LIBERTY MUTUTAL	\$ 75,000.00
TAMMY RODGERS	ASST REC CLERK	LIBERTY MUTUTAL	\$ 50,000.00
CAMILLE MANGUM DULANEY	ASST REC CLERK	TRAVELERS	\$ 50,000.00
KIM LOYD	ASST REC CLERK	LIBERTY MUTUTAL	\$ 50,000.00
BRAD C BARNETT	ASST REC CLERK	TRAVELERS	\$ 50,000.00
ZANETTA BELL	ASST REC CLERK	TRAVELERS	\$ 50,000.00
MARK WEATHERS	ASST REC CLERK	LIBERTY MUTUTAL	\$ 50,000.00
ROBBIE MONTGOMERY	ASST REC CLERK	LIBERTY MUTUTAL	\$ 50,000.00
J'TARRA WOFFORD CHISM	ASST REC CLERK	TRAVELERS	\$ 50,000.00
JOHN A HALL	ASST REC CLERK	LIBERTY MUTUTAL	\$ 50,000.00
KAMISHA MCKINNON	ASST REC CLERK	LIBERTY MUTUTAL	\$ 50,000.00
WILLIAM B KILGORE	ASST REC CLERK	TRAVELERS	\$ 50,000.00
KAREN BALINT	ASST REC CLERK	LIBERTY MUTUTAL	\$ 50,000.00
LINDA SEALS	ASST REC CLERK	LIBERTY MUTUTAL	\$ 50,000.00
SUSAN O CARR	ASST REC CLERK	LIBERTY MUTUTAL	\$ 50,000.00
MACKENZIE BROWN	ASST REC CLERK	TRAVELERS	\$ 50,000.00
JUDY THOMPSON	ASST REC CLERK	TRAVELERS	\$ 50,000.00
SAMUEL STAPLES	ASST REC CLERK	TRAVELERS	\$ 50,000.00
TERRY BRADLEY	ASST REC CLERK	TRAVELERS	\$ 50,000.00
CHRISTY BLANCHARD	ASST REC CLERK	TRAVELERS	\$ 50,000.00

SPECIAL REPORTS

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

Members of the Board of Supervisors
Lee County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lee County, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 29, 2021. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the reporting entity that include the financial data for its component units. The report is also 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 the 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 were not identified. We did identify a certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2019-001, 2019-002 and 2019-003 that we consider to be material weaknesses.

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

- Continued -

Compliance and Other Matters

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

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 November 29, 2021, included within this document.

Lee County's Response to Findings

Lee County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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.

M. M. Winkler & Associates, PLLC

November 29, 2021

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Members of the Board of Supervisors
Lee County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Lee County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019. Lee County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lee County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lee County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Lee County, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, Lee County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

- Continued -

Report on Internal Control Over Compliance

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

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

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

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

M. M. Winkler & Associates, PLLC

November 29, 2021

M. M. WINKLER & ASSOCIATES, PLLC

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

Members of the Board of Supervisors
Lee County, Mississippi

We have examined Lee County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2019. The Board of Supervisors of Lee County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Lee County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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

Purchase Clerk

1. During our test of expenditures, it was noted that fuel quotes were not obtained.

Repeat Finding: No

Criteria: Section 31-7-13(b) Miss. Code Ann. (1972) requires purchases that involve an expenditure of more than five thousand dollars but not more than fifty thousand dollars to have two competitive written quotes.

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

-Continued-

Purchase Clerk – continued

Condition: During our test of expenditures one fuel purchase did not have two competitive quotes.

Cause: Purchase clerk did not follow the Mississippi statute listed above.

Effect: Failure to obtain quotes on fuel does not ensure the County is getting the lowest and best price.

Recommend-
ation Purchase Clerk should follow Mississippi purchasing laws.

Response We will comply

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, 2019.

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

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Lee County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

M. M. Winkler & Associates, PLLC

November 29, 2021

LEE COUNTY, MISSISSIPPI
SCHEDULE OF PURCHASES NOT MADE FROM THE LOWEST BIDDER
For the Year Ended September 30, 2019

Schedule 1

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

LEE COUNTY, MISSISSIPPI
SCHEDULE OF EMERGENCY PURCHASES
For the Year Ended September 30, 2019

Schedule 2

Our tests did not identify any emergency purchases.

LEE COUNTY, MISSISSIPPI
SCHEDULE OF PURCHASES MADE NONCOMPETITIVELY
FROM A SOLE SOURCE
For the Year Ended September 30, 2019

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
10/01/2018	Parts	\$ 5,155	Summit Truck Group
12/17/2018	Evidence library in car systems	\$ 27,225	Watch Guard
03/18/2019	Digital video in car systems	\$ 54,700	Watch Guard
07/01/2019	Parts	\$ 19,254	Thompson Machinery
08/05/2019	Voting tabulation units	\$ 23,490	Election Systems, LLC

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M. M. WINKLER & ASSOCIATES, PLLC

Certified Public Accountants

221 Franklin Street - P. O. Box 499
Tupelo, Mississippi 38802
(662) 842-4641 or Fax (662) 842-4646
info@mmwinkler.com

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, 2019, 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 November 29, 2021, on the financial statements of Lee County, Mississippi.

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

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

Board of Supervisors.

1. Public Officials Should Ensure Compliance with State Law over Completing Travel Vouchers.

Repeat Finding: Yes; OSA 2018 Compliance Report 1

Criteria: Section 25-3-41(4), Mississippi Code Annotated (1972), states, "A public officer or employee shall be reimbursed for other actual expenses such as meals, lodging and other necessary expenses incurred in the course of the travel, subject to limitations placed on meals for intrastate and interstate official travel by the Department of Finance and Administration, provided, that the Legislative Budget Office shall place any limitations for expenditures made on matters under the jurisdiction of the Legislature.

Condition: As a result of procedures performed, it was noted that the Supervisor was reimbursed the entire per diem rate; however, actual meal expenses were not listed on the Board Member's travel voucher.

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

-Continued-

Cause: Actual meal expenses are not being listed on travel voucher.

Effect: Failure to follow the guidelines as stated in Section 25-3-41(4) could result in the loss or misappropriation of public funds, as well as results in the Supervisors not being in compliance.

Recommendation: Board of Supervisors should ensure actual meal expenses are listed on their travel vouchers.

Response: We will comply.

2. Public Officials Should Ensure Compliance with State Law over Paying an Employee's Business as a Vendor.

Repeat Finding: Yes; OSA 2018 Compliance Report 2

Criteria: Section 25-4-105(3)(a), Miss. Code Ann. (1972), states, "No public servant shall be a contractor, subcontractor or vendor with the governmental entity of which he is a member, officer, employee or agent, other than in his contract of employment, or have a material financial interest in any business which is a contractor, subcontractor or vendor with the governmental entity of which he is a member, officer, employee or agent."

Condition: As a result of procedures performed, it was determined an E-911 employee was paid as a vendor for performing training programs for a total of \$4,285 during fiscal year 2019.

Cause: County paid part-time employee as a vendor.

Effect: Failure to comply with this statute could result in an ethics violation in accordance with Section 25-4-105(3)(a).

Recommendation: Board of Supervisors do not enter into a contract with an employee of the County. Also, we recommend that the Board inquire with the Ethics Commission to determine if any action should be taken.

Response: We will comply

3. Exception noted with complete records with all credit card receipts.

Repeat Finding: No

Criteria: Section 19-3-68, Miss. Code Ann. (1972), requires the chancery clerk or county purchase clerk to maintain complete records of all credit card numbers and all receipts and other documentation related to the use of such credit cards.

Condition: During state legal compliance audit procedures it was noted on one of the credit card claims tested did not have all receipts for charges that were charged to the credit card.

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

-Continued-

Cause: Not all receipts are being submitted for charges.

Effect: Without the receipts, the chancery clerk or purchase clerk cannot ensure that all credit card charges are allowable under state law.

Recommendation: Board of Supervisors should ensure all receipts for charges to County credit cards are turned in.

Response: We will comply.

Chancery Clerk.

4. Public Officials Should Ensure Compliance with State Law over Reimbursing County for Payroll.

Repeat Finding: Yes; OSA 2018 Compliance Report 4

Criteria: Section 19-13-43, Miss. Code Ann. (1972), states, "Warrants shall be drawn by the clerk, under his seal of office, in favor of the claimants, on all demands, claims and accounts allowed by the board, in the order of their allowance, against the several funds in the county depository from which such allowed claims must be paid."

Condition: Chancery Clerk's payroll reimbursements to the County for payroll is not submitted in a timely manner.

Cause: Payroll reimbursements not submitted timely.

Effect: Failure to reimburse the County for the Chancery Clerk's employees' payroll in a timely manner, results in an unauthorized loan to the Chancery Clerk.

Recommendation: Chancery Clerk reimburse the County for the employees' payroll, including benefits, prior to the date of payroll.

Response: I will comply.

Circuit Clerk, Justice Court Clerk, Tax Collector, Tax Assessor, Receiving Clerk, and Inventory Clerk.

5. Public Officials and Employees Should Ensure Compliance with State Law over Surety Bonds.

Repeat Finding: Yes; OSA 2018 Compliance Report 7

Criteria: Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law shall 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.

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

-Continued-

Condition: As a result of procedures performed, it was noted that some County Officials had “Continuation Certificate” instead of a surety bond as required by state law.

Cause: Certain County Officials used “Continuation Certificates” rather than a surety bond.

Effect: Failure to have a bond in place for a specific term or office could limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation: We recommend County Officials and employees ensure that the bonds secured lists a term of office covered and that new bonds are secured every four years concurrent with the normal election cycle of the Governor.

Response: We will comply.

Sheriff.

6. Public Officials Should Ensure Compliance with State Law over Presentation of Meals and Affidavits to the Board of Supervisors Monthly.

Repeat Finding: Yes; OSA 2018 Compliance Report 9

Criteria: Section 19-25-74, Miss. Code Ann. (1972), states, “...in respect to the feeding of prisoners..., the Sheriff shall maintain a log, showing the name of each prisoner, the date and time of incarceration and release, to be posted daily, which shall record the number of meals served to prisoners at each mealtime, and the hours of the days served, and shall make affidavit to correctness thereof and file the same monthly with the Board of Supervisors.” In addition, the Board is not allowed to pay claims for food expenses if this report has not been filed.

Condition: As a result of procedures performed, it was noted that both the inmate meal logs and an affidavit to the correctness thereof were not being filed monthly with the Board of Supervisors. Additionally, the Board approved claims for food expenses without this report being filed.

Cause: Sheriff daily meal logs are not being submitted to the Board of Supervisors monthly.

Effect: Failure to submit meal logs to the Board of Supervisors for approval as spread upon the official board minutes and an affidavit to the correctness thereof could result in a loss or misappropriation of public funds by paying for an incorrect number of meals.

Recommendation: We recommend the Sheriff ensure the meal log is filed monthly with the Board of Supervisors and an affidavit to the correctness thereof before meal expenses are approved through the claims docket.

Response: I will comply.

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

-Continued-

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

M. M. Winkler & Associates, PLLC

November 29, 2021

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LEE COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2019

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the government financial statements: | |
| | Governmental activities | Qualified |
| | Business-type activities | Qualified |
| | Aggregate discretely presented component units | Adverse |
| | Major funds: | |
| | General Fund | Unmodified |
| | County Wide Road Fund | Unmodified |
| | County Wide Bridge Fund | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| | 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 |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major federal program: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. | Identification of major federal programs: | |
| a. | CFDA # 23.002, Appalachian Area Development | |
| b. | CFDA # 97.039, Hazard Mitigation Grant | |

LEE COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2019

-Continued-

Section 1: Summary of Auditor's Results - Continued

- | | | |
|-----|---|------------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)? | Yes |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2019-001. The County should comply with GASB Statement 74 and 75 and report on postemployment benefits.

Repeat Finding: Yes: 2018-001; 2017-001

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 and 75 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 and 75.

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.

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LEE COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2019

-Continued-

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

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

2019-002. Component units should be included in County's financial statements.

Repeat Finding: Yes: 2018-002; 2017-002

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.

LEE COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2019

-Continued-

Justice Court Clerk

Material Weakness

2019-003 Cash collection and disbursement functions in the Justice Court Clerk's office are not adequately segregated.

Repeat Finding: Yes: 2018-004; 2017-004

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.

Section 3: Federal Award Findings and Questioned Costs

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

LEE COUNTY BOARD OF SUPERVISORS

MICHAEL W. SMITH
MEMBER – 2ND DISTRICT
SALTILLO, MISSISSIPPI

PHIL MORGAN
MEMBER – 1ST DISTRICT
SALTILLO, MISSISSIPPI

TOMMIE LEE IVY
MEMBER – 4TH DISTRICT
SHANNON, MISSISSIPPI

BILL BENSON, CLERK
SHANNON, MISSISSIPPI

CHRISTY JORDAN
MEMBER – 3RD DISTRICT
TUPELO, MISSISSIPPI

BILLY JOE HOLLAND
MEMBER - 5TH DISTRICT
VERONA, MISSISSIPPI

CORRECTIVE ACTION PLAN

Lee County respectfully submits the following corrective action plan for the year ended September 30, 2019.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

SECTION 2: FINANCIAL STATEMENT FINDINGS

2019-001 Corrective Action Planned: There is no plan to calculate the postemployment benefits.
It is not financially feasible at the current time

Anticipated Completion Date:

Name of Contact Person responsible for corrective Action:

2019-002 Corrective Action Planned: there is no plan to include component units in our audit report. It
is not financially feasible at the current time.

Anticipated Completion Date:

Name of Contact Person responsible for corrective Action:

2019-003 Corrective Action Planned: We will comply and will implement internal control procedures to
ensure adequate segregation of duties in the Justice Court Clerk's office.

Anticipated Completion Date: Unknown

Name of Contact Person Responsible for Corrective Action:
Rachel Harris, Justice Court Clerk

Sincerely,



Bill Benson
Lee County Administrator

LEE COUNTY BOARD OF SUPERVISORS

MICHAEL W. SMITH
MEMBER – 2ND DISTRICT
SALTILLO, MISSISSIPPI

PHIL MORGAN
MEMBER – 1ST DISTRICT
SALTILLO, MISSISSIPPI

TOMMIE LEE IVY
MEMBER – 4TH DISTRICT
SHANNON, MISSISSIPPI

BILL BENSON, CLERK
SHANNON, MISSISSIPPI

CHRISTY JORDAN
MEMBER – 3RD DISTRICT
TUPELO, MISSISSIPPI

BILLY JOE HOLLAND
MEMBER - 5TH DISTRICT
VERONA, MISSISSIPPI

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended September 30, 2019

The Lee County Board of Supervisors respectfully submits the following summary schedule of prior audit findings.

2018-001 The County should comply with GASB Statement 74 and report on postemployment benefits.

NOT CORRECTED

2018-002 Component units should be included in the County's financial statements.

NOT CORRECTED

2018-003 A lack of segregation of duties exists within the payroll department.

Procedures have been implemented to provide additional oversight in order to improve internal controls in the payroll department.

2018-004 Cash collection and disbursement functions in the Justice Court Clerk's office are not adequately segregated.

The Justice Court Clerk is working to update internal control procedures to ensure adequate segregation of duties.

Sincerely,



Bill Benson
Lee County Administrator