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**LEE COUNTY, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS AND**  
**SPECIAL REPORTS**

For the Year Ended September 30, 2020

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

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# LEE COUNTY, MISSISSIPPI

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**LEE COUNTY, MISSISSIPPI**

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# **M. M. WINKLER & ASSOCIATES, PLLC**

## ***Certified Public Accountants***

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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, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

#### **Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units**

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

## 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 Units” paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Lee County, Mississippi, as of September 30, 2020, 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, 2020, 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, the Debris Removal Fund and the aggregate remaining fund information of Lee County, Mississippi, as of September 30, 2020, 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 requires 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 June 21, 2023, 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*

June 21, 2023



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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# LEE COUNTY BOARD OF SUPERVISORS

MICHAEL W. SMITH  
MEMBER – 2<sup>ND</sup> DISTRICT  
SALTILLO, MISSISSIPPI

PHIL MORGAN  
MEMBER – 1<sup>ST</sup> DISTRICT  
SALTILLO, MISSISSIPPI

TOMMIE LEE IVY  
MEMBER – 4<sup>TH</sup> DISTRICT  
SHANNON, MISSISSIPPI

BILL BENSON, CLERK  
SHANNON, MISSISSIPPI

TONY ROPER  
MEMBER – 3<sup>RD</sup> DISTRICT  
TUPELO, MISSISSIPPI

BILLY JOE HOLLAND  
MEMBER - 5<sup>TH</sup> 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, 2020. 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 2020 census, is 83,343. The local economic base is driven mainly by manufacturing and retail.

### *FINANCIAL HIGHLIGHTS*

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

Lee County continues to grow both economically and in population. The tax rate did not increase for the current year. Looking back over the past twenty-two year period (1998-2020), tax rates rose only 1.23% above the highest rate (2013-2014). This tax rate 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 increased \$613,782 which represents a 0.62% increase from the prior fiscal year. The County’s ending cash and investment balance decreased by \$131,847. This represents a 0.58% decrease from the prior fiscal year.

The County had \$42,918,484 in total revenues. Tax revenues account for \$23,352,828 or 54.42% of total revenues. Revenues in the form of charges for services account for \$5,074,476 or 11.82%

# MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

## ***FINANCIAL HIGHLIGHTS - Continued***

of total revenues. Revenue generated by fines and other fees account for \$1,919,498 or 4.47%. State revenues, in the form of reimbursements, shared revenue or grants, account for \$6,467,320 or 15.07% of total revenues. Additionally, \$3,279,956 or 7.64% of total revenues were Federal revenues in the form of grants. Grants from other local jurisdictions amount to \$546,896 or 1.27% of total revenues. Revenue from ad valorem tax fee-in-lieu was \$242,731 or 0.57%. Investment and miscellaneous revenues totaled \$2,034,779 or 4.74% of total revenues.

The County had \$42,304,702 in total expenses, which represents an increase of \$2,748,635 or 6.95% from the prior fiscal year. Expenses in the amount of \$15,565,243 were offset by charges for services, grants, and outside contributions. General revenues of \$27,353,241 were used to provide for expenses.

Among major funds, the General Fund had \$23,955,211 in revenues and \$21,815,413 in expenditures. The General Fund's fund balance increased \$534,385 from the prior year. The County Wide Road Fund had \$5,451,431 in revenues and \$8,219,877 in expenditures. The County Wide Road Fund's fund balance increased \$2,168,359 from the prior year. The County Wide Bridge Fund had \$2,642,176 in revenues and \$2,796,913 in expenditures. The County Wide Bridge Fund's fund balance decreased \$153,822 from the prior year. The Debris Removal fund had \$2,924,895 in revenues and \$3,322,664 in expenditures which left the Debris Removal fund with a deficit fund balance of \$397,769.

Capital assets, net of accumulated depreciation, increased by \$2,120,821 or 1.59%. The majority of this increase was due to the lease purchase of capital equipment.

Long-term liabilities increased by \$5,681,518 or 9.97%

## ***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

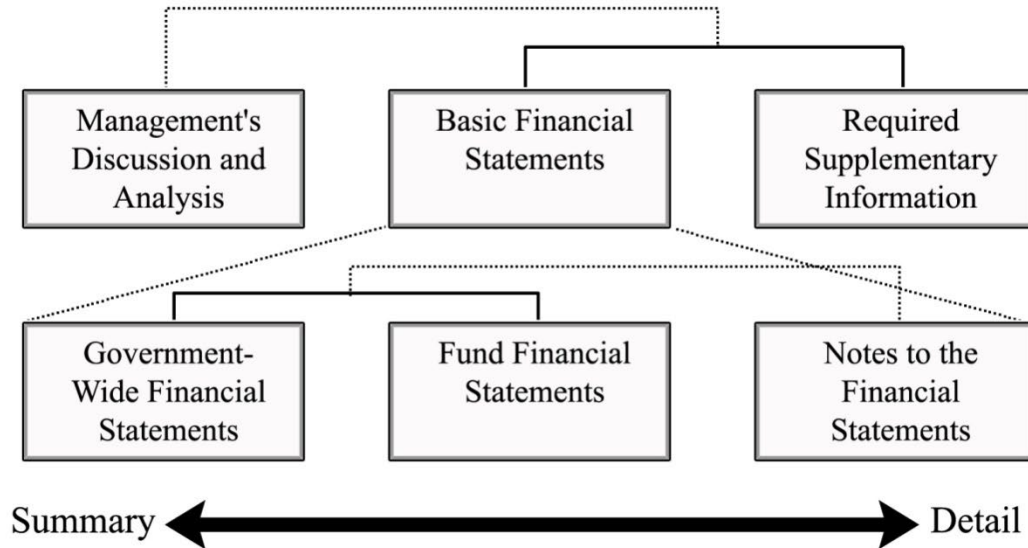


Figure 2 – Major Features of the County's Government-Wide and Fund Financial Statements

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	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
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>Statement of net position</li> <li>Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance sheet</li> <li>Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>Statement of net position</li> <li>Statement of revenues, expenses and changes in net position</li> <li>Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>Statement of fiduciary net position</li> <li>Statement of changes in fiduciary net position</li> </ul>
<b>Accounting basis and measurement focus</b>	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 75-80 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 \$99,674,646 as of September 30, 2020.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

## GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

By far, the largest portion of the County's net position (\$118,484,638) 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, 2020.

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2019	2020	2019	2020	2019	2020	2019-2020
<b>Assets:</b>							
Current assets	\$ 53,027	55,724	\$ 687	1,022	\$ 53,714	56,746	5.64%
Capital assets, net	132,141	134,261	1,390	1,390	133,531	135,651	1.59%
Total assets	185,168	189,985	2,077	2,412	187,245	192,397	2.75%
Deferred Outflows	2,062	3,776	63	159	2,125	3,935	85.18%
<b>Liabilities:</b>							
Current liabilities	\$ 10,358	10,205	\$ 402	458	\$ 10,760	10,663	-0.90%
Long-term debt outstanding	22,469	23,897	50	259	22,519	24,156	7.27%
Net pension liability	32,756	36,598	1,724	1,926	34,480	38,524	11.73%
Total liabilities	\$ 65,583	70,700	\$ 2,176	2,643	\$ 67,759	73,343	8.24%
Deferred inflows	22,524	23,313	27	2	22,551	23,315	3.39%
<b>Net position:</b>							
Net Investment in capital assets	\$ 116,972	117,301	\$ 1,390	1,184	\$ 118,362	118,485	0.10%
Restricted	10,181	12,472			10,181	12,472	22.50%
Unrestricted	(28,030)	(30,025)	(1,453)	(1,257)	(29,483)	(31,282)	-6.10%
Total net position	\$ 99,123	99,748	\$ (63)	(73)	\$ 99,060	99,675	0.62%

# 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>2019</u>	<u>2020</u>
Total unrestricted net position	\$ (29,482,760)	\$ (31,281,412)
Less unrestricted deficit in net position resulting from recognition of GASB 68 and 71	<u>33,756,264</u>	<u>35,382,890</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 4,273,504</u>	<u>\$ 4,101,478</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 an increase in net capital assets of \$2,120,821.
- The implementation of GASB 68 and 71, in a prior year, resulted in the recognition of a net pension liability in the amount of \$38,524,084.

# 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, 2020 was \$42,918,484. The total cost for all services provided was \$42,304,702. The increase in net position was \$613,782. The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2020.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2019	2020	2019	2020	2019	2020	2019-2020
<b>Revenues:</b>							
Program revenues							
Charges for services	\$ 2,010	2,182	\$ 2,775	2,893	\$ 4,785	5,075	6.06%
Fines and fees	2,017	1,920			2,017	1,920	-4.81%
Federal grants	2,471	3,280			2,471	3,280	32.74%
State grants	3,939	6,468			3,939	6,468	64.20%
Local grants	762	547			762	547	-28.22%
General revenues							
Property taxes	21,488	22,271			21,488	22,271	3.64%
Road & Bridge privilege taxes	1,089	1,082			1,089	1,082	-0.64%
Other	2,836	2,265	4	11	2,840	2,276	-19.86%
Total Revenues	36,612	40,015	2,779	2,904	39,391	42,919	8.96%
<b>Expenses:</b>							
General government	10,667	11,031			10,667	11,031	3.41%
Public safety	10,118	9,250			10,118	9,250	-8.58%
Public works	7,631	10,811			7,631	10,811	41.67%
Health and welfare	1,266	1,409			1,266	1,409	11.30%
Culture and recreation	1,033	996			1,033	996	-3.58%
Education	13	13			13	13	0.00%
Conservation of natural resources	263	245			263	245	-6.84%
Economic development	1,188	1,142			1,188	1,142	-3.87%
Interest on long-term debt	834	731			834	731	-12.35%
Pension expense	3,719	3,763			3,719	3,763	1.18%
Solid waste collection & disposal			2,824	2,914	2,824	2,914	3.19%
Total Expenses	36,732	39,391	2,824	2,914	39,556	42,305	6.95%
Increase (Decrease) in Net Position	\$ (120)	624	(45)	(10)	(165)	614	472.12%

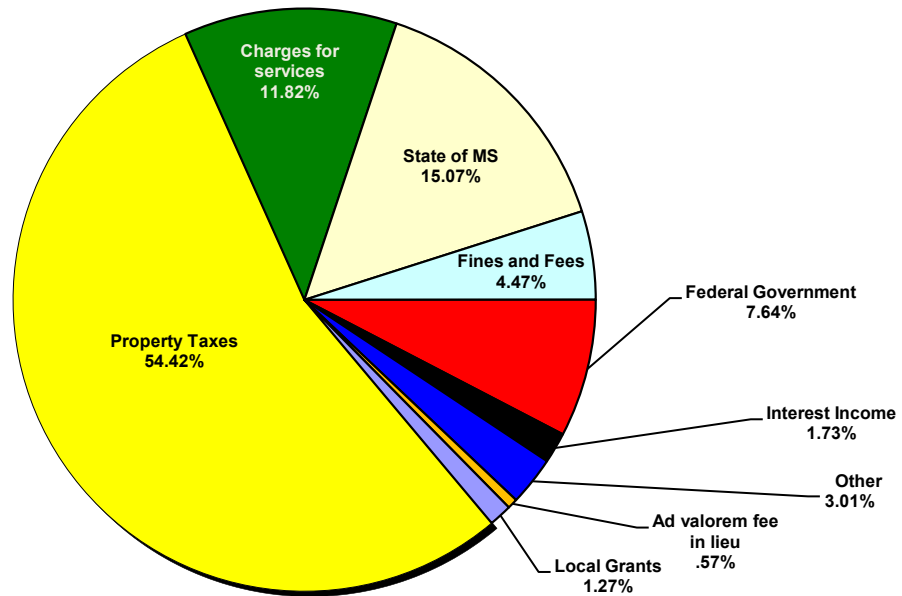
# MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

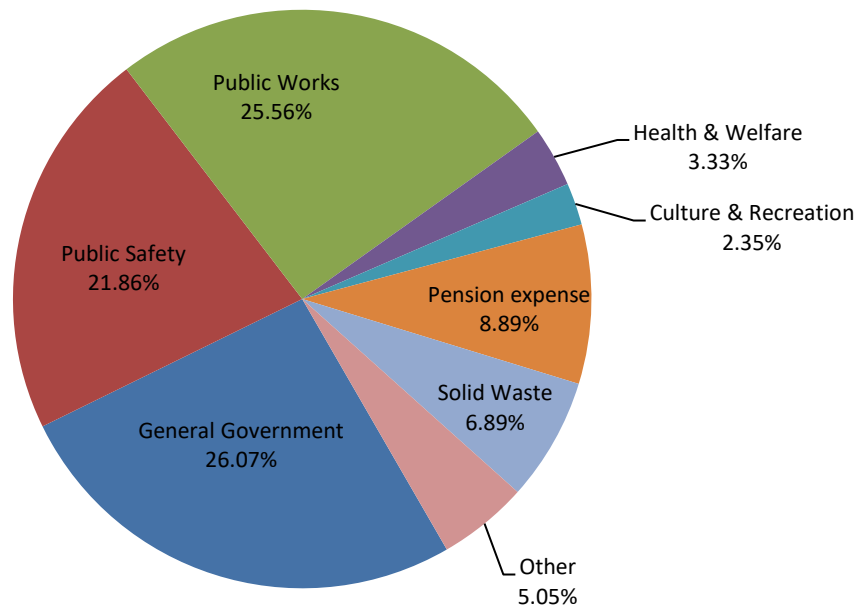
## GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

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	
		2019	2020	2019-2020	\$	2019	2020	2019-2020	
General Government	\$	10,666,579	11,030,913	3.42%		7,615,242	8,506,670	11.71%	
Public Safety		10,118,427	9,249,836	-8.58%		7,216,878	6,772,703	-6.15%	
Public Works		7,631,472	10,811,180	41.67%		6,187,141	4,647,820	-24.88%	
Health & Welfare		1,266,193	1,408,675	11.25%		663,794	852,985	28.50%	
Culture and Recreation		1,032,844	995,602	-3.61%		1,032,844	995,602	-3.61%	
Education		13,370	13,370	0.00%		13,370	13,370	0.00%	
Conservation of natural resources		263,293	245,176	-6.88%		263,293	245,176	-6.88%	
Economic Development		1,187,245	1,141,982	-3.81%		(315,695)	189,806	-160.12%	
Interest on Long-term Debt		834,384	731,445	-12.34%		834,384	731,445	-12.34%	
Pension Expense		3,718,558	3,762,694	1.19%		3,718,558	3,762,694	1.19%	

## 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 \$17,058,190, an increase of \$2,282,647, from the beginning fund balance. The primary reasons for this increase are highlighted in the analysis of government-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 \$534,385.

**Business-type funds** – Revenue from the Solid Waste Collection and Disposal Fund increased by 4.25% to \$2,892,641 and expenses increased 3.19% to \$2,913,829.

## 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, 2020, Lee County's total capital assets were \$338,368,335. 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 \$2,612,438 or 0.78%.

Total accumulated depreciation as of September 30, 2020 was \$202,716,899 including \$3,313,483 of depreciation expense for the year. The balance in total net capital assets was \$135,651,436 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, 2020, Lee County had \$24,156,572 in long-term debt outstanding. This includes general obligation bonds, other loans and compensated absences. Of this debt, \$2,757,066 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, 2020, was equal to 0.85% 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 2020, Lee County had an unemployment rate of 6.40%. This was below the state average of 7.20%. By February 2021, both Lee County's rate and the state's rate had dropped to 5.10% and 6.30%, respectively.

Total budgeted revenues increased for the next fiscal year by \$1,536,495 or 3.76% and total budgeted expenditures increased \$369,913 or 0.85%. 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 intercompany 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 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 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, 2020**

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash	\$ 16,867,468	\$ 534,852	\$ 17,402,320
Investments	5,275,122	-	5,275,122
Accrued interest receivable	39,779	-	39,779
Property tax receivable	23,271,608	-	23,271,608
Accounts receivable, (net of allowance for uncollectibles of \$ 1,730,096)	-	410,818	410,818
Fines receivable, (net of allowance for uncollectibles of \$ 7,223,878)	543,733	-	543,733
Capital lease receivables	20	-	20
Intergovernmental receivables	4,492,107	40,440	4,532,547
Other receivables	432,487	206,590	639,077
Internal balances	170,242	(170,242)	-
Ad valorem tax fee in-lieu receivable, net	4,631,623	-	4,631,623
Capital assets:			
Land and construction in progress	8,780,191	47,746	8,827,937
Other capital assets, net	125,480,946	1,342,553	126,823,499
<b>Total Assets</b>	<b>\$ 189,985,326</b>	<b>\$ 2,412,757</b>	<b>\$ 192,398,083</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pension	\$ 3,025,011	\$ 159,211	\$ 3,184,222
Deferred amount on refunding	750,757	-	750,757
<b>Total Deferred Outflows of Resources</b>	<b>\$ 3,775,768</b>	<b>\$ 159,211</b>	<b>\$ 3,934,979</b>
<b>Liabilities</b>			
Claims payable	\$ 1,683,697	\$ 141,465	\$ 1,825,162
Intergovernmental payables	3,811,225	1,216	3,812,441
Accrued interest payable	83,414	314	83,728
Unearned revenue	1,934,521	314,774	2,249,295
Amounts held in custody for others	2,037,142	-	2,037,142
Claims and judgments	655,356	-	655,356
Long-term liabilities			
Net pension liability	36,598,113	1,925,971	38,524,084
Due within one year:			
Capital related debt	1,890,571	28,837	1,919,408
Non-capital related debt	837,658	-	837,658
Due in more than one year:			
Capital related debt	15,450,256	177,761	15,628,017
Non-capital related debt	5,718,955	52,534	5,771,489
<b>Total Liabilities</b>	<b>\$ 70,700,908</b>	<b>\$ 2,642,872</b>	<b>\$ 73,343,780</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pension	\$ 40,877	\$ 2,151	\$ 43,028
Property tax for future reporting period	23,271,608	-	23,271,608
<b>Total deferred inflows of resources</b>	<b>\$ 23,312,485</b>	<b>\$ 2,151</b>	<b>\$ 23,314,636</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 117,300,940	\$ 1,183,701	\$ 118,484,641
Restricted for:			
Expendable:			
General government	2,178,278	-	2,178,278
Public safety	1,335,347	-	1,335,347
Public works	8,850,943	-	8,850,943
Economic development	106,849	-	106,849
Unrestricted	(30,024,656)	(1,256,756)	(31,281,412)
<b>Total Net Position</b>	<b>\$ 99,747,701</b>	<b>\$ (73,055)</b>	<b>\$ 99,674,646</b>

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, 2020**

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		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 11,030,913	\$ 1,796,801	\$ 727,442	\$ -	\$ (8,506,670)		\$ (8,506,670)
Public safety	9,249,836	2,298,823	178,310	-	(6,772,703)		(6,772,703)
Public works	10,811,180	5,709	4,926,535	1,231,116	(4,647,820)		(4,647,820)
Health and welfare	1,408,675	-	555,690	-	(852,985)		(852,985)
Culture and recreation	995,602	-	-	-	(995,602)		(995,602)
Education	13,370	-	-	-	(13,370)		(13,370)
Conservation of natural resources	245,176	-	-	-	(245,176)		(245,176)
Economic development and assistance	1,141,982	-	-	952,176	(189,806)		(189,806)
Interest on long-term debt	731,445	-	-	-	(731,445)		(731,445)
Pension expense	3,762,694	-	-	-	(3,762,694)		(3,762,694)
Total Governmental Activities	\$ 39,390,873	\$ 4,101,333	\$ 6,387,977	\$ 2,183,292	\$ (26,718,271)		\$ (26,718,271)
Business-type activities:							
Solid waste	\$ 2,913,829	\$ 2,892,641	\$ -	\$ -	\$ -	\$ (21,188)	\$ (21,188)
Total Business-type Activities	\$ 2,913,829	\$ 2,892,641	\$ -	\$ -	\$ -	\$ (21,188)	\$ (21,188)
Total Primary Government	\$ 42,304,702	\$ 6,993,974	\$ 6,387,977	\$ 2,183,292	\$ (26,718,271)	\$ (21,188)	\$ (26,739,459)
General revenues:							
Property taxes					\$ 22,270,933	\$ -	\$ 22,270,933
Road & bridge privilege taxes					1,081,895	-	1,081,895
Grants and contributions not restricted to specific programs					1,722,903	-	1,722,903
Ad Valorem tax fee-in-lieu revenue					242,731	-	242,731
Unrestricted investment income					732,142	11,461	743,603
Miscellaneous					1,291,176	-	1,291,176
Total General Revenues and Transfers					\$ 27,341,780	\$ 11,461	\$ 27,353,241
Changes in Net Position					\$ 623,509	\$ (9,727)	\$ 613,782
Net Position - Beginning					\$ 99,124,192	(63,328)	\$ 99,060,864
Net Position - Ending					\$ 99,747,701	\$ (73,055)	\$ 99,674,646

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

**Lee County, Mississippi**  
**Balance Sheet - Governmental Funds**  
**September 30, 2020**

Exhibit 3

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	County Wide Road Fund	County Wide Bridge Fund	Debris Removal Fund		
<b>ASSETS</b>						
Cash	\$ 10,214,221	\$ 168,356	\$ 1,871,721	\$ -	\$ 4,613,170	\$ 16,867,468
Investments	2,313,114	2,173,733	788,275	-	-	5,275,122
Accrued interest receivable	17,623	11,301	5,916	-	4,939	39,779
Property tax receivable	17,102,676	3,008,201	2,509,112	-	651,619	23,271,608
Fines receivable (net of allowance for uncollectibles of \$7,223,878 )	543,733	-	-	-	-	543,733
Intergovernmental receivables	911,570	254,491	176,604	2,909,840	153,008	4,405,513
Other receivables	104,443	30,427	-	-	286,312	421,182
Due from other funds	53,857	3,548,087	94,554	-	22,767	3,719,265
Advances to other funds	119,610	-	-	-	-	119,610
<b>Total Assets</b>	<b>\$ 31,380,847</b>	<b>\$ 9,194,596</b>	<b>\$ 5,446,182</b>	<b>\$ 2,909,840</b>	<b>\$ 5,731,815</b>	<b>\$ 54,663,280</b>
<b>LIABILITIES</b>						
Liabilities:						
Claims payable	\$ 1,139,935	\$ 208,351	\$ 29,633	\$ -	\$ 305,778	\$ 1,683,697
Intergovernmental payables	3,465,903	1,284	-	-	14,820	3,482,007
Due to other funds	653,763	984	32,270	3,307,609	2,400	3,997,026
Amounts held in custody for others	1,369,316	-	-	-	667,826	2,037,142
Claims and judgments payable	655,356	-	-	-	-	655,356
Unearned revenue - grants	-	-	-	-	1,934,521	1,934,521
<b>Total Liabilities</b>	<b>\$ 7,284,273</b>	<b>\$ 210,619</b>	<b>\$ 61,903</b>	<b>\$ 3,307,609</b>	<b>\$ 2,925,345</b>	<b>\$ 13,789,749</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable revenues - property taxes	\$ 17,102,676	\$ 3,008,201	\$ 2,509,112	\$ -	\$ 651,619	\$ 23,271,608
Unavailable revenues - fines	543,733	-	-	-	-	543,733
<b>Total Deferred Inflows of Resources</b>	<b>\$ 17,646,409</b>	<b>\$ 3,008,201</b>	<b>\$ 2,509,112</b>	<b>\$ -</b>	<b>\$ 651,619</b>	<b>\$ 23,815,341</b>
<b>Fund balances:</b>						
Nonspendable:						
Advances	\$ 119,610	\$ -	\$ -	\$ -	\$ -	\$ 119,610
Restricted for:						
General government	1,422,207	-	-	-	756,071	2,178,278
Public safety	43,416	-	-	-	1,291,931	1,335,347
Public works	-	5,975,776	2,875,167	-	-	8,850,943
Economic development and assistance	-	-	-	-	106,849	106,849
Unassigned	4,864,932	-	-	(397,769)	-	4,467,163
<b>Total Fund Balances</b>	<b>\$ 6,450,165</b>	<b>\$ 5,975,776</b>	<b>\$ 2,875,167</b>	<b>\$ (397,769)</b>	<b>\$ 2,154,851</b>	<b>\$ 17,058,190</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 31,380,847</b>	<b>\$ 9,194,596</b>	<b>\$ 5,446,182</b>	<b>\$ 2,909,840</b>	<b>\$ 5,731,815</b>	<b>\$ 54,663,280</b>

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, 2020**

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 17,058,190
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 \$200,997,608	134,261,137
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	543,733
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	4,631,623
Intergovernmental receivables	86,594
Other receivables	10,480
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	
Long-term liabilities	(23,897,440)
Accrued interest on debt	(83,414)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(36,598,113)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	20
Deferred amount on refunding	750,757
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	3,025,011
Deferred inflows of resources related to pensions	(40,877)
Total Net Position - Governmental Activities	\$ <u><u>99,747,701</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, 2020**

Exhibit 4

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	County Wide Road Fund	County Wide Bridge Fund	Debris Removal Fund		
<b>REVENUES</b>						
Property taxes	\$ 16,307,702	\$ 2,915,923	\$ 2,422,370	\$ -	\$ 624,938	\$ 22,270,933
Road and bridge privilege taxes	-	1,081,895	-	-	-	1,081,895
Licenses, commissions and other revenue	1,423,949	5,578	-	-	18,826	1,448,353
Fines and forfeitures	504,488	-	-	-	-	504,488
In-lieu taxes - ad valorem	150,000	-	-	-	833,725	983,725
Intergovernmental revenues	3,503,949	1,344,349	127,577	2,924,895	2,423,402	10,324,172
Charges for services	708,555	5,282	-	-	1,467,998	2,181,835
Interest income	514,432	85,371	92,229	-	40,110	732,142
Miscellaneous revenues	842,136	13,033	-	-	94,754	949,923
<b>Total Revenues</b>	<b>\$ 23,955,211</b>	<b>\$ 5,451,431</b>	<b>\$ 2,642,176</b>	<b>\$ 2,924,895</b>	<b>\$ 5,503,753</b>	<b>\$ 40,477,466</b>
<b>EXPENDITURES</b>						
Current:						
General government	\$ 11,198,029	\$ -	\$ -	\$ -	\$ 125,231	\$ 11,323,260
Public safety	7,775,228	-	-	-	2,272,676	10,047,904
Public works	-	7,891,540	2,796,913	3,322,664	1,231,116	15,242,233
Health and welfare	1,412,147	-	-	-	-	1,412,147
Culture and recreation	1,040,861	-	-	-	-	1,040,861
Conservation of natural resources	242,547	-	-	-	-	242,547
Economic development and assistance	146,486	-	-	-	800,525	947,011
Debt service:						
Principal	115	280,349	-	-	2,071,625	2,352,089
Interest	-	47,988	-	-	625,658	673,646
<b>Total Expenditures</b>	<b>\$ 21,815,413</b>	<b>\$ 8,219,877</b>	<b>\$ 2,796,913</b>	<b>\$ 3,322,664</b>	<b>\$ 7,126,831</b>	<b>\$ 43,281,698</b>
Excess of Revenues over (under) Expenditures	\$ 2,139,798	\$ (2,768,446)	\$ (154,737)	\$ (397,769)	\$ (1,623,078)	\$ (2,804,232)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term capital debt issued	\$ -	\$ 3,716,830	\$ -	\$ -	\$ -	\$ 3,716,830
Proceeds from sale of capital assets	143,944	1,219,291	-	-	-	1,363,235
Compensation for loss of capital assets	6,814	-	-	-	-	6,814
Transfers in	192,165	684	915	-	1,948,336	2,142,100
Transfers out	(1,948,336)	-	-	-	(193,764)	(2,142,100)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (1,605,413)</b>	<b>\$ 4,936,805</b>	<b>\$ 915</b>	<b>\$ -</b>	<b>\$ 1,754,572</b>	<b>\$ 5,086,879</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 534,385</b>	<b>\$ 2,168,359</b>	<b>\$ (153,822)</b>	<b>\$ (397,769)</b>	<b>\$ 131,494</b>	<b>\$ 2,282,647</b>
<b>Fund Balances - Beginning</b>	<b>5,915,780</b>	<b>3,807,417</b>	<b>3,028,989</b>	<b>-</b>	<b>2,023,357</b>	<b>14,775,543</b>
<b>Fund Balances - Ending</b>	<b>\$ 6,450,165</b>	<b>\$ 5,975,776</b>	<b>\$ 2,875,167</b>	<b>\$ (397,769)</b>	<b>\$ 2,154,851</b>	<b>\$ 17,058,190</b>

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, 2020**

Exhibit 4-1

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Net Changes in Fund Balances - Governmental Funds	\$	2,282,647
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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 outlays of \$6,439,570 exceeded depreciation of \$3,076,655 and an adjustment to correctly classify the cost of a non-capital asset of \$42,440.		3,320,475
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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 \$162,989 and the proceeds from the sale of \$1,363,235 in the current period.		(1,200,246)
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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.		(28,237)
---	--	----------

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		(740,994)
Intergovernmental revenue		(30,000)
Charges for services		(155)
Licenses, Commission and Miscellaneous		58,883

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 \$2,352,089 and bond premium amortization of \$9,100 exceeds bond discount amortization of \$1,870, and debt proceeds of \$3,716,830.		(1,357,511)
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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		44,238
(Increase)/Decrease in Compensated Absences		(71,029)
Amortization of Deferred Outflow on Bond Refunding		(109,266)

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		(3,762,694)
Recording of contributions made during the year		2,217,398

Change in Net Position of Governmental Activities	\$	623,509
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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, 2020**

Exhibit 5

	Business-Type Activities Enterprise Fund
	Solid Waste Fund
<b>Assets</b>	
Current assets:	
Cash	\$ 534,852
Accounts receivable, (net of allowance for uncollectibles of \$ 1,730,096)	410,818
Intergovernmental receivables	40,440
Other receivables	205,606
Due from other funds	984
Total Current Assets	\$ 1,192,700
Noncurrent assets:	
Capital assets:	
Land	\$ 47,746
Other capital assets, net	1,342,553
Total Noncurrent Assets	\$ 1,390,299
Total Assets	\$ 2,582,999
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pensions	\$ 159,211
Total Deferred Outflows of Resources	\$ 159,211
<b>Liabilities</b>	
Current liabilities:	
Claims payable	\$ 141,465
Intergovernmental payables	1,216
Due to other funds	50,632
Advances from other funds	119,610
Accrued interest payables	314
Unearned revenue	314,774
Capital debt:	
Capital leases payable	28,837
Total Current Liabilities	\$ 656,848
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	\$ 177,761
Non-capital debt:	
Compensated absences payable	52,534
Net pension liability	1,925,971
Total Noncurrent Liabilities	\$ 2,156,266
Total Liabilities	\$ 2,813,114
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pensions	\$ 2,151
Total Deferred Inflows of Resources	\$ 2,151
<b>Net Position</b>	
Net investment in capital assets	\$ 1,183,701
Unrestricted	(1,256,756)
Total Net Position	\$ (73,055)

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, 2020**

Exhibit 6

	Business-type Activities Enterprise Fund
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 2,882,019
Miscellaneous	<u>10,622</u>
Total Operating Revenues	<u>\$ 2,892,641</u>
Operating Expenses	
Personal services	\$ 1,212,153
Pension expense	198,036
Contractual services	823,627
Materials and supplies	392,670
Depreciation expense	236,828
Indirect administrative cost	<u>41,264</u>
Total Operating Expenses	<u>\$ 2,904,578</u>
Operating Income (Loss)	<u>\$ (11,937)</u>
Nonoperating Revenues (Expenses)	
Interest income	\$ 11,461
Interest expense	<u>(9,251)</u>
Net Nonoperating Revenue (Expenses)	<u>\$ 2,210</u>
Changes in Net Position	\$ (9,727)
Net Position - Beginning	<u>(63,328)</u>
Net Position - Ending	<u><u>\$ (73,055)</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, 2020**

Exhibit 7

	Business-type Activities Enterprise Fund
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,950,230
Payments to suppliers	(1,188,745)
Payments to employees	(1,326,298)
Payments to general fund for indirect costs	(41,264)
Other operating cash receipts	10,622
Net Cash Provided (Used) by Operating Activities	\$ 404,545
Cash Flows From Noncapital Financing Activities	
Cash received from other funds:	
Loans from other funds	\$ 1,491
Cash paid to other funds:	
Interfund loan repayments	(50,632)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (49,141)
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	\$ 217,000
Acquisition of capital assets	(245,390)
Principal paid on long-term debt	(11,386)
Interest paid on debt	(9,063)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (48,839)
Cash Flows From Investing Activities	
Interest and dividends on investments	\$ 11,461
Net Cash Provided (Used) by Investing Activities	\$ 11,461
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 318,026
Cash and Cash Equivalents at Beginning of Year	216,826
Cash and Cash Equivalents at End of Year	\$ 534,852
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (11,937)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 236,828
Salvage value of capital asset deletions	7,970
Provision for uncollectible accounts	(77,293)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	122,163
(Increase) decrease in intergovernmental receivables	(26,577)
(Increase) decrease in other receivables	14,269
(Increase) decrease in deferred outflows - pensions	(95,923)
Increase (decrease) in claims payable	19,558
Increase (decrease) in intergovernmental payables	24
Increase (decrease) in unearned revenue	35,649
Increase (decrease) in net pension liability	202,191
Increase (decrease) in compensated absences liability	2,560
Increase (decrease) in deferred inflows - pensions	(24,937)
Total Adjustments	\$ 416,482
Net Cash Provided (Used) by Operating Activities	\$ 404,545

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

**Lee County, Mississippi**  
**Statement of Fiduciary Assets and Liabilities**  
**September 30, 2020**

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 260,820
Due from other funds	328,234
Other receivables	<u>9,610</u>
Total Assets	<u>\$ 598,664</u>
LIABILITIES	
Intergovernmental payables	\$ 597,839
Due to other funds	<u>825</u>
Total Liabilities	<u>\$ 598,664</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, 2020

(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, 2020

(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, 2020

(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.

Debris Removal Fund – This fund is used to account for emergency grant monies that are restricted for removal of storm debris.



**LEE COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2020

(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, 2020

(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, 2020

(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, 2020

(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, 2020

(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.

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, 2020

(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, 2020

(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, 2020

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

(2) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2020, was \$17,663,140 and the bank balance was \$18,095,659. 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, 2020

(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, 2020, are as follows:

Investment Type	Maturities	Fair Value Level	Fair Value
Federal Home Loan Mtg	10/30/24	2	99,840
Federal Home Loan Mtg	09/28/23	2	299,814
Federal Home Loan Bds	12/04/23	2	347,704
Federal Farm Cr Bks Con	12/03/24	2	300,042
U. S. Treasury Note	11/30/20	1	250,780
U. S. Treasury Note	08/28/21	1	302,358
U. S. Treasury Note	08/31/21	1	559,444
U. S. Treasury Note	10/31/21	1	204,040
U. S. Treasury Note	05/15/21	1	254,705
U. S. Treasury Note	02/15/23	1	261,025
U. S. Treasury Note	06/30/22	1	310,467
U. S. Treasury Note	08/15/21	1	255,745
U. S. Treasury Note	01/31/22	1	305,484
U. S. Treasury Note	01/31/23	1	518,770
U. S. Treasury Note	04/30/21	1	302,232
U. S. Treasury Note	11/30/21	1	203,180
U. S. Treasury Security	08/15/21	1	499,492
Total			<u><u>5,275,122</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.

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

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

**LEE COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2020

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2020:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 2,400
General Fund	Enterprise Fund	50,632
General Fund	Agency Fund	825
Countywide Road	General Fund	208,208
Countywide Road	Countywide Bridge	32,270
Countywide Road	Debris Removal	3,307,609
Countywide Bridge	General Fund	94,554
Other Governmental Funds	General Fund	22,767
Enterprise Fund	Countywide Road	984
Agency Fund	General Fund	328,234
Total		<u>\$ 4,048,483</u>

The receivable in the General Fund represents a temporary loan. The receivables from the General Fund represent the tax revenues collected in September 2020 but not settled until October 2020. 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	\$ 119,610
Total		<u>\$ 119,610</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, 2020

(3) Interfund Transactions and Balances (Continued).

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 192,165
Countywide Road	Other Governmental Funds	684
Countywide Bridge	Other Governmental Funds	915
Other Governmental Funds	General Fund	1,948,336
Total		<u>\$ 2,142,100</u>

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

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2020 consisted of the following:

Description	Amount
<b>Governmental Activities:</b>	
Economic Development	\$ 68,100
Legislative tag credit	649,070
Public Safety	104,028
Motor Vehicle Licenses	83,264
Reimbursement for the housing of prisoners	70,655
Welfare	45,958
District Attorney grant	46,799
Local grant	10,000
Public Works	3,252,923
Drug Court reimbursement	39,159
Other	35,557
Total Governmental Activities - Exhibit 3	<u>\$ 4,405,513</u>
School Resource Officer	86,594
Total Governmental Activities - Exhibit 1	<u>\$ 4,492,107</u>
<b>Business-type Activities:</b>	
Solid waste fees	<u>\$ 40,440</u>

**LEE COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2020

(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, 2020, is as follows:

Year ending September 30	Amount
2021	\$ 833,333
2022	833,333
2023	833,333
2024	833,333
2025	833,333
2026	833,333
Total	\$ 4,999,998
Less: discount to present value - 5.45%	(663,429)
Net receivable	\$ 4,336,569

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, 2020

(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, 2020, is as follows:

Year ending September 30	Amount
2021	150,000
2022	150,000
Total	\$ 300,000
Less: discount to present value - 2.00%	(4,946)
Net receivable	\$ 295,054

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, 2020

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2020:

**Governmental activities:**

	Balance Oct. 1, 2019	Additions	Deletions	Adjustments	Balance Sept. 30, 2020
<u>Non-depreciable capital assets:</u>					
Land	\$ 7,806,292	\$ -	\$ 137,777	\$ (119,440)	\$ 7,549,075
Construction in progress	886,169	1,288,343	-	(943,396)	1,231,116
Total non-depreciable capital assets	<u>\$ 8,692,461</u>	<u>\$ 1,288,343</u>	<u>\$ 137,777</u>	<u>\$ (1,062,836)</u>	<u>\$ 8,780,191</u>
<u>Depreciable capital assets:</u>					
Infrastructure	\$ 260,045,895	\$ 445,035	\$ -	\$ 943,396	\$ 261,434,326
Buildings	35,375,082	-	-	77,000	35,452,082
Improvements other than buildings	6,863,892	-	-	-	6,863,892
Mobile equipment	18,139,845	926,759	3,568,496	(82,999)	15,415,109
Furniture and equipment	1,624,480	140,794	244,107	-	1,521,167
Leased property under capital leases	2,070,340	3,638,639	-	82,999	5,791,978
Total depreciable capital assets	<u>\$ 324,119,534</u>	<u>\$ 5,151,227</u>	<u>\$ 3,812,603</u>	<u>\$ 1,020,396</u>	<u>\$ 326,478,554</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	\$ 170,979,631	\$ 915,278	\$ -	\$ -	\$ 171,894,909
Buildings	12,415,184	683,769	-	-	13,098,953
Improvements other than buildings	1,459,815	267,141	-	-	1,726,956
Mobile equipment	14,187,086	709,359	2,528,899	(7,585)	12,359,961
Furniture and equipment	1,367,587	90,768	221,235	-	1,237,120
Leased property under capital leases	261,784	410,340	-	7,585	679,709
Total accumulated depreciation	<u>\$ 200,671,087</u>	<u>\$ 3,076,655</u>	<u>\$ 2,750,134</u>	<u>\$ -</u>	<u>\$ 200,997,608</u>
Total depreciable capital assets, net	<u>\$ 123,448,447</u>	<u>\$ 2,074,572</u>	<u>\$ 1,062,469</u>	<u>\$ 1,020,396</u>	<u>\$ 125,480,946</u>
Governmental activities capital assets, net	<u>\$ 132,140,908</u>	<u>\$ 3,362,915</u>	<u>\$ 1,200,246</u>	<u>\$ (42,440)</u>	<u>\$ 134,261,137</u>

The adjustments were to reclass completed construction in progress to depreciable assets, to reclass the cost of buildings and a non-capital asset included in land, and to reclass leased mobile equipment.

**LEE COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2020

(6) Capital Assets (Continued).

**Business-type activities:**

	Balance Oct. 1, 2019	Acquisitions	Dispositions	Adjustments	Balance Sept. 30, 2020
<u>Non-depreciable capital assets:</u>					
Land	\$ 47,746	\$ -	\$ -	\$ -	\$ 47,746
Total non-depreciable capital assets	<u>\$ 47,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,746</u>
<u>Depreciable capital assets:</u>					
Buildings	\$ 93,750	\$ -	\$ -	\$ -	\$ 93,750
Improvements other than buildings	-	-	-	-	-
Mobile equipment	2,762,405	27,406	79,702	-	2,710,109
Furniture and equipment	40,001	-	-	-	40,001
Leased equipment	-	217,984	-	-	217,984
Total depreciable capital assets	<u>\$ 2,896,156</u>	<u>\$ 245,390</u>	<u>\$ 79,702</u>	<u>\$ -</u>	<u>\$ 3,061,844</u>
<u>Less accumulated depreciated for:</u>					
Buildings	\$ 56,247	\$ 1,875	\$ -	\$ -	\$ 58,122
Improvements other than buildings	-	-	-	-	-
Mobile equipment	1,459,634	215,335	71,732	-	1,603,237
Furniture and equipment	38,314	-	-	-	38,314
Leased equipment	-	19,618	-	-	19,618
Total accumulated depreciation	<u>\$ 1,554,195</u>	<u>\$ 236,828</u>	<u>\$ 71,732</u>	<u>\$ -</u>	<u>\$ 1,719,291</u>
Total depreciable capital assets, net	<u>\$ 1,341,961</u>	<u>\$ 8,562</u>	<u>\$ 7,970</u>	<u>\$ -</u>	<u>\$ 1,342,553</u>
Business type activities capital assets, net	<u>\$ 1,389,707</u>	<u>\$ 8,562</u>	<u>\$ 7,970</u>	<u>\$ -</u>	<u>\$ 1,390,299</u>

**LEE COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2020

(6) Capital Assets (Continued).

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<b>Governmental Activities:</b>	
General government	\$ 578,386
Public safety	517,217
Public works	1,699,416
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>\$ 3,076,655</u>
<b>Business-type activities:</b>	
Solid Waste	<u>\$ 236,828</u>
Total business-type activities depreciation expense	<u>\$ 236,828</u>

Commitments with respect to unfinished capital projects at September 30, 2020 consist of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected date of Completion</u>
ERBR 0041(45)BO 13	\$ 74,588	February 2021

(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, 2020, to January 1, 2021. 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, 2020

(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 2019 and 2020:

	2019	2020
Unpaid Claims, Beginning of Fiscal Year	\$ 769,808	\$ 502,741
Plus: Incurred Claims (Including IBNRs)	3,400,396	4,898,520
Less: Claims Payments	<u>(3,667,463)</u>	<u>(4,745,905)</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 502,741</u>	<u>\$ 655,356</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, 2020. The future minimum lease payments for this lease are as follows:

**LEE COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2020

(8) Operating Leases (Continued).

Year Ending September 30,	Amount
2021	\$ 66,552
2022	66,552
2023	66,552
2024	66,552
2025	66,552
2026-2028	<u>177,471</u>
Total	<u><u>\$ 510,231</u></u>

On November 10, 2014, Lee County entered into an operating lease agreement with Grammer Inc., a Minnesota corporation, for the lease of a building owned by the County for the purpose of manufacturing automotive components. The operating lease stipulated that the lessee would pay approximately \$12,250 per month in lease payments commencing December 1, 2014 for a term of 15 years. At the end of 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, 2020. The future minimum lease payments for this lease are as follows:

Year Ending September 30,	Amount
2021	\$ 147,000
2022	147,000
2023	147,000
2024	147,000
2025	147,000
2026-2030	<u>612,500</u>
Total	<u><u>\$ 1,347,500</u></u>

**LEE COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2020

(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 were \$243,180 for the year ended September 30, 2020. The future minimum lease payments for this lease are as follows:

Year Ending September 30,	Amount
2021	\$ 243,180
2022	243,180
2023	243,180
2024	243,180
2025	243,180
2026-2030	1,215,900
2031-2032	466,095
	<u>2,897,895</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, 2020

(9) Capital Leases (Continued).

The County leases the following property with varying terms and options as of September 30, 2020:

<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, 2020 are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>
2021	\$ 1
2022	1
2023	1
2024	1
2025	1
2026-2030	5
2031-2035	5
2036-2037	<u>2</u>
Total	<u>17</u>

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2020:

<u>Class of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Furniture and equipment	\$ 5,791,978	\$ 217,984
Total	\$ 5,791,978	\$ 217,984
Less: Accumulated depreciation	<u>679,709</u>	<u>19,618</u>
Leased Property Under Capital Leases	<u>\$ 5,112,269</u>	<u>\$ 198,366</u>

**LEE COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2020

(9) Capital Leases (Continued).

The following is a schedule by years of the total payments due as of September 30, 2020:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 698,939	\$ 149,569	\$ 28,837	\$ 5,765
2022	681,369	129,531	29,708	4,894
2023	701,663	109,238	30,606	3,996
2024	722,566	88,334	31,530	3,072
2025	648,509	67,213	32,483	2,119
2026-2030	1,326,749	185,321	53,434	1,353
2031-2033	385,533	20,428	-	-
Total	\$ <u>5,165,328</u>	\$ <u>749,634</u>	\$ <u>206,598</u>	\$ <u>21,199</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, 2020

(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, 2020, 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, 2020 was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

**LEE COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2020

(11) Defined Benefit Pension Plan (Continued).

The County's contributions (employer share only) to PERS for the years ended September 30, 2020, 2019, and 2018, were \$2,334,106, \$2,092,677, and \$1,957,540, 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, 2020, the County reported a liability of \$38,524,084 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020 net pension liability was 0.199 percent, which was based on a measurement date of June 30, 2020. This was an increase of .003% from its proportionate share used to calculate the September 30, 2019 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended September 30, 2020, the County recognized pension expense of \$3,960,730. At September 30, 2020, 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	\$ 334,197	\$ -
Net difference between projected and actual earnings on pension plan investments	1,590,810	-
Changes of assumptions	212,255	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	435,559	43,028
County contributions subsequent to the measurement date	611,401	-
Total	\$ 3,184,222	\$ 43,028

\$611,401 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, 2021. 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, 2020

(11) Defined Benefit Pension Plan (Continued).

Year ending September 30:		
2021	\$	278,256
2022		902,730
2023		838,896
2024		509,911
Total	\$	<u><u>2,529,793</u></u>

Actuarial Assumptions. The total pension liability as of June 30, 2020 was determined by an actuarial valuation prepared as of June 30, 2019, 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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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



**LEE COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2020

(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	0.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.00
Total	<u>100.00 %</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current 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	\$ 49,864,698	\$ 38,524,084	\$ 29,163,528

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, 2020

(12) Long-term Debt.

Debt outstanding as of September 30, 2020, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds			
Toyota Refunding	\$ 3,840,000	3.00-3.50	6/20/2026
911 Bonds, Series 2013	515,000	1.50-5.25	8/1/2021
911 Refunding	4,655,000	2.00-2.125	8/1/2028
Special obligation bonds, series 2018	<u>3,470,000</u>	3.00-4.25	4/1/2038
Total General Obligation Bonds	<u>\$ 12,480,000</u>		
B. Capital Leases			
Viper 911 phone system	\$ 37,270	1.97	7/26/2021
Energy efficient lighting	1,633,456	3.49	4/1/2033
Equipment lease	986,205	2.59	5/4/2025
Equipment lease	<u>2,508,397</u>	2.98	5/5/2027
Total Capital Leases	<u>\$ 5,165,328</u>		
C. Other Loans			
Capital improvements revolving loan	\$ 453,257	3.00	5/1/2028
Capital improvements revolving loan	275,499	2.00	12/1/2025
Noncap revolving loan	500,000	0.00	10/15/2021
Certificates of participation	1,225,000	3.75	6/1/2025
Capital improvements revolving loan	1,023,405	3.00	2/1/2033
Capital improvements loan	1,869,862	3.00	1/1/2029
Software license loan	<u>1,290</u>	0.00	3/1/2020
Total Other Loans	<u>\$ 5,348,313</u>		
<b>Business-type Activities:</b>			
A. Capital Leases			
Equipment lease	\$ <u>206,598</u>	2.98	5/5/2027
Total Capital Leases	<u>\$ 206,598</u>		

**LEE COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2020

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
2021	\$ 1,445,000	\$ 363,389	\$ 577,060	\$ 147,229
2022	1,490,000	317,392	1,095,791	128,771
2023	1,535,000	278,586	616,230	109,519
2024	1,575,000	238,344	636,925	89,636
2025	1,610,000	196,831	658,085	68,915
2026-2030	2,990,000	564,192	1,540,922	138,892
2031-2035	1,075,000	282,089	223,300	8,200
2036-2038	760,000	51,292	-	-
Total	\$ 12,480,000	\$ 2,292,115	\$ 5,348,313	\$ 691,162

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, 2020, the amount of outstanding debt was equal to 0.85% 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, 2020, \$4,740,000 of bonds outstanding was considered defeased.

**LEE COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2020

(12) Long-term Debt (Continued).

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2020:

**Governmental Activities:**

	Balance Oct. 1, 2019	Additions	Reductions	Balance Sept. 30, 2020	Amount due within one year
Compensated absences	\$ 805,248	\$ 71,029	\$ -	\$ 876,277	\$ -
General obligation bonds	13,880,000	-	1,400,000	12,480,000	1,445,000
Less:					
Discount	(33,660)	-	(1,870)	(31,790)	(1,870)
Add:					
Premium	68,412	-	9,100	59,312	9,100
Capital leases	1,817,297	3,716,830	368,799	5,165,328	698,939
Other loans	5,931,603	-	583,290	5,348,313	577,060
Totals	<u>\$ 22,468,900</u>	<u>\$ 3,787,859</u>	<u>\$ 2,359,319</u>	<u>\$ 23,897,440</u>	<u>\$ 2,728,229</u>

**Business-type Activities:**

Compensated absences	\$ 49,974	\$ 2,560	\$ -	\$ 52,534	\$ -
Capital leases	<u>-</u>	<u>217,984</u>	<u>11,386</u>	<u>206,598</u>	<u>28,837</u>
Totals	<u>\$ 49,974</u>	<u>\$ 220,544</u>	<u>\$ 11,386</u>	<u>\$ 259,132</u>	<u>\$ 28,837</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, 2020:

Fund	Deficit Amount
Debris Removal	\$ <u>397,769</u>

**LEE COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2020

(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 \$970,000 bonds balance at September 30, 2020, is \$135,994.

(15) No Commitment Debt (Not included in Financial Statements).

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

Description	Deficit Amount
Industrial revenue bonds and notes	\$ 459,695

**LEE COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2020

(16) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of \$(30,024,656) 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 \$580,831 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, 2021. The \$2,444,180 balance of deferred outflow of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next 4 years. The \$40,877 balance of the deferred inflow of resources related to pension at September 30, 2020, will be recognized in pension expense over the next 3 years.

The governmental activities' unrestricted net position amount of \$(30,024,656) includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$61,688 of the \$370,127 balance of deferred outflows of resources at September 30, 2020, will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The governmental activities' net investment in capital assets of \$117,300,940 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$47,579 of the \$380,630 balance of deferred outflows of resources at September 30, 2020, will be recognized as an expense and will decrease the unrestricted net position over the next 8 years.

The business-type activities' unrestricted net position amount of \$(1,256,756) 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 \$30,570 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, 2021. The \$128,641 balance of the deferred outflow of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next 4 years. The \$2,151 balance of the deferred inflow of resources related to pension at September 30, 2020, 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 2020.

**LEE COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2020

(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 2020.

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 \$6,918,416 for the support and maintenance of the college in fiscal year 2020.

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 \$101,411 for support of the commission in fiscal year 2020.

Lift, Inc. operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Lee County Board of Supervisors appoints two of the twenty-four members of the board of directors. The County appropriated \$7,936 in fiscal year 2020 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 2020.

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 2020.

(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, 2020

(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	\$ 2,443,549
Freeport warehouse	\$ 906,145

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 year ended September 30, 2019, the County received, from the State of Mississippi, \$1,340,835 for the Emergency Road and Bridge Repair project and \$500,000 to be used on infrastructure on the Hive project. From the total \$1,840,835 received in 2019, \$609,719 remains unspent as of September 30, 2020.

During the current year, the County received \$2,000,000 from the State to be used for the Northeast Mississippi wastewater extension project. Of that total, \$1,324,802 remains unspent as of September 30, 2020.



**LEE COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2020

(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 June 21, 2023, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

## **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, 2020**  
**UNAUDITED**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 16,160,735	\$ 16,537,488	\$ 16,537,488	\$ -
Licenses, commissions and other revenue	1,366,100	1,417,823	1,417,823	-
Fines and forfeitures	523,100	495,389	495,389	-
Intergovernmental revenues	2,913,543	3,368,297	3,368,297	-
Charges for services	725,100	750,205	750,205	-
Interest income	198,600	505,875	505,875	-
Miscellaneous revenues	966,400	892,564	892,564	-
Total Revenues	<u>\$ 22,853,578</u>	<u>\$ 23,967,641</u>	<u>\$ 23,967,641</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 12,445,742	\$ 10,903,124	\$ 10,903,124	\$ -
Public safety	8,423,933	7,716,195	7,716,195	-
Health and welfare	1,297,507	1,161,749	1,161,749	-
Culture and recreation	1,182,149	1,011,656	1,011,656	-
Conservation of natural resources	321,800	229,099	229,099	-
Economic development and assistance	153,986	139,569	139,569	-
Debt service:				
Interest	3,400	8,791	8,791	-
Total Expenditures	<u>\$ 23,828,517</u>	<u>\$ 21,170,183</u>	<u>\$ 21,170,183</u>	<u>\$ -</u>
Excess of Revenues over (under) Expenditures	<u>\$ (974,939)</u>	<u>\$ 2,797,458</u>	<u>\$ 2,797,458</u>	<u>\$ -</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	\$ 100	\$ -	\$ -	\$ -
Proceeds from sale of capital assets	4,000	143,944	143,944	-
Compensation for loss of capital assets	100	6,814	6,814	-
Transfers in	1,341,945	1,648,208	1,648,208	-
Transfers out	(3,346,813)	(3,283,881)	(3,283,881)	-
Total Other Financing Sources and Uses	<u>\$ (2,000,668)</u>	<u>\$ (1,484,915)</u>	<u>\$ (1,484,915)</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ (2,975,607)	\$ 1,312,543	\$ 1,312,543	\$ -
Fund Balances - Beginning	<u>6,550,812</u>	<u>4,757,001</u>	<u>4,757,001</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 3,575,205</u>	<u>\$ 6,069,544</u>	<u>\$ 6,069,544</u>	<u>\$ -</u>

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

**Lee County, Mississippi**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**County-Wide Road Fund**  
**For the Year Ended September 30, 2020**  
**UNAUDITED**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,850,739	\$ 2,919,539	\$ 2,919,539	\$ -
Licenses, commissions and other revenue	985,000	1,080,107	1,080,107	-
Fines and forfeitures	500	-	-	-
Intergovernmental revenues	1,220,000	1,377,652	1,377,652	-
Charges for services	5,100	5,282	5,282	-
Interest income	45,000	70,793	70,793	-
Miscellaneous revenues	2,400	12,606	12,606	-
Total Revenues	<u>\$ 5,108,739</u>	<u>\$ 5,465,979</u>	<u>\$ 5,465,979</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Current:				
Public works	\$ 5,195,779	\$ 5,260,763	\$ 5,260,763	\$ -
Debt service:				
Principal	-	222,226	222,226	-
Interest	-	58,514	58,514	-
Total Expenditures	<u>\$ 5,195,779</u>	<u>\$ 5,541,503</u>	<u>\$ 5,541,503</u>	<u>\$ -</u>
Excess of Revenues over (under) Expenditures	<u>\$ (87,040)</u>	<u>\$ (75,524)</u>	<u>\$ (75,524)</u>	<u>\$ -</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	\$ -	\$ 3,717,814	\$ 3,717,814	\$ -
Proceeds from sale of capital assets	25,000	1,219,291	1,219,291	-
Compensation for loss of capital assets	1,000	-	-	-
Transfers in	215,208	215,892	215,892	-
Total Other Financing Sources and Uses	<u>\$ 241,208</u>	<u>\$ 5,152,997</u>	<u>\$ 5,152,997</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ 154,168	\$ 5,077,473	\$ 5,077,473	\$ -
Fund Balances - Beginning	<u>(665,671)</u>	<u>3,859,455</u>	<u>3,859,455</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (511,503)</u>	<u>\$ 8,936,928</u>	<u>\$ 8,936,928</u>	<u>\$ -</u>

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

**Lee County, Mississippi**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**County-Wide Bridge Fund**  
**For the Year Ended September 30, 2020**  
**UNAUDITED**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,376,172	\$ 2,428,262	\$ 2,428,262	\$ -
Intergovernmental revenues	50,000	111,041	111,041	-
Interest income	35,000	89,811	89,811	-
Miscellaneous revenues	500	-	-	-
Total Revenues	<u>\$ 2,461,672</u>	<u>\$ 2,629,114</u>	<u>\$ 2,629,114</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Current:				
Public works	\$ 1,695,910	\$ 2,624,227	\$ 2,624,227	\$ -
Debt service:				
Principal	-	-	-	-
Interest	-	3,817	3,817	-
Total Expenditures	<u>\$ 1,695,910</u>	<u>\$ 2,628,044</u>	<u>\$ 2,628,044</u>	<u>\$ -</u>
Excess of Revenues over (under) Expenditures	<u>\$ 765,762</u>	<u>\$ 1,070</u>	<u>\$ 1,070</u>	<u>\$ -</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	\$ 100	\$ -	\$ -	\$ -
Proceeds from sale of capital assets	100	-	-	-
Compensation for loss of capital assets	100	-	-	-
Transfers in	-	915	915	-
Transfers out	(215,208)	(215,208)	(215,208)	-
Total Other Financing Sources and Uses	<u>\$ (214,908)</u>	<u>\$ (214,293)</u>	<u>\$ (214,293)</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ 550,854	\$ (213,223)	\$ (213,223)	\$ -
Fund Balances - Beginning	<u>1,210,938</u>	<u>2,860,371</u>	<u>2,860,371</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,761,792</u>	<u>\$ 2,647,148</u>	<u>\$ 2,647,148</u>	<u>\$ -</u>

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

**Lee County, Mississippi**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**Debris Removal Fund**  
**For the Year Ended September 30, 2020**  
**UNAUDITED**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ -	\$ 2,924,895	\$ 2,924,895	\$ -
Total Revenues	<u>\$ -</u>	<u>\$ 2,924,895</u>	<u>\$ 2,924,895</u>	<u>\$ -</u>
EXPENDITURES				
Current:				
Public works	\$ -	\$ 3,322,664	\$ 3,322,664	\$ -
Total Expenditures	<u>\$ -</u>	<u>\$ 3,322,664</u>	<u>\$ 3,322,664</u>	<u>\$ -</u>
Excess of Revenues over (under) Expenditures	<u>\$ -</u>	<u>\$ (397,769)</u>	<u>\$ (397,769)</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ -	\$ (397,769)	\$ (397,769)	\$ -
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u><u>\$ -</u></u>	<u><u>\$ (397,769)</u></u>	<u><u>\$ (397,769)</u></u>	<u><u>\$ -</u></u>

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

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, 2020

		2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset)		0.199%	0.20%	0.20%	0.20%	0.19%	0.18%	0.19%
County's proportionate share of the net pension liability (asset)	\$	38,524,084	34,480,267	32,434,293	32,581,852	33,045,619	27,824,450	23,062,521
County's covered payroll	\$	13,414,402	12,995,802	12,428,802	12,689,850	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		287.18%	265.32%	260.96%	256.76%	269.13%	244.59%	198.72%
Plan fiduciary net position as a percentage of the total pension liability		58.97%	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, 2020

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,334,106	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	2,334,106	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	\$ 13,414,402	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	17.40%	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.

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, 2020  
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, 2020  
**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	Debris Removal Fund
Net Change in Fund Balance – Budget (Cash Basis)	\$ 1,312,543	5,077,473	(213,223)	(397,769)
Increase (Decrease)				
Net adjustments for revenues	(1,468,473)	(230,740)	13,062	-
Net adjustments for expenditures	690,315	(2,678,374)	46,339	-
Net Change in Fund Balance – GAAP Basis	\$ <u>534,385</u>	<u>2,168,359</u>	<u>(153,822)</u>	<u>(397,769)</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, 2020  
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. 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, 2020  
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, 2018 valuation for the June 30, 2020 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	30.9 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

## **SUPPLEMENTARY INFORMATION**

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**Lee County, Mississippi**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2020**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-Through Number</b>	<b>Federal Expenditures</b>
U.S. Department of Agriculture			
Passed-through Three Rivers Planning and Development District			
Child and adult care food program	10.558	20 CACFP	\$ 3,060
Total U.S. Department of Agriculture			\$ 3,060
U.S. Department of Justice			
Direct programs			
Bulletproof vest partnership program	16.607	N/A	\$ 2,100
Total direct programs			\$ 2,100
Passed-through the Mississippi Department of Health			
Crime Victim Assistance	16.575	VA-2020-47	\$ 53,917
Crime Victim Assistance	16.575	VA-2021-48	16,899
Violence against women formula grants	16.588	OAIV SFY-2020-01	29,901
Violence against women formula grants	16.588	ST-2021-047	10,585
Total passed-through the Mississippi Department of Health			\$ 111,302
Total U.S. Department of Justice			\$ 113,402
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	\$ 15,612
Senior community service employment program	17.235	20-S90-05-6058-1	5,624
Total U.S. Department of Labor			\$ 21,236
Appalachian Regional Commission			
Passed-through the Mississippi Department of Economic and Community Development			
Appalachian Area Development	23.002	ARC MS-19245	\$ 57,227
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	20-LC-B-SC	7,908
Special programs for the aging-Title III, Part C-Nutrition services	93.045	20-LC-3-C1	25,146
Special programs for the aging-Title III, Part C-Nutrition services	93.045	20-LC-3-C2	39,970
Special programs for the aging-Title III, Part C-Nutrition services	93.045	20-LC-COVID19-C2	47,244
Nutrition services incentive program	93.053	20-LC-3-C1	8,194
Nutrition services incentive program	93.053	20-LC-3-C2	12,200
Nutrition services incentive program	93.053	20-LC-3-HDM	7,200
Nutrition services incentive program	93.053	20-LC-XX-DC	602
Total Aging Cluster			\$ 148,464



**Lee County, Mississippi**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2020**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-Through Number</b>	<b>Federal Expenditures</b>
Social services block grant	93.667	20-LC-XX-DC	\$ 17,830
Social services block grant	93.667	20-LC-XX-HDM	24,334
Social services block grant	93.667	20-LC-XX-TR	37,478
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	20-LC-3RMW	8,246
Subtotal			<u>\$ 87,888</u>
Total U.S. Department of Health and Human Services			<u>\$ 236,352</u>
U.S. Department of Homeland Security			
Passed-through the Mississippi Emergency Management Agency			
Disaster Grants - Public Assistance	97.036	* FEMA 4429 DR MS	\$ 276,601
Disaster Grants - Public Assistance	97.036	* FEMA 4470 DR MS	2,507,053
Emergency Management Performance Grant	97.042	72114-664	<u>65,025</u>
Total U.S. Department of Homeland Security			<u>\$ 2,848,679</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 3,279,956</u></u>

**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, 2020. The information in this Schedule is presented in accordance with the requirements of *Title 2 U. S. Code of Federal Regulation 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: 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.

\* 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, 2020  
"UNAUDITED"

NAME	POSITION	INSURANCE COMPANY	BOND AMOUNT
PHIL MORGAN	SUPERVISOR	RENASANT INSURANCE	\$ 100,000.00
MIKE SMITH	SUPERVISOR	RENASANT INSURANCE	\$ 100,000.00
TONY ROPER	SUPERVISOR	RENASANT INSURANCE	\$ 100,000.00
TOMMIE LEE IVY	SUPERVISOR	RENASANT INSURANCE	\$ 100,000.00
BILLY JOE HOLLAND	SUPERVISOR	RENASANT INSURANCE	\$ 100,000.00
JIMMIE H JOHNSON	SHERIFF	ROSS/YERGER	\$ 100,000.00
WILLIAM H BENSON	CHANCERY CLERK	ROSS/YERGER	\$ 100,000.00
CAMILLE MANGUM DULANEY	CIRCUIT CLERK	ROSS/YERGER	\$ 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	ROSS/YERGER	\$ 50,000.00
MARILYN REED	JUSTICE CO. JUDGE	ROSS/YERGER	\$ 50,000.00
PHYLLIS DYE	JUSTICE CO. JUDGE	ROSS/YERGER	\$ 50,000.00
ANTHONY RODGERS	JUSTICE CO. JUDGE	ROSS/YERGER	\$ 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	ROSS/YERGER	\$ 50,000.00
TED WOOD	CONSTABLE	ROSS/YERGER	\$ 50,000.00
PHIL GANN	CONSTABLE	ROSS/YERGER	\$ 50,000.00
TOM HENRY LYLES	CONSTABLE	ROSS/YERGER	\$ 50,000.00
MARK G WEATHERS	TAX ASSESSOR	ROSS/YERGER	\$ 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	ROSS/YERGER	\$ 100,000.00

Lee County, Mississippi  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2020  
"UNAUDITED"

NAME	POSITION	INSURANCE COMPANY	BOND AMOUNT
SHELLEY BOSWELL	DEPUTY TAX COLLECTOR	WESTERN	\$ 50,000.00
J'TARRA CHISM	DEPUTY TAX COLLECTOR	TRAVELERS	\$ 50,000.00
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
MATT BLANCHARD	CO ATTORNEY	ROSS/YERGER	\$ 2,000.00
CARL J SCHERFF	COUNTY SURVEYOR	ROSS/YERGER	\$ 10,000.00
WILLIAM H BENSON	INTERIM COUNTY ADMIN	RENASANT INSURANCE	\$ 100,000.00
WILLIAM H BENSON	PURCHASE CLERK	ROSS/YERGER	\$ 75,000.00
RAENA SAWYER	ASST PURCHASE CLERK	ROSS/YERGER	\$ 50,000.00
TERESA WILLIAMS	ASST PURCHASE CLERK	RENASANT INSURANCE	\$ 50,000.00
MELANIE WILSON	ASST INVENTORY CLERK	ROSS/YERGER	\$ 50,000.00
LISA GANN	INVENTORY CLERK	ROSS/YERGER	\$ 75,000.00
TAMMY COWARD	ASST INVENTORY CLERK	LIBERTY MUTUAL	\$ 50,000.00
TIMOTHY J ALLRED	ROAD MANAGER	RENASANT INSURANCE	\$ 50,000.00
LISA B BOX	RECEIVING CLERK	ROSS/YERGER	\$ 75,000.00
TERRY BRADLEY	ASST REC CLERK	ROSS/YERGER	\$ 50,000.00
CAMILLE MANGUM DULANEY	ASST REC CLERK	TRAVELERS	\$ 50,000.00
KIM LOYD	ASST REC CLERK	LIBERTY MUTUAL	\$ 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 MUTUAL	\$ 50,000.00
ROBBIE MONTGOMERY	ASST REC CLERK	LIBERTY MUTUAL	\$ 50,000.00
J'TARRA WOFFORD CHISM	ASST REC CLERK	TRAVELERS	\$ 50,000.00
JOHN A HALL	ASST REC CLERK	LIBERTY MUTUAL	\$ 50,000.00
KAMISHA MCKINNON	ASST REC CLERK	ROSS/YERGER	\$ 50,000.00
WILLIAM B KILGORE	ASST REC CLERK	TRAVELERS	\$ 50,000.00
KAREN BALINT	ASST REC CLERK	LIBERTY MUTUAL	\$ 50,000.00
LINDA SEALS	ASST REC CLERK	LIBERTY MUTUAL	\$ 50,000.00
SUSAN O CARR	ASST REC CLERK	LIBERTY MUTUAL	\$ 50,000.00
MACKENZIE B WILLIAMS	ASST REC CLERK	ROSS/YERGER	\$ 50,000.00
JUDY T HOLLAND	ASST REC CLERK	ROSS/YERGER	\$ 50,000.00
SAMUEL STAPLES	ASST REC CLERK	TRAVELERS	\$ 50,000.00
CHRISTY BLANCHARD	ASST REC CLERK	TRAVELERS	\$ 50,000.00
ELISE ROBBINS HILL	PAYROLL/BILL/PROCESS	LIBERTY MUTUAL	\$ 25,000.00

## **SPECIAL REPORTS**

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# M. M. WINKLER & ASSOCIATES, PLLC

## *Certified Public Accountants*

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[info@mmwinkler.com](mailto:info@mmwinkler.com)

### **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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 21, 2023. 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 certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2020-001, 2020-002 and 2020-003 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 June 21, 2023, included within this document.

**Lee County's Responses to Findings**

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

June 21, 2023

**M. M. WINKLER & ASSOCIATES, PLLC**

***Certified Public Accountants***

221 Franklin Street - P. O. Box 499  
Tupelo, Mississippi 38802  
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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, 2020. Lee County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with 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 Lee County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the major federal program. However, our audit does not provide a legal determination on Lee County, Mississippi's compliance.

**Opinion on the Major Federal Program**

In our opinion, Lee County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

**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*

June 21, 2023

**M. M. WINKLER & ASSOCIATES, PLLC**

***Certified Public Accountants***

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

Members of the Board of Supervisors  
Lee County, Mississippi

We have examined Lee County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2020. 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 two quotes were not obtained.

Repeat Finding: Yes; 2019

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 at least 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: Per our test of expenditures, two purchases to the same vendor did not have at least two competitive quotes.

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

Effect: Failure to obtain required quotes on purchases 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, 2020.

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 response to the finding 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*

June 21, 2023

**LEE COUNTY, MISSISSIPPI**  
**SCHEDULE OF PURCHASES NOT MADE FROM THE LOWEST BIDDER**  
For the Year Ended September 30, 2020

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, 2020

Schedule 2

Date	Item Purchased	Amount Paid	Vendor	Reason for Emergency Purchase
02/03/2020	Bridge Repair	\$ 49,500	Century Construction	Public Safety
03/13/2020	Road Repair	\$ 4,390	Hodges Construction	Public Safety
05/04/2020	Bridge Repair	\$ 36,307	Ausbern Construction	Public Safety

**LEE COUNTY, MISSISSIPPI**  
**SCHEDULE OF PURCHASES MADE NONCOMPETITIVELY**  
**FROM A SOLE SOURCE**  
For the Year Ended September 30, 2020

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
02/18/2020	Parts	\$ 15,078	Thompson Machinery
02/18/2020	Voting terminals	\$ 125,129	Election Systems, LLC
09/08/2020	Mapping	\$ 7,500	EZ 911 Solutions
09/21/2020	Evidence library in car systems	\$ 11,290	Watch Guard



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# M. M. WINKLER & ASSOCIATES, PLLC

## *Certified Public Accountants*

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

Members of the Board of Supervisors  
Lee County, Mississippi

In planning and performing our audit of the financial statements of Lee County, Mississippi for the year ended September 30, 2020, 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 June 21, 2023, 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 immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Exception noted with complete records and usage for credit cards.

Repeat Finding: Yes, 2019

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, for travel expenses.

Condition: State legal compliance audit procedures revealed that some credit card claims did not include all receipts for credit card charges. Additionally, purchases were made with credit cards that were not for travel expenses, which included purchases for small tools, window tint and vehicle detail, a \$0.99 Apple subscription, and a camera for the shop.

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

-Continued-

Cause: Not all receipts were submitted for charges and purchases were made for items not related to travel.

Effect: Failure to comply with this statute could result in purchases that are not allowable under state law.

Recommendation: Board of Supervisors should ensure all receipts for charges to County credit cards are turned in each month and that credit cards will be used for travel related purchases only.

Response: We will comply.

Payroll Clerk.

2. Payroll Clerk Should Ensure Compliance with State Laws over Reemployment of Retired Public Employees.

Repeat Finding: No

Criteria: *Section 25-11-127(4), Mississippi Code Annotated. (1972), states, "Notice shall be given in writing to the executive director, setting forth the facts upon which the employment is being made, and the notice shall be given within five (5) days from the date of employment and also from the date of termination of the employment."*

*Mississippi Public Employment Retirement System (PERS) Board Regulation 34, Section 105, states, "To lawfully employ a PERS service retiree under Section 103, the employer must notify PERS in writing of the terms of the eligible employment within five (5) days from the date of employment and also from the date of termination on a form prescribed by the Board. Failure by the employer to timely notify PERS may result in the assessment of \$300 penalty per occurrence payable by the employer."*

Condition: Per review of the County's PERS Form 4Bs, the Payroll Clerk is not ensuring PERS Form 4Bs are filed timely.

Cause: The Payroll Clerk is not timely filing PERS Form 4B.

Effect: The Mississippi Public Employees Retirement System could assess a penalty per occurrence payable by the County for not properly filing PERS Form 4B.

Recommendation: We recommend the Payroll Clerk consistently files Form 4Bs within five days of rehire to ensure compliance with state law and PERS .

Response: We will comply.

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

-Continued-

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

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

*M. M. Winkler & Associates, PLLC*

June 21, 2023

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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, 2020

**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    |
|    | Debris Removal 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 # 97.036, Disaster Grants – Public Assistance   |               |



**LEE COUNTY, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended September 30, 2020

-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

2020-001.            The County should comply with GASB Statement 74 and 75 and report on postemployment benefits.

Repeat Finding:    Yes: 2019-001; 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, 2020

-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

2020-002. Component units should be included in County's financial statements.

Repeat Finding: Yes: 2019-002; 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, 2020

-Continued-

Justice Court Clerk

Material Weakness

2020-003                    Cash collection and disbursement functions in the Justice Court Clerk's office are not adequately segregated.

Repeat Finding:        Yes: 2019-003; 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 – 2<sup>ND</sup> DISTRICT  
SALTILLO, MISSISSIPPI

PHIL MORGAN  
MEMBER – 1<sup>ST</sup> DISTRICT  
SALTILLO, MISSISSIPPI

TOMMIE LEE IVY  
MEMBER – 4<sup>TH</sup> DISTRICT  
SHANNON, MISSISSIPPI

BILL BENSON, CLERK  
SHANNON, MISSISSIPPI

WESLEY WEBB  
MEMBER – 3<sup>RD</sup> DISTRICT  
TUPELO, MISSISSIPPI

BILLY JOE HOLLAND  
MEMBER - 5<sup>TH</sup> DISTRICT  
VERONA, MISSISSIPPI

## CORRECTIVE ACTION PLAN

Lee County respectfully submits the following corrective action plan for the year ended September 30, 2020.

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

2020-001      Corrective Action Planned: There is no plan to calculate the post-employment benefits. It is not financially feasible at the current time.

Anticipated Completion Date:

Name of contact person responsible for corrective action:

2020-002      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:

2020-003      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 Boyle, Justice Court Clerk

Sincerely,



Bill Benson  
Lee County Administrator

# LEE COUNTY BOARD OF SUPERVISORS

MICHAEL W. SMITH  
MEMBER – 2<sup>ND</sup> DISTRICT  
SALTILLO, MISSISSIPPI

PHIL MORGAN  
MEMBER – 1<sup>ST</sup> DISTRICT  
SALTILLO, MISSISSIPPI

TOMMIE LEE IVY  
MEMBER – 4<sup>TH</sup> DISTRICT  
SHANNON, MISSISSIPPI

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WESLEY WEBB  
MEMBER – 3<sup>RD</sup> DISTRICT  
TUPELO, MISSISSIPPI

BILLY JOE HOLLAND  
MEMBER - 5<sup>TH</sup> DISTRICT  
VERONA, MISSISSIPPI

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended September 30, 2020

Lee County Board of Supervisors respectfully submits the following summary schedule of prior audit findings. The findings are numbered with the numbers assigned in the first year of issuance.

2017-001      The County should comply with GASB Statement 74 and report on postemployment benefits.

NOT CORRECTED

2017-002      Component units should be included in the County's financial statements.

NOT CORRECTED

2017-004      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