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LEE COUNTY, MISSISSIPPI
AUDITED PRIMARY GOVERNMENT
FINANCIAL STATEMENTS
AND SPECIAL REPORTS

For the Year Ended September 30, 2009

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

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LEE COUNTY, MISSISSIPPI

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**INDEPENDENT AUDITORS' REPORT
ON
THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

Members of the Board of Supervisors
Lee County, Mississippi

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, as of and for the year ended September 30, 2009, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, because of the omission of the discretely presented component unit, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component unit of Lee County, Mississippi, as of September 30, 2009, or the changes in financial position there of for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lee County, Mississippi, as of September 30, 2009, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITORS' REPORT
ON
THE PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

- Continued -

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2011, on our consideration of Lee County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

M. M. Winkler & Associates

October 6, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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LEE COUNTY BOARD OF SUPERVISORS

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

PHIL MORGAN
MEMBER – 1ST DISTRICT
SALTILLO, MISSISSIPPI

TOMMIE LEE IVY
MEMBER – 4TH DISTRICT
SHANNON, MISSISSIPPI

BILL BENSON, CLERK
SHANNON, MISSISSIPPI

DARRELL RANKIN
MEMBER – 3RD DISTRICT
TUPELO, MISSISSIPPI

SEAN P. THOMPSON, ADMINISTRATOR
TUPELO, MISSISSIPPI

JOE MCKINNEY
MEMBER - 5TH DISTRICT
VERONA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This discussion and analysis of Lee County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2009. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the basic financial statements and their accompanying notes to enhance their understanding of the County's financial performance.

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

Lee County is located in Northeast Mississippi along U.S. Highway 78. The population, according to the 2010 census, is 82,910. 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. Although there have been some small increases (less than 5% from the prior year), looking back over the past ten year period (1999-2009), tax rates are down a little over 9% from the highest rate (1999 & 2000). This tax rate decrease 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 assets, as restated, decreased \$7,134,879, which represents a 3.74% decrease from the prior fiscal year. The County's ending cash and investment balance decreased by \$2,231,973. This represents an 8.49% decrease from the prior fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

FINANCIAL HIGHLIGHTS - Continued

The County had \$31,971,216 in total revenues. Tax revenues account for \$16,769,412 or 52.45% of total revenues. Revenues in the form of charges for services account for \$4,862,545 or 15.21% of total revenues. Revenue generated by fines and other fees account for \$2,169,123 or 6.78%. State revenues in the form of reimbursements, shared revenue or grants, account for \$3,411,193 or 10.67% of total revenues. Additionally, \$1,153,258, or 3.61%, of total revenues were Federal revenues in the form of grants. Grants from other local jurisdictions amount to \$1,147,483 or 3.59% of total revenues. Revenue from ad valorem tax fee-in-lieu was \$445,985 or 1.40%. Investment and miscellaneous revenues totaled \$2,012,217 or 6.29% of total revenues.

The County had \$39,105,273 in total expenses, which represents a decrease of \$6,536,334 or 14.32% from the prior fiscal year. Expenses in the amount of \$11,113,497 were offset by charges for services, grants, and outside contributions. General revenues of \$20,857,719 were used to provide for expenses.

Among major funds, the General Fund had \$18,933,162 in revenues and \$19,334,099 in expenditures. The General Fund's fund balance decreased \$1,197,987 from the prior year. The Countywide Road Fund had \$4,274,311 in revenues and \$5,727,376 in expenditures. The Countywide Road Fund's fund balance decreased \$624,672 from the prior year. The Countywide Bridge Fund had \$2,246,239 in revenues and \$3,097,774 in expenditures. The Countywide Bridge Fund's fund balance decreased \$395,186 from the prior year.

Capital assets, net of accumulated depreciation, decreased by \$4,746,888 or 2.70%. The majority of this decrease was due to depreciation expense related to infrastructure such as roads and bridges.

Long-term liabilities increased by \$717,492 or 3.69%

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

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

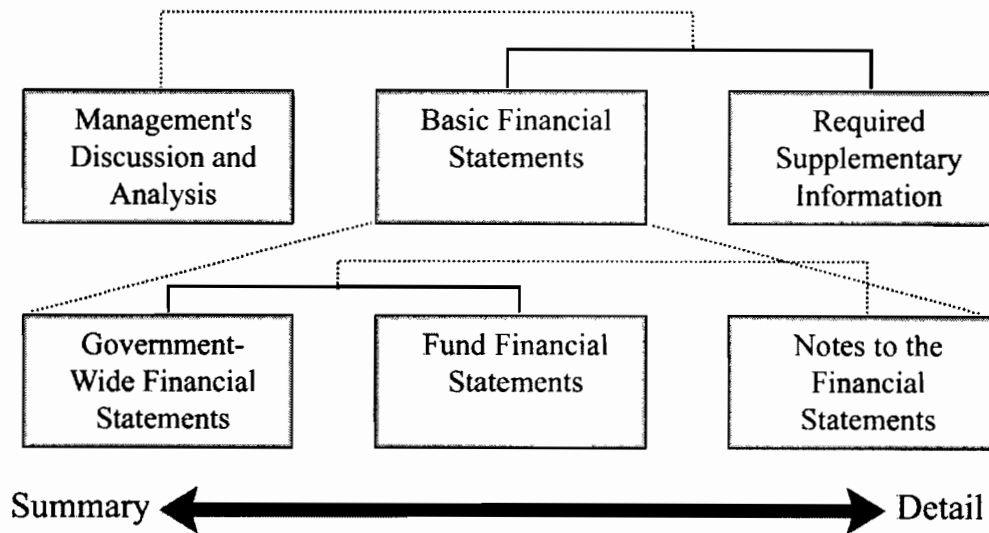


Figure 2 – Major Features of the County's Government-Wide and Fund Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

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

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

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

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

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; economic development; and interest on long-term debt. The business-type activities of the County include Solid Waste Collection and Disposal and Turner Industrial Park Water and Sewer.

The Government-wide Financial Statements can be found on pages 23-24 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 26 and 29, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. 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 25 and 27-28 of this report.

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

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Solid Waste Collection and Disposal is considered to be major fund of the County; however, since the County only has two proprietary funds, both are presented individually. The proprietary funds financial statements can be found on pages 30-32 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary assets and liabilities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 33 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 35-59 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 63-67 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 71-72 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of Lee County, assets exceeded liabilities by \$183,476,501 as of September 30, 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

By far, the largest portion of the County's net assets (87.89%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the County's net assets at September 30, 2009 and 2008.

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2008-2009
	2008*	2009	2008*	2009	2008*	2009	
	\$	\$	\$	\$	\$	\$	
Current assets	52,284	49,286	633	728	52,917	50,014	-5.49%
Capital assets, net	175,041	170,278	888	910	175,929	171,188	-2.69%
Total assets	227,325	219,564	1,521	1,638	228,846	221,202	-3.34%
Current liabilities	19,702	18,894	648	485	20,350	19,379	-4.77%
Long-term debt outstanding	17,313	17,797	572	549	17,885	18,346	2.58%
Total liabilities	37,015	36,691	1,220	1,034	38,235	37,725	-1.33%
Net assets:							
Invested in capital assets, net of related debt	166,164	160,807	537	454	166,701	161,261	-3.26%
Restricted	13,262	11,224	209	228	13,471	11,452	-14.99%
Unrestricted	10,884	10,842	(445)	(78)	10,439	10,764	3.11%
Total net assets	\$ 190,310	\$ 182,873	\$ 301	\$ 604	\$ 190,611	\$ 183,477	-3.74%

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

Note: Lee County operates two business-type activities:

Solid Waste Collection and Disposal

Lee County operates a solid waste collection and disposal service for both household and commercial accounts. Household customers pay \$9.00 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.

Turner Industrial Park Water and Sewer

Lee County operates the water and sewer system for the Turner Industrial Park located in Saltillo, MS in north-central Lee County. Rates are based on water usage. For a rate schedule contact the Lee County Board of Supervisors office at (662) 841-9110.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

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

- Depreciable capital assets acquisitions and depreciation associated with existing depreciable capital assets resulted in a decrease in net capital assets of \$4,746,888.

Changes in Net Assets – Lee County's total revenues for the fiscal year ended September 30, 2009 was \$31,971,216. The total cost for all services provided was \$39,105,273. The decrease in net assets was \$7,134,057. The table below presents a summary of the changes in net assets for the fiscal year ended September 30, 2009 and 2008.

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2008-2009
	2008*	2009	2008*	2009	2008*	2009	
Revenues:							
Program revenues							
Charges for services	\$ 2,450	2,697	\$ 1,915	2,165	\$ 4,365	4,862	11.39%
Fines and fees	2,255	2,169	-	-	2,255	2,169	-3.81%
Federal grants	1,565	1,153	-	-	1,565	1,153	-26.33%
State grants	2,142	1,713	-	-	2,142	1,713	-20.03%
Local grants	455	1,216	-	-	455	1,216	167.25%
General revenues							
Property taxes	15,195	15,818	-	-	15,195	15,818	4.10%
Road & Bridge privilege taxes	960	952	-	-	960	952	-0.83%
Other	12,439	4,056	28	32	12,467	4,088	-67.21%
Total Revenues	\$ 37,461	29,774	\$ 1,943	2,197	\$ 39,404	31,971	-18.86%
Expenses:							
General government	9,326	9,595	-	-	9,326	9,595	2.88%
Public safety	9,436	9,315	-	-	9,436	9,315	-1.28%
Public works	12,516	12,374	-	-	12,516	12,374	-1.13%
Health and welfare	1,405	1,072	-	-	1,405	1,072	-23.70%
Culture and recreation	913	1,453	-	-	913	1,453	59.15%
Education	13	13	-	-	13	13	0.00%
Conservation of natural resources	249	263	-	-	249	263	5.62%
Economic development	8,816	1,957	-	-	8,816	1,957	-77.80%
Interest on long-term debt	754	818	-	-	754	818	8.49%
Solid waste collection & disposal	-	-	2,098	2,145	2,098	2,145	2.24%
Turner Ind. Park water & sewer	-	-	116	100	116	100	-13.79%
Total Expenses	\$ 43,428	36,860	\$ 2,214	2,245	\$ 45,642	39,105	-14.32%
Deficiency before transfers	(5,967)	(7,086)	(271)	(48)	(6,238)	(7,134)	14.36%
Transfers	(251)	(351)	251	351	-	-	
Increase (Decrease) in Net Assets	\$ (6,218)	(7,437)	\$ (20)	303	\$ (6,238)	(7,134)	14.36%

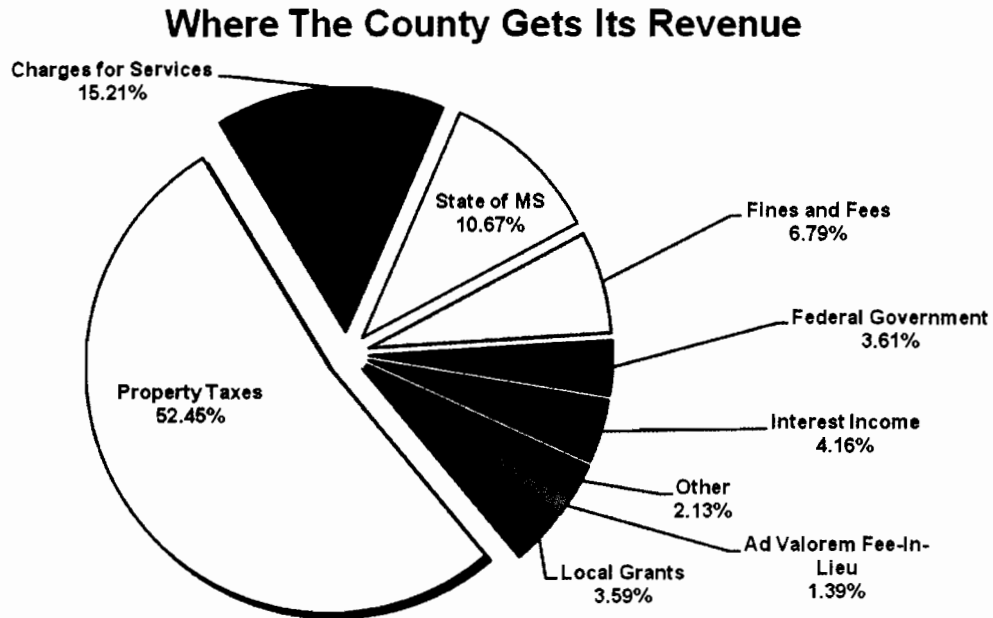
*As restated; see Note 2 to financial statements for more information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

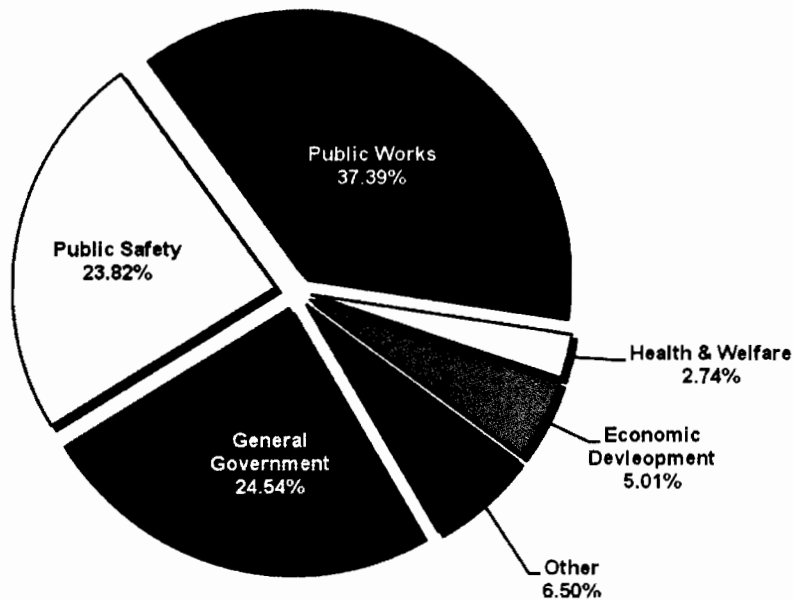
- Continued -

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

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



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 five major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare and Economic Development.

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

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2008**	2009	Change	2008**	2009	Change
General Government	\$ 9,319,501	9,594,558	2.95%	\$ 6,845,804	7,298,749	6.62%
Public Safety	9,435,447	9,314,993	-1.28%	6,334,190	6,148,282	-2.93%
Public Works	12,516,187	12,373,716	-1.14%	10,918,752	11,138,989	2.02%
Health & Welfare	1,404,426	1,072,307	-23.65%	1,123,649	500,069	-55.50%
Economic Development *	8,929,314	1,957,390	-78.08%	7,289,195	278,585	-96.18%

*In the prior year, total costs for Economic Development included \$7,750,000 which was paid to Three Rivers Planning and Development District to Finance the PUL Alliance. Bond Proceeds were used to finance this payment.

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

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Lee County's governmental funds reported a combined fund balance of \$20,723,405, a decrease of \$2,446,548, from the restated beginning fund balance. The primary reasons for this decrease are highlighted in the Government-Wide Financial Analysis.

The General Fund is the principal operating fund of the County. The decrease in the beginning restated fund balance of the General Fund for the fiscal year was \$1,197,987. This decrease in fund balance was primarily due to the loss from operations which was consistent with the prior year.

Business-type funds – Revenue from the Solid Waste Collection and Disposal Fund increased by 7.79% to \$2,065,210 and expenses increased 9.00% to \$2,145,251. Chief factors contributing to these results include a higher fee collection rate from the users and a slight increase in expenditures for materials and supplies. The County's other business-type fund, the Turner Industrial Park Water and Sewer Fund's revenue increased by 0.03% to \$115,257 and expenses decreased by 13.81% to \$99,791.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2009, Lee County's total capital assets was \$298,994,344. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$4,796,617 or 1.63%.

Total accumulated depreciation as of September 30, 2009 was \$127,806,312, including \$10,026,625 of depreciation expense for the year. The balance in total net capital assets was \$171,188,032 at year-end.

Additional information on Lee County's capital assets can be found in note 7 on pages 48-50 of this report.

Debt Administration – At September 30, 2009, Lee County had \$20,169,927 in long-term debt outstanding. This includes general obligation bonds, other loans and compensated absences. Of this debt, \$1,823,589 is due within one year.

Lee County maintains an "Aa2" bond rating from Moody's Investors Service. 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, 2009, was equal to 1.48% of the latest property assessment, significantly below the 15% limitation.

Additional information on Lee County's long-term debt can be found in note 10 on pages 53-55 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

In February 2008, Lee County, along with her PUL Alliance partners Union and Pontotoc Counties, announced that Toyota would be building their next North American Production facility at the Wellspring Site. Monroe, Tippah, Calhoun and Itawamba Counties continue to work with the PUL Alliance as non-voting Associate Members.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

CURRENT AND FUTURE ITEMS OF IMPACT - Continued

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

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

Total budgeted revenues decreased for the next fiscal year by \$1,771,505 or 4.92% and total budgeted expenditures decreased \$1,084,981 or 2.74%. This is expected to decrease the County's net assets.

Lee County has an unemployment rate of 9.8%. This is higher than the state average rate of unemployment of 8.8%.

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.

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

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Lee County, Mississippi
Statement of Net Assets
September 30, 2009

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 6,443,950	\$ 243,683	\$ 6,687,633
Investments	17,360,454	-0-	17,360,454
Accrued interest receivable	139,342	-0-	139,342
Property tax receivable	13,134,011	-0-	13,134,011
Accounts receivable, (net of allowance for uncollectibles of \$ 924,170)	-0-	249,687	249,687
Fines receivable, (net of allowance for uncollectibles of \$ 3,681,523)	2,450,558	-0-	2,450,558
Intergovernmental receivables	633,171	-0-	633,171
Other receivables	130,364	234,044	364,408
Ad valorem tax fee in-lieu receivable, net	8,629,199	-0-	8,629,199
Deferred charges - issuance cost	365,102	-0-	365,102
Capital assets:			
Land	4,107,191	47,746	4,154,937
Other capital assets, net	<u>166,170,731</u>	<u>862,364</u>	<u>167,033,095</u>
Total Assets	<u>\$ 219,564,073</u>	<u>\$ 1,637,524</u>	<u>\$ 221,201,597</u>
LIABILITIES			
Claims payable	\$ 946,110	\$ 82,004	\$ 1,028,114
Intergovernmental payables	2,113,861	4,458	2,118,319
Accrued interest payable	181,796	7	181,803
Deferred revenue	13,134,011	-0-	13,134,011
Unearned revenue	1,157	169,017	170,174
Claims and judgements	400,360	-0-	400,360
Other payables	522,388	-0-	522,388
Long-term liabilities			
Due within one year:			
Capital related debt	1,583,447	229,427	1,812,874
Non-capital related debt	10,715	-0-	10,715
Due in more than one year:			
Capital related debt	7,887,288	226,820	8,114,108
Non-capital related debt	<u>9,910,025</u>	<u>322,205</u>	<u>10,232,230</u>
Total Liabilities	<u>\$ 36,691,158</u>	<u>\$ 1,033,938</u>	<u>\$ 37,725,096</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 160,807,187	\$ 453,863	\$ 161,261,050
Restricted net assets:			
Expendable:			
General government	6,682	-0-	6,682
Public safety	675,160	-0-	675,160
Public works	6,671,177	227,981	6,899,158
Economic development	138,828	-0-	138,828
Other purposes	3,731,731	-0-	3,731,731
Unrestricted	<u>10,842,150</u>	<u>(78,258)</u>	<u>10,763,892</u>
Total Net Assets	<u>\$ 182,872,915</u>	<u>\$ 603,586</u>	<u>\$ 183,476,501</u>

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

**Lee County, Mississippi
Statement of Activities
For the Year Ended September 30, 2009**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 9,594,558	\$ 2,015,093	\$ 195,768	\$ 84,948	\$ (7,298,749)	\$ -	\$ (7,298,749)
Public safety	9,314,993	2,850,364	291,211	25,136	(6,148,282)	-	(6,148,282)
Public works	12,373,716	1,004	1,083,447	150,276	(11,138,989)	-	(11,138,989)
Health and welfare	1,072,307	-	572,238	-	(500,069)	-	(500,069)
Culture and recreation	1,452,729	-	-	-	(1,452,729)	-	(1,452,729)
Education	13,370	-	-	-	(13,370)	-	(13,370)
Conservation of natural resources	263,353	-	-	-	(263,353)	-	(263,353)
Economic development and assistance	1,957,390	-	-	1,678,805	(278,585)	-	(278,585)
Interest on long-term debt	817,815	-	-	-	(817,815)	-	(817,815)
Total Governmental Activities	\$ 36,860,231	\$ 4,866,461	\$ 2,142,664	\$ 1,939,165	\$ (27,911,941)	\$ -	\$ (27,911,941)
Business-type activities:							
Solid waste	\$ 2,145,251	\$ 2,055,659	\$ -	\$ -	\$ -	\$ (89,592)	\$ (89,592)
Turner park	99,791	109,548	-	-	-	9,757	9,757
Total Business-type Activities	\$ 2,245,042	\$ 2,165,207	\$ -	\$ -	\$ -	\$ (79,835)	\$ (79,835)
Total Primary Government	\$ 39,105,273	\$ 7,031,668	\$ 2,142,664	\$ 1,939,165	\$ (27,911,941)	\$ (79,835)	\$ (27,991,776)
General revenues:							
Taxes:							
Property taxes					\$ 15,818,018	\$ -	\$ 15,818,018
Road & bridge privilege taxes					951,394	-	951,394
Ad Valorem tax fee-in-lieu revenue					445,985	-	445,985
Grants and contributions not restricted to specific programs					1,630,105	-	1,630,105
Unrestricted investment income					1,322,040	7,376	1,329,416
Miscellaneous					658,239	24,562	682,801
Transfers					(350,800)	350,800	-
Total General Revenues					\$ 20,474,981	\$ 382,738	\$ 20,857,719
Changes in Net Assets					\$ (7,436,960)	\$ 302,903	\$ (7,134,057)
Net Assets - Beginning, as originally reported					\$ 190,170,596	\$ 519,191	\$ 190,689,787
Prior period adjustment					139,279	(218,508)	(79,229)
Net Assets - Beginning restated					\$ 190,309,875	\$ 300,683	\$ 190,610,558
Net Assets - Ending					\$ 182,872,915	\$ 603,586	\$ 183,476,501

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

**Lee County, Mississippi
Balance Sheet - Governmental Funds
September 30, 2009**

	Major Funds					Total Governmental Funds
	General Fund	County Wide Road Fund	County Wide Bridge Fund	Other Governmental Funds	Total Governmental Funds	
ASSETS						
Cash	\$ 4,946,768	\$ 544,949	\$ 172,203	\$ 780,030	\$ 6,443,950	
Investments	11,643,749	3,535,170	2,181,535	-0-	17,360,454	
Accrued interest receivable	81,319	35,881	22,142	-0-	139,342	
Property tax receivable	8,840,380	2,068,132	1,700,495	525,004	13,134,011	
Fines receivable (net of allowance for uncollectibles of \$ 3,681,523)	2,450,558	-0-	-0-	-0-	2,450,558	
Intergovernmental receivables	526,480	31,806	-0-	74,549	632,835	
Other receivables	52,069	-0-	-0-	78,295	130,364	
Due from other funds	336	191,264	92,283	25,234	309,117	
Total Assets	\$ 28,541,659	\$ 6,407,202	\$ 4,168,658	\$ 1,483,112	\$ 40,600,631	

LIABILITIES AND FUND BALANCES

Liabilities:					
Claims payable	\$ 701,862	\$ 111,384	\$ 10,467	\$ 122,397	\$ 946,110
Intergovernmental payables	1,763,404	14,205	-0-	17,550	1,795,159
Due to other funds	627,483	-0-	-0-	-0-	627,483
Deferred revenue	11,290,938	2,068,132	1,700,495	525,004	15,584,569
Unearned revenue	1,157	-0-	-0-	-0-	1,157
Claims and judgments	400,360	-0-	-0-	-0-	400,360
Other payables	522,388	-0-	-0-	-0-	522,388
Total Liabilities	\$ 15,307,592	\$ 2,193,721	\$ 1,710,962	\$ 664,951	\$ 19,877,226

Fund balances:					
Reserved for:					
Other	\$ 3,731,731	\$ -0-	\$ -0-	\$ -0-	\$ 3,731,731
Unreserved, reported in:					
General fund	9,502,336	-0-	-0-	-0-	9,502,336
Special revenue funds	-0-	4,213,481	2,457,696	705,298	7,376,475
Capital project funds	-0-	-0-	-0-	112,863	112,863
Total Fund Balances	\$ 13,234,067	\$ 4,213,481	\$ 2,457,696	\$ 818,161	\$ 20,723,405
Total Liabilities and Fund Balances	\$ 28,541,659	\$ 6,407,202	\$ 4,168,658	\$ 1,483,112	\$ 40,600,631

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 Assets
September 30, 2009

Exhibit 3-1

	Amount
Total Fund Balance - Governmental Funds	\$ 20,723,405
Amounts reported for governmental services in the Statement of Net Assets (Exhibit 1) 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 \$126,701,678.	170,277,922
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	2,450,558
Deferred charges	365,102
Accrued receivables that are not available to pay for current expenditures and therefore are not record in the funds.	8,629,199
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	
Long-term liabilities	(19,391,475)
Accrued interest on debt	(181,796)
Net assets of governmental activities	\$ 182,872,915

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, 2009**

	Major Funds				Total Governmental Funds
	General Fund	County Wide Road Fund	County Wide Bridge Fund	Other Governmental Funds	
REVENUES					
Property taxes	\$ 10,974,560	\$ 2,390,184	\$ 1,946,106	\$ 507,168	\$ 15,818,018
Road and bridge privilege taxes	-0-	951,394	-0-	-0-	951,394
Licenses, commissions and other revenue	1,354,625	18,487	-0-	24,543	1,397,655
Fines and forfeitures	719,231	-0-	-0-	3,080	722,311
Intergovernmental revenues	3,041,839	711,788	159,851	1,814,272	5,727,750
Charges for services	1,600,976	1,004	-0-	1,095,359	2,697,339
Interest income	982,488	201,177	140,282	-0-	1,323,947
Miscellaneous revenues	259,443	277	-0-	378,410	638,130
Total Revenues	\$ 18,933,162	\$ 4,274,311	\$ 2,246,239	\$ 3,822,832	\$ 29,276,544
EXPENDITURES					
Current:					
General government	\$ 9,099,258	-0-	-0-	\$ 63,839	\$ 9,163,097
Public safety	7,011,101	-0-	-0-	2,024,767	9,035,868
Public works	-0-	5,422,802	2,775,054	-0-	8,197,856
Health and welfare	1,068,775	-0-	-0-	-0-	1,068,775
Culture and recreation	1,348,330	-0-	-0-	213,781	1,562,111
Conservation of natural resources	259,452	-0-	-0-	-0-	259,452
Economic development and assistance	139,156	-0-	-0-	1,818,234	1,957,390
Debt service:					
Principal	367,300	279,550	300,360	748,422	1,695,632
Interest	40,727	25,024	22,360	709,778	797,889
Issue cost	-0-	-0-	-0-	-0-	0
Capital outlay	-0-	-0-	-0-	-0-	0
Total Expenditures	\$ 19,334,099	\$ 5,727,376	\$ 3,097,774	\$ 5,578,821	\$ 33,738,070
Excess of Revenues over (under) Expenditures	\$ (400,937)	\$ (1,453,065)	\$ (851,535)	\$ (1,755,989)	\$ (4,461,526)

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, 2009
- Continued -

	Major Funds					Total Governmental Funds
	General Fund	County Wide Road Fund	County Wide Bridge Fund	Other Governmental Funds		
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	\$ 566,793	\$ 625,795	\$ 596,749	\$ 500,000	\$ 2,289,337	
Proceeds from sale of capital assets	6,300	54,625	-0-	-0-	60,925	
Compensation for loss of capital assets	4,148	7,573	-0-	2,995	14,716	
Transfers in	-0-	140,400	-0-	1,024,291	1,164,691	
Transfers out	(1,374,291)	-0-	(140,400)	-0-	(1,514,691)	
Total Other Financing Sources and Uses	\$ (797,050)	\$ 828,393	\$ 456,349	\$ 1,527,286	\$ 2,014,978	
Net Changes in Fund Balances	\$ (1,197,987)	\$ (624,672)	\$ (395,186)	\$ (228,703)	\$ (2,446,548)	
Fund Balances - Beginning, as originally reported	\$ 14,319,345	\$ 4,838,153	\$ 2,852,882	\$ 1,014,057	\$ 23,024,437	
Prior period adjustment	112,709	-0-	-0-	32,807	145,516	
Fund Balance - Beginning restated	\$ 14,432,054	\$ 4,838,153	\$ 2,852,882	\$ 1,046,864	\$ 23,169,953	
Fund Balances - Ending	\$ 13,234,067	\$ 4,213,481	\$ 2,457,696	\$ 818,161	\$ 20,723,405	

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, 2009

Exhibit 4-1

Net Changes in Fund Balances - Governmental Funds	\$ (2,446,548)
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 assets differs from the change in fund balances by the amount that depreciation of \$9,922,164 exceeded capital outlays of \$5,218,496 in the current period.	(4,703,668)
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 assets differs from the change in fund balances by the amount of the net gain of \$2,709 and the proceeds from the sale of \$60,925 in the current period.	(58,216)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	49,157
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	445,985
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Also, governmental funds report the effect of bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Thus the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$2,289,337 and bond issuance and discount amortization cost of \$32,004 exceed debt repayments of \$1,695,631 and bond premium amortization of \$20,932.	(604,778)
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 assets differs from the change in fund balances by a combination of the following items:	
(Increase)/Decrease in Accrued Interest	(8,853)
(Increase)/Decrease in Compensated Absences	(109,239)
A capital asset with a salvage value of \$800 was transferred from Governmental Activities to Proprietary Funds. This would not affect the change in fund balances since capital assets are not accounted for in the funds, but would affect the change in net assets.	<u>(800)</u>
Change in Net Assets of Governmental Activities	<u>\$ (7,436,960)</u>

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

Lee County, Mississippi
Statement of Net Assets - Proprietary Funds
September 30, 2009

Exhibit 5

	Business - Type Activities Enterprise Funds		
	Solid Waste	Turner Park	Total
	Fund	Fund	
ASSETS			
Current assets:			
Cash	\$ 15,054	\$ 228,629	\$ 243,683
Accounts receivable, (net of allowance for uncollectibles of \$ 924,170)	247,692	1,995	249,687
Other receivables	234,044	-0-	234,044
Total Current Assets	\$ 496,790	\$ 230,624	\$ 727,414
Noncurrent assets:			
Capital assets:			
Land	\$ 47,746	\$ -0-	\$ 47,746
Other capital assets, net	723,795	138,569	862,364
Total Noncurrent Assets	\$ 771,541	\$ 138,569	\$ 910,110
Total Assets	\$ 1,268,331	\$ 369,193	\$ 1,637,524
LIABILITIES			
Current liabilities:			
Claims payable	\$ 79,398	\$ 2,606	\$ 82,004
Intergovernmental payables	4,428	30	4,458
Accrued interest payable	-0-	7	7
Unearned revenue	169,017	-0-	169,017
Current portions of long-term capital-related debt:			
Other long-term liabilities	220,514	8,913	229,427
Total Current Liabilities	\$ 473,357	\$ 11,556	\$ 484,913
Noncurrent liabilities:			
Capital related debt:			
Other long-term liabilities	\$ 194,182	\$ 32,638	\$ 226,820
Non-capital related debt:			
Compensated absences payable	39,245	-0-	39,245
Other long-term liabilities	282,960	-0-	282,960
Total Noncurrent Liabilities	\$ 516,387	\$ 32,638	\$ 549,025
NET ASSETS			
Invested in capital assets, net of related debt	\$ 356,845	\$ 97,018	\$ 453,863
Restricted for public works	-0-	227,981	227,981
Unrestricted	(78,258)	-0-	(78,258)
Total Net Assets	\$ 278,587	\$ 324,999	\$ 603,586

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

Lee County, Mississippi
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended September 30, 2009

Exhibit 6

	Business-type Activities Enterprise Funds		
	Solid Waste Fund	Turner Park Fund	Total
	\$	\$	\$
Operating Revenues			
Charges for services	\$ 2,055,659	\$ 109,548	\$ 2,165,207
Miscellaneous	9,551	-0-	9,551
Total Operating Revenues	\$ 2,065,210	\$ 109,548	\$ 2,174,758
Operating Expenses			
Personal services	\$ 911,978	\$ -0-	\$ 911,978
Contractual services	731,546	83,164	814,710
Materials and supplies	363,453	2,047	365,500
Depreciation expense	92,341	12,120	104,461
Indirect administrative cost	36,445	1,129	37,574
Total Operating Expenses	\$ 2,135,763	\$ 98,460	\$ 2,234,223
Operating Income (Loss)	\$ (70,553)	\$ 11,088	\$ (59,465)
Nonoperating Revenues (Expenses)			
Interest income	\$ 1,668	\$ 5,709	\$ 7,377
Loss on sale of capital assets	(8,548)	-0-	(8,548)
Interest expense	(9,488)	(1,331)	(10,819)
Other income (expense)	23,558	-0-	23,558
Net Nonoperating Revenue (Expenses)	\$ 7,190	\$ 4,378	\$ 11,568
Net Income Before Transfers	\$ (63,363)	\$ 15,466	\$ (47,897)
Transfers in	350,800	-0-	350,800
Changes in Net Assets	\$ 287,437	\$ 15,466	\$ 302,903
Net Assets - Beginning, as originally reported	\$ 209,658	\$ 309,533	\$ 519,191
Prior period adjustment	(218,508)	-0-	(218,508)
Net Assets - Beginning restated	\$ (8,850)	\$ 309,533	\$ 300,683
Net Assets - Ending	\$ 278,587	\$ 324,999	\$ 603,586

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

Lee County, Mississippi
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2009

Exhibit 7

	Business-type Activities Enterprise Funds		
	Solid Waste Fund	Turner Park Fund	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 2,041,710	\$ 116,246	\$ 2,157,956
Payments to suppliers	(1,312,972)	(90,097)	(1,403,069)
Payments to employees	(902,940)	-0-	(902,940)
Payments to general fund for indirect costs	(36,445)	(1,129)	(37,574)
Other operating cash receipts	9,551	-0-	9,551
Net Cash Provided (Used) by Operating Activities	\$ (201,096)	\$ 25,020	\$ (176,076)
Cash Flows From Noncapital Financing Activities			
Cash received from other funds:			
Operating transfers in	\$ 350,000	\$ -0-	\$ 350,000
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 350,000	\$ -0-	\$ 350,000
Cash Flows From Capital and Related Financing Activities			
Proceeds of long-term debt	\$ 252,864	\$ -0-	\$ 252,864
Loss on disposal of capital assets	(11,049)	-0-	(11,049)
Proceeds from sale of capital assets	2,500	-0-	2,500
Acquisition of capital assets	(136,744)	-0-	(136,744)
Principal paid on long-term debt	(219,059)	(8,657)	(227,716)
Interest paid on debt	(9,488)	(1,386)	(10,874)
Other receipts	23,559	-0-	23,559
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (97,417)	\$ (10,043)	\$ (107,460)
Cash Flows From Investing Activities			
Interest and dividends on investments	\$ 1,668	\$ 5,709	\$ 7,377
Net Cash Provided (Used) by Investing Activities	\$ 1,668	\$ 5,709	\$ 7,377
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 53,155	\$ 20,686	\$ 73,841
Cash and Cash Equivalents at Beginning of Year	(38,101)	207,943	169,842
Cash and Cash Equivalents at End of Year	\$ 15,054	\$ 228,629	\$ 243,683
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (70,553)	\$ 11,088	\$ (59,465)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	\$ 92,341	\$ 12,120	\$ 104,461
Salvage value of capital asset depletions	11,050	-0-	11,050
Provision for uncollectible accounts	63,257	-0-	63,257
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(68,827)	6,699	(62,128)
(Increase) decrease in other receivables	(21,740)	-0-	(21,740)
Increase (decrease) in claims payable	(219,956)	(4,896)	(224,852)
Increase (decrease) in intergovernmental payables	168	9	177
Increase (decrease) in compensated absences liability	(196)	-0-	(196)
Increase (decrease) in unearned revenue	13,360	-0-	13,360
Total Adjustments	\$ (130,543)	\$ 13,932	\$ (116,611)
Net Cash Provided (Used) by Operating Activities	\$ (201,096)	\$ 25,020	\$ (176,076)

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

Lee County, Mississippi
Statement of Fiduciary Assets and Liabilities
September 30, 2009

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 262,698
Due from other funds	318,702
Other receivables	7,299
Total Assets	<u>\$ 588,699</u>
LIABILITIES	
Amounts held in custody for others	\$ 138,500
Intergovernmental payables	449,863
Due to other funds	336
Total Liabilities	<u>\$ 588,699</u>

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

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LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

Lee 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 conformity 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, 2009

(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 Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Assets 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 Assets 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, 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 a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented as Other Governmental Funds in a single column.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(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 county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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 reasonably able to 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 all activities of the general government for which a separate fund has not been established.

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

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

The county reports the following major proprietary funds:

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

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived from the proceeds of loans.

Debt Service Funds – These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

PROPRIETARY FUND TYPES

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

FIDUCIARY FUND TYPES

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

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(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 2005 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." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. 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 statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital asset costs have been estimated and the methods of estimation are not readily available.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(1) Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

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.

I. 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.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(1) Summary of Significant Accounting Policies (Continued)

I. Long-Term Liabilities (continued)

In the government-wide financial statements and in the Proprietary Fund in the 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 Assets.

Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

J. Equity Classifications

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt – 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 assets – Consists of net assets 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 assets – All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(1) Summary of Significant Accounting Policies (Continued)

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

K. Property Tax Revenues

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

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

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

L. 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, 2009

(1) Summary of Significant Accounting Policies (Continued)

M. Compensated Absences

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

(2) Prior Period Adjustment

A summary of significant fund equity adjustments is as follows:

Exhibit 2 Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Revenue accrual - amounts held in custody	\$ 112,709
Accounts receivable adjustment	32,807
Capital assets adjustment	(6,237)
	<u>\$ 139,279</u>

Exhibit 2 Statement of Activities and
Exhibit 6 Statement of Revenues, Expenses and Changes in Fund Net Assets

<u>Explanation</u>	<u>Amount</u>
Accounts receivable adjustment	\$ (88,264)
Accounts payable adjustment	(130,244)
	<u>\$ (218,508)</u>

Exhibit 4 Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Explanation</u>	<u>Amount</u>
Revenue accrual - amounts held in custody - General Fund	\$ 112,709
Accounts receivable adjustment - GREAT Grant Fund	32,807
	<u>\$ 145,516</u>

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(3) Deposits and Investments

Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$6,950,331 and the bank balance was \$7,962,091. The collateral for public entities' deposits in financial institutions are 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 a 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. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

Investments:

Investments balances at September 30, 2009, are as follows:

<u>Instrument Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Federal Farm Credit Bank	01/18/12	\$ 419,126	AAA
Federal Farm Credit Bank	04/21/11	770,156	AAA
Federal Home Ln Bk	03/09/12	544,688	AAA
Federal Home Ln Bk	12/10/10	524,375	AAA
Federal Home Ln Bk	06/04/13	1,078,125	AAA
Federal Home Ln Mtg	12/21/12	1,073,910	AAA
U.S. Treasury Notes	11/30/11	907,585	AAA
U.S. Treasury Notes	07/31/12	655,314	AAA
U.S. Treasury Notes	02/15/10	3,051,915	AAA
U.S. Treasury Notes	05/31/11	3,238,782	AAA
U.S. Treasury Notes	05/31/12	709,566	AAA
U.S. Treasury Notes	08/31/12	755,181	AAA
U.S. Treasury Security		310,770	
Transamerica Occidental Annuity	06/21/12	3,320,961	
Total		\$ <u>17,360,454</u>	

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(3) Deposits and Investments (Continued)

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

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

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2009:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Agency Funds	\$ 336
Countywide Road	General Fund	191,264
Countywide Bridge	General Fund	92,283
Other Governmental Funds	General Fund	25,234
Agency Funds	General Fund	318,702
Total		<u>\$ 627,819</u>

The payables from the General Fund are the tax revenues collected but not settled until October 2009. The payable from the Agency Funds is interest earned. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out

Transfer In	Transfer Out	Amount
County-Wide Road	County-Wide Bridge	\$ 140,400
Other Governmental Funds	General Fund	1,024,291
Solid Waste	General Fund	350,000
Solid Waste (Asset)	General Fund	800
Total		<u>\$ 1,515,491</u>

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(4) Interfund Transactions and Balances (Continued)

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. All were approved by the Board of Supervisors. The \$800 transfer of an asset (at cost net of accumulated depreciation) is not reflected in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds because Capital Assets are not accounted for in the Governmental Fund statements.

(5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2009 consisted of the following:

A. Governmental Activities:

Description	Amount
Legislative tag credit	\$ 301,340
Motor Vehicle Licenses	75,693
Reimbursement for the housing of prisoners	124,215
Motor Vehicle Fuel Tax	31,806
Other	100,117
Total Governmental Activities	\$ 633,171

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

(6) Ad Valorem Tax Fee In-Lieu Receivable

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

Ad valorem tax fee in lieu receivable at September 30, 2009, is as follows:

Ad valorem tax fee in-lieu receivable	\$ <u>8,629,199</u>
Due in one to five years	\$ 3,333,333
Due in six to ten years	4,166,667
Due in eleven to fifteen years	4,166,667
Due in sixteen to seventeen years	<u>1,666,666</u>
Total	\$ 13,333,333
Less: discount to present value	<u>(4,704,134)</u>
Net receivable	\$ <u>8,629,199</u>

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(7) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2009:

Governmental activities:

	<u>Balance</u> <u>Oct. 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2009</u>
<u>Non-depreciable capital assets</u>					
Land	\$ 4,107,191	\$ -0-	\$ -0-	\$ -0-	\$ 4,107,191
Construction in progress	-0-	-0-	-0-	-0-	-0-
Total non-depreciable capital assets	<u>\$ 4,107,191</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,107,191</u>
<u>Depreciable capital assets</u>					
Infrastructure	\$ 246,154,109	\$ 3,560,294	\$ -0-	\$ -0-	\$ 249,714,403
Buildings	30,137,184	-0-	-0-	-0-	30,137,184
Improvements other than buildings	758,998	-0-	-0-	-0-	758,998
Mobile equipment	9,133,114	1,418,132	(358,394)	(8,691)	10,184,161
Furniture and equipment	1,926,648	240,070	(89,055)	-0-	2,077,663
Total depreciable assets	<u>\$ 288,110,053</u>	<u>\$ 5,218,496</u>	<u>\$ (447,449)</u>	<u>\$ (8,691)</u>	<u>\$ 292,872,409</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	\$ 102,650,136	\$ 8,410,287	\$ -0-	\$ -0-	\$ 111,060,423
Buildings	6,711,313	603,640	-0-	-0-	7,314,953
Improvements other than buildings	336,151	31,185	-0-	-0-	367,336
Mobile equipment	6,018,027	751,837	(303,880)	(1,654)	6,464,330
Furniture and equipment	1,454,774	125,215	(85,353)	-0-	1,494,636
Total accumulated depreciation	<u>\$ 117,170,401</u>	<u>\$ 9,922,164</u>	<u>\$ (389,233)</u>	<u>\$ (1,654)</u>	<u>\$ 126,701,678</u>
Total depreciable capital assets, net	<u>\$ 170,939,652</u>	<u>\$ (4,703,668)</u>	<u>\$ (58,216)</u>	<u>\$ (7,037)</u>	<u>\$ 166,170,731</u>
Governmental activities capital assets, net	<u>\$ 175,046,843</u>	<u>\$ (4,703,668)</u>	<u>\$ (58,216)</u>	<u>\$ (7,037)</u>	<u>\$ 170,277,922</u>

Adjustments include correction of prior asset and depreciation amounts and a transfer of an asset from a governmental to a business-type function.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(7) Capital Assets (Continued)

Business-type activities:

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments	Balance Sept. 30, 2009
<u>Non-depreciable capital assets</u>					
Land	\$ 47,746	\$ -0-	\$ -0-	\$ -0-	\$ 47,746
Total non-depreciable capital assets	<u>\$ 47,746</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 47,746</u>
<u>Depreciable capital assets</u>					
Buildings	\$ 425,500	\$ -0-	\$ -0-	\$ -0-	\$ 425,500
Improvements other than buildings	137,129	-0-	-0-	-0-	137,129
Mobile equipment	1,349,271	136,744	(110,483)	8,000	1,383,532
Furniture and equipment	20,837	-0-	-0-	-0-	20,837
Total depreciable assets	<u>\$ 1,932,737</u>	<u>\$ 136,744</u>	<u>\$ (110,483)</u>	<u>\$ 8,000</u>	<u>\$ 1,966,998</u>
<u>Less accumulated depreciation for:</u>					
Buildings	\$ 260,567	\$ 8,510	\$ -0-	\$ -0-	\$ 269,077
Improvements other than buildings	93,247	5,485	-0-	-0-	98,732
Mobile equipment	719,839	90,466	(99,433)	7,200	718,072
Furniture and equipment	18,753	-0-	-0-	-0-	18,753
Total accumulated depreciation	<u>\$ 1,092,406</u>	<u>\$ 104,461</u>	<u>\$ (99,433)</u>	<u>\$ 7,200</u>	<u>\$ 1,104,634</u>
Total depreciable capital assets, net	<u>\$ 840,331</u>	<u>\$ 32,283</u>	<u>\$ (11,050)</u>	<u>\$ 800</u>	<u>\$ 862,364</u>
Business type activities capital assets, net	<u>\$ 888,077</u>	<u>\$ 32,283</u>	<u>\$ (11,050)</u>	<u>\$ 800</u>	<u>\$ 910,110</u>

Adjustments include correction of prior asset and depreciation amounts and a transfer of an asset from a governmental to a business-type function.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(7) Capital Assets (Continued)

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 407,582
Public safety	427,699
Public works	8,948,400
Health and welfare	4,055
Culture and recreation	117,158
Education	13,370
Conservation of natural resources	3,900
Total governmental activities depreciation expense	\$ 9,922,164
Business-type activities:	
Solid Waste	\$ 92,341
Turner Park	12,120
Total business-type activities depreciation expense	\$ 104,461

(8) Claims and Judgments

Risk Financing

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2009, to January 1, 2010. 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, 2009

(8) 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 \$50,000, and the aggregate policy covers all submitted claims in excess of \$50,000. 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 2008 and 2009:

	<u>2008</u>	<u>2009</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 156,576	\$ (436,256)
Plus: Incurred Claims (Including IBNRs)	2,511,614	3,167,369
Less: Claims Payments	<u>(3,104,446)</u>	<u>(3,131,473)</u>
Unpaid Claims, End of Fiscal Year	<u>\$ (436,256)</u>	<u>\$ (400,360)</u>

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(9) Operating Leases

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$248,593 for the year ended September 30, 2009. The future minimum lease receivables for these leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2010	\$ 248,593
2011	248,593
2012	248,593
2013	248,593
2014	248,593
2015-2019	1,111,754
2020-2024	633,859
2025-2028	<u>227,386</u>
Total	<u>\$ 3,215,964</u>

As Lessee:

The county has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$243,180 for the year ended September 30, 2009. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2010	\$ 243,180
2011	243,180
2012	243,180
2013	243,180
2014	243,180
2015-2017	<u>709,275</u>
Total	<u>\$ 1,925,175</u>

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(10) Long-term Debt

Debt outstanding as of September 30, 2009, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
2001 Refunding Bonds	\$ 3,230,000	3.20-4.50	12/1/13
Toyota Bonds	<u>8,760,000</u>	5.00-6.00	7/1/26
Total General Obligation Bonds	<u>\$ 11,990,000</u>		
D. Other Loans:			
Capital improvements revolving loan	\$ 94,280	3.00	3/1/14
Capital improvements revolving loan	661,352	3.00	11/1/18
Capital improvements revolving loan	949,302	3.00	5/1/28
Capital improvements revolving loan	136,999	4.27	1/31/14
Capital improvements revolving loan	357,580	4.00	10/1/22
Capital improvements revolving loan	222,403	4.00	8/1/22
Capital improvements revolving loan	226,294	5.00	11/1/22
Capital improvements revolving loan	177,917	4.00	8/1/22
Capital improvements revolving loan	500,000	2.00	*
Noncap revolving loan	500,000	0.00	10/15/21
MS Development Bank promissory note	<u>2,914,609</u>	Variable	5/1/24
Total Other Loans	<u>\$ 6,740,736</u>		
Business-type Activities:			
A. Other Loans			
Capital improvements revolving loan	\$ 41,551	3.00	3/1/14
MS Development Bank promissory note	<u>697,656</u>	Variable	1/1/16
Total Other Loans	<u>\$ 739,207</u>		

*The capital improvements revolving loan proceeds of \$500,000 was part of loan totaling \$727,383. There were additional draws on this loan in the fiscal years ending September 30, 2010 and 2011. For more information, see Note 15, Subsequent Events.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(10) Long-term Debt (Continued)

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

Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Other Loans*	
	Principal	Interest	Principal	Interest
2010	\$ 590,000	\$ 587,600	\$ 993,448	\$ 222,943
2011	975,000	565,060	914,249	178,461
2012	1,020,000	519,880	792,117	138,562
2013	1,070,000	472,060	655,893	106,236
2014	1,130,000	421,248	392,752	81,698
2015-2019	2,480,000	1,672,700	1,094,509	266,231
2020-2024	3,195,000	957,125	1,167,905	88,381
2025-2028	1,530,000	127,325	229,863	14,159
Total	\$ 11,990,000	\$ 5,322,998	\$ 6,240,736	\$ 1,096,671

*Totals do not include the \$500,000 capital improvements revolving loan; see note above.

Business-type Activities:

Year Ending September 30,	Other Loans	
	Principal	Interest
2010	\$ 229,427	\$ 31,858
2011	217,549	20,810
2012	160,102	10,930
2013	88,987	4,233
2014	36,769	1,308
2015-2016	6,373	429
Total	\$ 739,207	\$ 69,568

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(10) Long-term Debt (Continued)

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, 2009, the amount of outstanding debt was equal to 1.48% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009:

	Balance Oct. 1, 2008	Additions	Reductions	Balance Sept. 30, 2009	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 695,593	\$ 109,239	\$ -0-	\$ 804,832	\$ -0-
General obligation bonds	12,550,000	-0-	560,000	11,990,000	590,000
Unamortized premiums	95,079	-0-	20,933	74,146	21,852
Unamortized discounts	(228,767)	-0-	(10,528)	(218,239)	(11,138)
Other loans	5,587,030	2,289,337	1,135,631	6,740,736	993,448
Totals	\$ 18,698,935	\$ 2,398,576	\$ 1,706,036	\$ 19,391,475	\$ 1,594,162
Business-type Activities:					
Compensated absences	\$ 39,441	\$ -0-	\$ 196	\$ 39,245	\$ -0-
Other loans	714,059	252,864	227,716	739,207	229,427
Totals	\$ 753,500	\$ 252,864	\$ 227,912	\$ 778,452	\$ 229,427

(11) Deficit Fund Balances of Individual Funds

The following funds reported deficit in fund balances at September 30, 2009:

<u>Fund</u>	<u>Deficit Amount</u>
Drug Court	\$ 246
Regional Rehab	\$ 3,421
Agri-Center/Fair Fund	\$ 2,508

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(12) Contingencies

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

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

Solid Waste Revenue Refunding Bonds

In 1998, solid waste revenue refunding bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,120,000. As part of a solid waste disposal service agreement between Lee County and Three Rivers Solid Waste Management Authority, the county has agreed to pay its pro rata share of any obligations of the authority that are not covered by fees generated from solid waste disposal services. The county's pro rata share of the \$3,225,000 refunding bonds balance at September 30, 2009, is \$452,145.

(13) No Commitment Debt (Not included in Financial Statements)

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

Description	Balance 9/30/09
Industrial revenue bonds	\$ 22,999,296

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(14) Jointly Governed Organizations

The county participates in the following jointly governed organizations:

Three Rivers Solid Waste Management Authority operates in a district composed of the counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc, and Union and the cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The Lee County Board of Supervisors appoints one of the seven members of the board of directors. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste deposited. The county did not appropriate any funds for the support of the authority in fiscal year 2009.

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 2009.

Itawamba Community College operates in a district composed of the counties of Chickasaw, Itawamba, Lee, Monroe and Pontotoc. The Lee County Board of Supervisors appoints six of the thirty members of the college board of trustees. The county appropriated \$5,695,300 for the support and maintenance of the college in fiscal year 2009.

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Lee County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$96,630 for support of the commission in fiscal year 2009.

Lift, Inc. operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Lee County Board of Supervisors appoints two of the twenty-four members of the board of directors. The county appropriated \$7,860 in fiscal year 2009 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 \$53,029 for support of the district in fiscal year 2009.

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(14) Jointly Governed Organizations (continued)

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 appropriated \$100,000 for the support of the alliance in fiscal year 2009.

(15) Defined Benefit Pension Plan

Plan Description. Lee County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2009 was 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2009, 2008, and 2007, were \$1,328,025, \$1,258,811, and \$1,181,499, respectively, equal to the required contributions for each year.

(16) Subsequent Events

Subsequent to September 30, 2009, Lee County borrowed the following amount under the Mississippi Development Bank Loan Program:

Issue Date	Interest Rate	Issue Amount	Source of Financing
8/2/2010	4.5	\$ 282,771	Road Fund, Bridge Fund, Solid Waste

LEE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

(16) Subsequent Events (continued)

In addition, the county borrowed additional funds from the Mississippi Development Authority. The first draw on this loan in the amount of \$500,000 was received during the fiscal year ending September 30, 2009. That amount is shown in the schedule of long-term debt in Note 8. An additional \$160,825 was drawn in the fiscal year ending September 30, 2010 and \$66,558 was drawn in the fiscal year ending September 30, 2011, making the total drawn under the loan \$727,383. Repayment will begin after the final draw is received and repayment will be from Ad Valorem In-Lieu revenue.

The county issued certificates of participation in the amount of \$3,095,000. The certificates were dated June 9, 2010 and were issued with an interest rate of 3.75%. Repayment, which will begin in June 2011, will be from lease payments and General Fund revenues.

The county received an additional capital improvements revolving loan from the Mississippi Development Authority. The loan agreement was dated August 24, 2009, but funds were not received until October 2010. The interest rate is 3.00%. The amount of the loan is not to exceed \$1,500,000. As of April 30, 2011, the county had received \$842,022 under this loan. Repayment will be from General Fund revenues.

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REQUIRED SUPPLEMENTARY INFORMATION

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Lee County, Mississippi
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 11,706,194	\$ 10,792,667	\$ 10,792,667	\$ -0-
Licenses, commissions and other revenue	1,366,900	1,349,756	1,349,756	-0-
Fines and forfeitures	746,250	713,173	713,173	-0-
Intergovernmental revenues	3,059,619	2,877,579	2,877,579	-0-
Charges for services	1,117,160	1,595,265	1,595,265	-0-
Interest income	956,189	901,453	901,453	-0-
Miscellaneous revenues	1,241,100	1,129,854	1,129,854	-0-
Total Revenues	\$ 20,193,412	\$ 19,359,747	\$ 19,359,747	\$ -0-
EXPENDITURES				
Current:				
General government	\$ 9,917,805	\$ 10,002,473	\$ 10,002,473	\$ -0-
Public safety	7,237,782	6,909,340	6,909,340	-0-
Health and welfare	1,012,990	941,936	941,936	-0-
Culture and recreation	949,306	923,186	923,186	-0-
Conservation of natural resources	244,885	238,840	238,840	-0-
Economic development and assistance	140,486	139,205	139,205	-0-
Debt service:				
Principal	453,893	367,300	367,300	-0-
Interest	98,652	40,727	40,727	-0-
Total Expenditures	\$ 20,055,799	\$ 19,563,007	\$ 19,563,007	\$ -0-
Excess of Revenues over (under) Expenditures	\$ 137,613	\$ (203,260)	\$ (203,260)	\$ -0-
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	\$ 200	\$ -0-	\$ -0-	\$ -0-
Proceeds from sale of capital assets	3,000	7,750	7,750	-0-
Compensation for loss of capital assets	10,000	2,698	2,698	-0-
Transfers in	793,235	806,035	806,035	-0-
Transfers out	(2,167,527)	(2,180,326)	(2,180,326)	-0-
Total Other Financing Sources and Uses	\$ (1,361,092)	\$ (1,363,843)	\$ (1,363,843)	\$ -0-
Net Change in Fund Balance	\$ (1,223,479)	\$ (1,567,103)	\$ (1,567,103)	\$ -0-
Fund Balances - Beginning	14,177,676	14,177,676	14,177,676	-0-
Fund Balances - Ending	\$ 12,954,197	\$ 12,610,573	\$ 12,610,573	\$ -0-

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

Lee County, Mississippi
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
County Wide Road Fund
For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,377,520	\$ 2,361,943	\$ 2,361,943	\$ -0-
Licenses, commissions and other revenue	962,500	972,816	972,816	-0-
Fines and forfeitures	1,000	-0-	-0-	-0-
Intergovernmental revenues	965,000	715,886	715,886	-0-
Charges for services	2,500	1,004	1,004	-0-
Interest income	180,000	209,623	209,623	-0-
Miscellaneous revenues	1,200	277	277	-0-
Total Revenues	\$ 4,489,720	\$ 4,261,549	\$ 4,261,549	\$ -0-
EXPENDITURES				
Current:				
Public works	\$ 5,922,946	\$ 5,406,443	\$ 5,406,443	\$ -0-
Debt service:				
Principal	318,425	279,550	279,550	-0-
Interest	64,975	25,024	25,024	-0-
Total Expenditures	\$ 6,306,346	\$ 5,711,017	\$ 5,711,017	\$ -0-
Excess of Revenues over (under) Expenditures	\$ (1,816,626)	\$ (1,449,468)	\$ (1,449,468)	\$ -0-
OTHER FINANCING SOURCES (USES)				
Proceeds of long-term capital debt	\$ 100	\$ -0-	\$ -0-	\$ -0-
Proceeds from sale of capital assets	15,000	54,625	54,625	-0-
Compensation for loss of capital assets	1,000	7,573	7,573	-0-
Transfers in	142,116	140,400	140,400	-0-
Total Other Financing Sources and Uses	\$ 158,216	\$ 202,598	\$ 202,598	\$ -0-
Net Change in Fund Balance	\$ (1,658,410)	\$ (1,246,870)	\$ (1,246,870)	\$ -0-
Fund Balances - Beginning	5,234,638	5,234,638	5,234,638	-0-
Fund Balances - Ending	\$ 3,576,228	\$ 3,987,768	\$ 3,987,768	\$ -0-

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

Lee County, Mississippi
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
County Wide Bridge Fund
For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,961,259	\$ 1,923,685	\$ 1,923,685	\$ -0-
Intergovernmental revenue	50,000	159,850	159,850	-0-
Interest income	115,000	147,657	147,657	-0-
Miscellaneous income	450	-0-	-0-	-0-
Total Revenues	\$ 2,126,709	\$ 2,231,192	\$ 2,231,192	\$ -0-
EXPENDITURES				
Current:				
Public works	\$ 2,088,648	\$ 2,215,629	\$ 2,215,629	\$ -0-
Debt service:				
Principal	285,210	300,360	300,360	-0-
Interest	54,605	22,360	22,360	-0-
Total Expenditures	\$ 2,428,463	\$ 2,538,349	\$ 2,538,349	\$ -0-
Excess of Revenues over (under) Expenditures	\$ (301,754)	\$ (307,157)	\$ (307,157)	\$ -0-
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	\$ 100	\$ 111	\$ 111	\$ -0-
Proceeds from sale of capital assets	100	-0-	-0-	-0-
Compensation for loss of capital assets	100	-0-	-0-	-0-
Transfers out	(140,400)	(140,400)	(140,400)	-0-
Total other financing sources (uses)	\$ (140,100)	\$ (140,289)	\$ (140,289)	\$ -0-
Net Change in Fund Balance	\$ (441,854)	\$ (447,446)	\$ (447,446)	\$ -0-
Fund Balances - Beginning	2,741,997	2,741,997	2,741,997	-0-
Fund Balances - Ending	\$ 2,300,143	\$ 2,294,551	\$ 2,294,551	\$ -0-

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

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LEE COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2009

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

LEE COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2009

Notes to the Required Supplementary Information – Continued.

C. Budget/GAAP Reconciliation – Continued.

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>County Wide Road Fund</u>	<u>County Wide Bridge Fund</u>
Budget (Cash Basis)	\$ (1,567,103)	\$ (1,246,870)	(447,446)
Increase (Decrease)			
Net adjustments for revenue	(560,103)	12,762	15,046
Net adjustments for expenditure	<u>929,219</u>	<u>609,436</u>	<u>37,214</u>
GAAP Basis	<u>\$ (1,197,987)</u>	<u>\$ (624,672)</u>	<u>(395,186)</u>

SUPPLEMENTAL INFORMATION

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Lee County, Mississippi
Schedule of Expenditures of Federal Awards
September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Agriculture			
Passed-through Three Rivers Planning and Development District Child and adult care food program	10.558	712-U-581A	\$ <u>8,039</u>
Total U.S. Department of Agriculture			\$ <u>8,039</u>
U.S. Department of Housing and Urban Development			
Passed-through the Mississippi Department of Economic and Community Development			
Community development block grants/state's program	14.228	1222-05-041-ED-01	\$ 10,000
Community development block grants/state's program	14.228	1122-05-041-PF-01	157,630
Community development block grants/state's program	14.228	1122-05-041-PF-05	<u>450,000</u>
Total U. S. Department of Housing and Urban Development			\$ <u>617,630</u>
U.S. Department of Justice			
Direct programs			
Edward Byrne Memorial State and Local Law Enforcement			
Assistance Discretionary Grants Program	16.580	2006DDBX0512	\$ 68,364
Bulletproof vest partnership program	16.607	N/A	2,740
Gang resistance education and training	16.737	2006-JV-FX-0148	14,509
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) program/Grants To Units Of Local Government	16.804	2009-SB-B9-0595	10,406
Passed-through the State of Mississippi Department of Public Safety			
Violence against women formula grants	16.588	04SP1411	<u>1,378</u>
Total U.S. Department of Justice			\$ <u>97,397</u>
U.S. Department of Labor			
Passed-through the Mississippi Council of Aging			
Passed-through Three Rivers Planning and Development District			
ARRA -Title V - senior community service employment program	17.235		\$ 6,593
Title V - senior community service employment program	17.235	712-U-191A	<u>29,239</u>
Total U.S. Department of Labor			\$ <u>35,832</u>
U.S. Department of Transportation			
Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	N/A	\$ <u>6,600</u>
Total U.S. Department of Transportation			\$ <u>6,600</u>
Appalachian Regional Commission			
Passed-through the Mississippi Department of Economic and Community Development			
Appalachian Area Development	23.002	N/A	\$ <u>50,630</u>
Total Appalachian Regional Commission			\$ <u>50,630</u>

Lee County, Mississippi
Schedule of Expenditures of Federal Awards
September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed-through the Mississippi Council of Aging			
Passed-through Three Rivers Planning and Development			
District			
Aging Cluster			
Special programs for the aging-Title III, Part B-Grants for supportive services and senior centers	93.044	712-R-191A	\$ 18,720
Special programs for the aging-Title III, Part C-Nutrition services	93.045	712-R-291A	45,930
Special programs for the aging-Title III, Part C-Nutrition services	93.045	712-R-391A	76,632
Nutrition service incentive program	93.053	712-R-291A	11,724
Nutrition service incentive program	93.053	712-R-391A	19,200
Nutrition service incentive program	93.053	712-R-291A	823
Total Aging Cluster			\$ <u>173,029</u>
Social services block grant	93.667	712-V-291A	<u>131,785</u>
Total U.S. Department of Health and Human Services			\$ <u>304,814</u>
Department of Homeland Security			
Passed-through the Mississippi Department of Public Safety			
Public Assistance - Hurricane Katrina	97.036	1604-DR-MS	\$ <u>9,366</u>
Homeland Security Cluster			
Passed-through the Mississippi Department of Public Safety			
Homeland Security Grant Program	97.067	07HS041	\$ 8,726
Homeland Security Grant Program	97.067	07LE041	<u>8,828</u>
Total passed-through Mississippi Department of Public Safety			\$ <u>17,554</u>
Total Homeland Security Cluster			\$ <u>17,554</u>
Total Department of Homeland Security			\$ <u>26,920</u>
Total Expenditures of Federal Awards			\$ <u>1,147,862</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

SPECIAL REPORTS

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

Members of the Board of Supervisors
Lee County, Mississippi

We have audited 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, 2009, which collectively comprise the county's basic financial statements and have issued our report thereon dated October 6, 2011. 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. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lee County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lee County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Cost 2009-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

**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 -

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency described above, we consider 2009-1 to be a material weakness.

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*.

Lee County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Lee County's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities 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 its distribution is not limited.

M. M. Winkler & Associates

October 6, 2011

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Lee County, Mississippi

Compliance

We have audited the compliance of Lee County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lee County, Mississippi's management. Our responsibility is to express an opinion on Lee County, Mississippi's compliance based on our audit.

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

In our opinion, Lee County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of Lee County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lee County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

- Continued -

A control deficiency in a county's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities 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 its distribution is not limited.

M. M. Winkler & Associates

October 6, 2011

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**INDEPENDENT AUDITOR'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 made a study and evaluation of the central purchasing system and inventory control system of Lee County, Mississippi, as of and for the year ended September 30, 2009. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Lee County, Mississippi, is responsible for 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). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). 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.

In our opinion, Lee County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

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

-Continued-

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

October 6, 2011

LEE COUNTY, MISSISSIPPI
SCHEDULE OF PURCHASES NOT MADE FROM THE LOWEST BIDDER
For the Year Ended September 30, 2009

Schedule 1

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

LEE COUNTY, MISSISSIPPI
SCHEDULE OF EMERGENCY PURCHASES
For the Year Ended September 30, 2009

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
2/17/2009	Bridge Repair	\$ 43,500	Rutledge Construction	Pilings had deteriorated on bridge

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

For the Year Ended September 30, 2009

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
2/14/2009	Printing and mailing of tax bills	\$ 16,020	Delta Computer Systems, Inc

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lee County, Mississippi

In planning and performing our audit of the financial statements of Lee County, Mississippi for the year ended September 30, 2009, 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 October 6, 2011, on the financial statements of Lee County, Mississippi.

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

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

Chancery Clerk.

Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits. However, effective internal controls would still require the county to perform certain duties related to the collateralization of public funds. The following duties were not performed:

- A. The quarterly reports from the State Treasurer were not reconciled to the county's bank records.
- B. The annual report of its deposit accounts by bank was not submitted to the State Treasurer with depository amounts as of September 30, 2009.

Without accurate and timely reconciliation of the quarterly reports, the risk increases that the county's total deposits may not be properly collateralized.

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

Continued

Chancery Clerk – Continued

Recommendation

The Chancery Clerk should ensure the reconciliation function is prepared quarterly, and the annual report is properly submitted by October 31st.

Chancery Clerk's Response

Prior to the beginning of the 2008-2009 fiscal year, the county promoted its Assistant Comptroller to County Administrator and hired a replacement. In the transition, the responsibility for reconciling the quarterly reports and filing the annual report with the State Treasurer's Office was overlooked. We have since taken steps to ensure that these steps will be performed in a timely manner from this point forward.

Lee County's, response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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

October 6, 2011

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, 2009

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the government financial statements: | |
| | Governmental activities | Unqualified |
| | Business-type activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | Major funds: | |
| | General Fund | Unqualified |
| | County Wide Road Fund | Unqualified |
| | County Wide Bridge Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | Yes |
| | b. Significant deficiency(ies) identified that (is/are) not considered to be a material weakness(es)? | None Reported |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified that (is/are) not considered to be a material weakness(es)? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Community Development Block Grants / State's Program
CFDA #: 14.228 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

LEE COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2009

-Continued-

Section 1: Summary of Auditor's Results - Continued

10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? No

Section 2: Financial Statement Findings

2009-1 Design Deficiency - Segregation of Duties (*Significant Deficiency, Material Weakness*)

Condition: Lack of segregation of duties within the payroll department.

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

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

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

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

Response: Due to the limited number of employees in the Payroll Department, we feel that implementing additional internal controls utilizing employees other than the payroll clerk will mitigate the risk of loss or material misstatement in the most economically feasible manner. These controls will be implemented beginning with the fiscal year ending September 30, 2012.

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.