Report on the

Lee County Commission

Lee County, Alabama

October 1, 2018 through September 30, 2019

Filed: May 28, 2021

Department of Examiners of Public Accounts

401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Rachel Laurie Riddle, Chief Examiner

21-255

State of Alabama
Department of
Examiners of Public Accounts
P.O. Box 302251, Montgomery, AL 36130-2251
401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
Telephone (334) 242-9200
FAX (334) 242-1775

Rachel Laurie Riddle
Chief Examiner

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Lee County Commission, Lee County, Alabama, for the period October 1, 2018 through September 30, 2019. Under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Wanda Jones

Wanda Jones
Examiner of Public Accounts

rb

21-255

Table of Contents

Table of Contents

Provides information required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.

Contains financial information and notes relative to federal financial assistance.

Table of Contents

Department of
Examiners of Public Accounts

SUMMARY

Lee County Commission
October 1, 2018 through September 30, 2019

The Lee County Commission (the "Commission") is governed by a six-member body elected by the citizens of Lee County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 17. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Lee County.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted 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 as well as the requirements of the Department of Examiners of Public Accounts under the authority of the ***Code of Alabama 1975***, Section 41-5A-12.

An unmodified opinion was issued on the basic financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2019.

AUDIT FINDING

An instance of noncompliance with state and local laws and regulations and other matters was found during the audit, as shown on the Schedule of State and Local Compliance and Other Findings, and it is summarized below.

- ♦ 2019-001 relates to the Commission's failure to comply with the ***Code of Alabama 1975***, Sections 41-16-50 and 41-16-54(f), commonly referred to as the Alabama Competitive Bid Law.

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 17, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: County Administrator: Roger Rendleman; Commission Chairman: Bill English; and County Commissioners: Gary D. Long and Robert Hamm. Also, in attendance was a representative of the Department of Examiners of Public Accounts: David J. Lane, Sr., Audit Manager. The results of this report were also discussed individually via telephone with Commissioner Shelia Eckman.

Schedule of State and Local Compliance and Other Findings

Ref. No.	Finding/Noncompliance
2019-001	**<u>Finding:</u>** The ***Code of Alabama 1975***, Section 41-16-50, requires all expenditures of funds of whatever nature for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving $15,000 or more made by or on behalf of a county commission to be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder. The ***Code of Alabama 1975***, Section 41-16-54(f) further provides that no purchase or contract involving an amount in excess of $15,000 shall be divided into parts involving amounts of $15,000 or less for the purpose of avoiding the requirements of the Alabama Competitive Bid Law. The Commission expended a total of $21,000 for a utility vehicle and accessories split between two disbursements in the amounts of $13,699 and $7,301 without soliciting bids. The Commission has policies in place for purchases over $15,000 designed to ensure compliance with the Alabama Competitive Bid Law, but the policies were not properly followed for this purchase. As a result, the utility vehicle and accessories were purchased without the benefit of free and open competitive bidding. **<u>Recommendation:</u>** The Commission should follow established policies to ensure compliance with the ***Code of Alabama 1975***, Sections 41-16-50 and 41-16-54(f), relating to the Alabama Competitive Bid Law.

Independent Auditor's Report

Independent Auditor's Report

Members of the Lee County Commission and County Administrator
Opelika, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lee County Commission, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Lee County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 8.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lee County Commission, as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Employer's Net Pension Liability, the Schedule of Changes in the Employer's Net Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 15), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lee County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 16), as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** *(Uniform Guidance)*, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated May 6, 2021, on our consideration of the Lee County Commission'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lee County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Lee County Commission's internal control over financial reporting and compliance.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

May 6, 2021

Management's Discussion and Analysis
(Required Supplementary Information)

Lee County Commission
Management's Discussion and Analysis
Fiscal Year October 1, 2018 through September 30, 2019

The Lee County Commission's discussion and analysis is a narrative overview that is designed to assist the reader in reviewing significant financial issues and activities of the County. The reader should also be able to identify the changes in the County's financial position and analyze the ability of the County to meet future challenges.

The Management's Discussion and Analysis (MD&A) focuses on the activities of the Lee County Commission for the fiscal year ended September 30, 2019. Please consider the information contained in this MD&A in conjunction with the County's financial statements for the same period.

Financial Highlights

- Overall revenues increased $6,954,223 (16.10%%) with solid growth in all categories except Miscellaneous Tax, which was a decrease of $76,500.

- Current Assets increased $11,089,651 (24.75%) due to an increase in investments.

- Capital Assets increased $4,483,193 (5.95%) in association with the continued construction of the Annex and the continued investment of an ongoing bridge replacement program in the Highway Department.

Overview of the Financial Statements

This Management's Discussion and Analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are made up of the following components:

- Government-wide financial statements
- Fund financial statements
- Fiduciary funds statements
- Notes to the financial statements

This report also contains additional information that is relevant to the County's financial position.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with an overview of the County's finances, in a manner similar to those used by private-sector businesses. The statement of net position includes all the County's assets and liabilities. Current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The statement of net position presents information on all the County's assets and liabilities, with the difference between the two reported as net position. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term debt. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. To properly evaluate the overall health of the County you may need to consider other non-financial factors such as changes in the County's property tax base and the condition of the County's infrastructure, buildings, and other facilities.

The statement of activities presents information focused on both gross and net costs and shows how the County's net position changed during the current fiscal year. This statement is intended to summarize and simplify the reader's analysis of the cost of various governmental services and/or subsidies to various business-type activities. The governmental activities include most of the County's basic services including general government, public safety, highways and roads, sanitation, health and welfare, culture and recreation, and education. The funding of these activities comes primarily from property taxes, charges for services, state shared revenues (i.e. gasoline taxes) and other miscellaneous revenues.

Fund Financial Statements

Fund financial statements provide more detailed information about the County's funds, focusing on its Major funds. 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. Lee County like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental and fiduciary are the two categories of fund types used to keep track of specific sources of funding and spending on particular County programs. 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 government funds with similar information presented for governmental activities in the government-wide financial statements. In doing so readers may better understand the long-term impact of the County's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to aide in this comparison between governmental funds and governmental activities.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are included in governmental funds. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows, outflows, and balances of spendable resources. The governmental fund statements provide a detailed short-term view of the County's operations and the basic services it provides. Governmental funds statements assist the reader in determining the short-term financial resources available to finance future programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in Exhibits 4 and 6 to reconcile the differences between them.

Lee County maintains several funds that are governmental funds. Separate information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Gasoline Fund, Capital Projects Fund, and Reappraisal Fund. These funds are deemed to be major funds. Data from the remaining funds are combined into a single aggregated presentation.

Fiduciary Funds Statements

Fiduciary funds are funds in which the County is the trustee, or fiduciary, for assets that belong to others. The County is responsible for ensuring that those to whom the assets belong use them only for their intended purpose. All the County's fiduciary activities are reported in a separate statement of fiduciary net position (Exhibit 7) and a statement of changes in fiduciary net position (Exhibit 8). The activities of these funds are excluded from the government-wide financial statements because their assets are not available for use by the County to finance its operations.

Notes to the Financial Statements

The notes provided in this report offer additional essential information to achieve a full understanding of the data provided in the government-wide and fund financial statements. The notes follow the exhibits contained in this report.

Required Supplementary Information

Required supplementary information is expressed in Exhibits 9 through 11 which are Annual Budget to Actual comparisons of the major governmental funds of the County. Lee County adopts an annual appropriated budget for its General and Gasoline Tax funds; the comparison schedules are presented to demonstrate compliance with the fund budgets. The Capital Projects Fund isn't presented in this comparison as this fund is for the courthouse annex project spanning multiple years and not appropriated annually. In addition, the Schedule of Changes in the Net Pension Liability (Exhibit 12), the Schedule of County Contributions – Pension (Exhibit 13), the Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability (Exhibit 14), and the Schedule of Employer's Contributions – Other Postemployment Benefits (OPEB) (Exhibit 15) are reported in this section.

Government-wide Financial Analysis

The County governmental net position increased by $5,358,622 (9.57%) during the current fiscal year. Management monitors net position because the variance is a useful indicator of the County's financial position. Lee County's total assets exceeded total liabilities by $61,359,861 as of the fiscal year ending September 30, 2019.

The following table shows the condensed Statement of Net position comparing this fiscal year to last fiscal year.

Statement of Net position as of September 30:

	Governmental Activities 2019	Governmental Activities 2018	Difference	Percentage
Current Assets	$ 55,900,033.85	$ 44,810,383.05	$11,089,651	24.75%
Non-Current/Non-Capital Assets		150,953.34	(150,953)	-100.00%
Capital Assets, Net Deprecation	79,836,996.93	75,353,803.65	4,483,193	5.95%
Deferred Outflows of Resources	4,279,761.60	3,122,075.40	1,157,686	37.08%
Total Assets	**140,016,792.38**	**123,437,215.44**	16,579,577	13.43%
Current Liabilities	5,345,397.18	5,885,332.95	(539,936)	-9.17%
Long-Term Liabilities	50,987,250.58	41,329,400.43	9,657,850	23.37%
Deferred Inflow of Resources	22,324,283.82	20,221,242.55	2,103,041	10.40%
Total Liabilities	**78,656,931.58**	**67,435,975.93**	11,220,955	16.64%
Net Position:				
Net Investment in Capital Assets	53,697,841.05	49,594,838.07	4,103,003	8.27%
Restricted	5,847,473.86	1,325,911.35	4,521,563	341.02%
Unrestricted	1,814,545.89	5,080,490.09	(3,265,944)	-64.28%
Total Net Position	**$ 61,359,860.80**	**$ 56,001,239.51**	$ 5,358,622	9.57%

Current Assets increased $11,089,651 (24.75%) due to an increase in investments.

Capital Assets increased $4,483,193 (5.95%) in association with the construction of the Annex and with continued investment of an ongoing bridge replacement program in the Highway Department.

Deferred Outflows of Resources increased $1,157,686 (37.08%) from changes in assumptions associated with the pension plan.

A significant portion of Lee County's net position $ 53,697,841.05 (88%) is in its capital assets (i.e., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. The County uses these capital assets to provide services to citizens. While the County's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves can't be used to pay for or to liquidate these liabilities. The remaining net position, $5,847,473.86 in restricted and $1,814,545.89 in unrestricted, may be used to meet the County's ongoing obligations to citizens and creditors. Restricted net position is already designated for specific purposes whereas unrestricted assets have not been specifically designated for a particular use. The significant shift from unrestricted to restricted is attributed to the County's commitment to improving and expanding facilities.

Statement of Activities

The following schedule compares the revenues and expenses for the current year. Government activities increased the County's net position by $5,358,623.

Changes in Net position as of September 30, 2019:

	Governmental Activities 2019	Governmental Activities 2018	Difference	Percentage
Program Revenues:				
Charges for Services	$11,275,064	$10,561,781	713,283	6.75%
Operating Grants and Contributions	10,390,988	6,841,818	3,549,170	51.87%
Capital Grants and Contributions	1,820,524	1,775,238	45,286	2.55%
General Revenues:				
Property Taxes – General Purposes	13,146,647	12,066,573	1,080,074	8.95%
Property Taxes – Specific Purposes	7,182,064	6,709,201	472,863	7.05%
Sales Tax – Specific Purpose	1,758,980	1,651,171	107,810	6.53%
Miscellaneous Taxes	1,171,383	1,247,883	(76,500)	-6.13%
Grants and Contributions Not Restricted to Special Programs	805,427	684,913	120,514	17.60%
Interest Revenue	373,642	193,160	180,482	93.44%
Miscellaneous	2,229,011	1,467,769	761,242	51.86%
Total Revenues	**50,153,730**	**43,199,507**	6,954,223	16.10%
Expenses:				
Program Activities:				
General Government	10,181,063	10,921,483	(740,420)	-6.78%
Public Safety	20,902,959	15,976,729	4,926,230	30.83%
Highways and Roads	8,493,513	8,835,043	(341,530)	-3.87%
Sanitation	3,550,573	3,428,944	121,629	3.55%
Health and Welfare	345,416	270,430	74,986	27.73%
Culture and Recreation	21,391	24,697	(3,306)	-13.39%
Education	33,546	40,754	(7,208)	-17.69%
Interest and Fiscal Charges	1,266,646	1,101,687	164,959	14.97%
Total Expenses	**44,795,107**	**40,599,767**	4,195,340	10.33%
Net Position, Increase in	**$ 5,358,623**	**$ 2,599,740**	2,758,883	106.12%

Of the County's total $ 50,153,730 revenues, property taxes account for (40.53%) or $20,328,711. Taxes represent 46.38% of the total revenue collected by the County for fiscal year ended September 30, 2019.

Overall revenues increased $6,954,223 (16.10%) with solid growth in all categories except Miscellaneous Taxes, which was a decrease of $76,500.

Property Taxes experienced a 8.27% increase. These revenues for the 2019 fiscal year were based on assessments and values established from activity (i.e., sales and change in use) that occurred from October 2017 through September 2018, in Lee County. There continues to be growth to the tax base with new construction in commercial and residential property. Most of the remaining revenue categories had minor to modest increases over the previous year in-line with continued solid economic growth.

Expenses for all services of the County were $44,795,107. Of the total expenses 22.73% was spent for general government, 46.66% for public safety, 18.96% for highways and roads, 7.93% for sanitation and 3.72% on the remaining categories listed in the table above.

Net Cost of Services

The net cost of services is a comparison of the total cost for government functions and programs and the net cost remaining after reducing that total by the revenue generated from the specific function or program. For the current year total cost of services were $44,795,107 and the combined charges for services plus operating and capital grants received were $23,486,576 leaving a net cost to the County of $21,308,531.

	2019 Net Cost of Services	2018 Net Cost of Services	Net Cost (Increase) Decrease
Function/Programs:			
General Government	$ (2,340,517)	$ (3,502,537)	$ 1,162,020
Public Safety	(15,296,261)	(14,078,511)	(1,217,750)
Highways and Roads	(1,911,172)	(2,655,570)	744,398
Sanitation	(301,120)	(158,793)	(142,327)
Health	(333,383)	(255,630)	(77,753)
Welfare	(2,688)	(2,184)	(504)
Culture and Recreation	(21,391)	152,036	(173,427)
Education	(33,546)	(40,754)	7,208
Interest and Fiscal	(1,068,452)	(878,986)	(189,466)
Total Governmental Activities	**$(21,308,530)**	**$(21,420,929)**	$ 112,399

The reasons for a majority of the increases in net costs are discussed in the previous section (Statement of Activities).

Financial Analysis of Operational Fund Balances

The financial position of the County to address immediate needs as a whole is reflected in its governmental funds. A majority of Lee County Commission's governmental funds are used for the day-to-day operations. The total governmental operational funds balances at the end of the fiscal year basically remained the same as last year's ending balances.

Exhibit 5 gives a full breakdown of revenues, expenditures, and changes in fund balances of all governmental funds.

The following table provides a summary of the changes in fund balances of the County's major operational funds and the combined Other Governmental Funds. The capital type funds are excluded since the fund is for capital projects and not annual operations and/or routine capital maintenance. Also, the Reappraisal Fund is excluded as revenues are only recognized as they are earned; therefore, there is no fund balance associated with this fund.

	Beginning Fund Balance	Net Increase (Decrease)	Ending Fund Balance
General Fund	$10,435,954	$3,620,253	$14,056,207
Gasoline Tax Fund	3,148,499	153,943	3,302,442
Other Governmental Funds (Less Capital Funds)	5,218,134	639,519	5,857,653
Totals	**$18,802,587**	**$4,413,715**	**$23,216,302**

The General Fund is the main operational fund for the County. The fund experienced a $3,620,253 (34.69%) increase. See Budgetary Highlights for the General Fund for a more detailed explanation.

The Gasoline Tax Fund, which is the main operational fund for the Highway Department, experienced a $153,943 (4.89%) increase. See Budgetary Highlights for the Gasoline Tax Fund for a more detailed explanation.

Budgetary Highlights - Major Funds

General Fund

Exhibit 9 shows that changes were made in the original General Fund budget for fiscal year ended September 30, 2019.

The County Commission increased budget revenues over $1.9 Million. Recognizing over $1.6 Million in federal disaster assistance associated with the March 3, 2019 tornados was the majority of the increase. The remaining $300,000 was associated with a settlement with a company that had the contract to provide the inmate phone system for the detention center.

Most of $2.5 Million increase in budget expenditures was associated with the tornado recovery along with an additional $600,000 from unreserved and undesignated fund balance to utilize along with the settlement for the completion of the replacement of the HVAC system for the detention center.

Actual Revenues were $4,278,580 (12.05%) higher than the final budgeted revenues and actual expenditures were essentially on target with just $41,723 (0.13%) lower than the final budgeted amounts. The County's objective is to conservatively budget revenue and continually encourage departments to perform well within their annual budgets.

The County Commission is committed to making necessary expansions to the facilities to meet the needs of a rapidly growing community along with investing in the maintenance of the existing facilities. The County Commission is also committed to keeping borrowing cost to a minimum in achieving such a goal; therefore, fund balance available in excess restrictions, designations, and the policy targeted fifteen percent of ongoing operational expenditures will be fully utilized each year for capital investment as such accumulates.

Gasoline Tax Fund

Exhibit 10 shows that a change was made to capital outlay in the original Gasoline Tax Fund budget for fiscal year ended September 30, 2019.

The County Commission made an additional allocation for capital outlay. With funds from as sale of fixed assets $146,000 and with funds available above reserves and designated fund balances $50,000, the County Commission allocated $196,000 additional funds for equipment replacement in the Highway Department. Also, the Commission allocated an additional $41,660 to overtime for costs associated from the March 3, 2019 tornados with federal assistance funds.

Actual Revenues were $192,153 (8.45%) more than the final budgeted revenues mainly from state gasoline tax revenues.

Actual Expenditures were $673,586 (11.05%) lower than the final budgeted expenditures. More projects met the criteria for capitalizing for the fiscal year.

Reappraisal Fund

Exhibit 11 shows that a few changes were made to the original Reappraisal Fund budget. Additional taxes were withheld from the distribution agencies for a software conversion and furniture for the Appraisal offices in the Courthouse Annex project. $84,730 was included in General Government for the software conversion and $6,020 for the furniture.

Actual expenditures were $405,611 (26%) lower than the final budget. The appraisal department still had budgeted funds remaining for the aerial photography project underway at yearend along with a few funded vacant positions. Revenues in the Reappraisal Fund are only recognized when earned, so the budget variance would be the same reasons.

Capital Asset and Debt Administration

Capital Assets – Depreciation of assets other than land and construction in progress projects are recorded on an annual basis on the straight-line method of depreciation.

The following table shows a reconciliation of capital assets for the year ended September 30, 2019.

Total Capital Assets at October 1, 2018	$75,353,804
Additions	9,705,809
Retirements	(1,333,236)
Annual Depreciation	(5,131,462)
Accumulated Depreciation of Retired Assets	1,242,082
Total Capital Assets at September 30, 2019	$79,836,997

The following table shows total assets before and after depreciation.

Land	$ 2,781,737	$ 2,781,737
Construction in Progress	19,609,571	19,609,571
Infrastructure	30,892,418	18,922,564
Buildings and Improvements	54,972,005	30,649,332
Equipment and Furniture	29,229,334	7,873,793
Total	**$137,485,065**	**$79,836,997**

Debt Outstanding

For Fiscal Year 2019, the County began the year with a $10,376,978 net pension liability as of the September 30, 2017, measurement date. At year end, the net pension liability decreased $53,320.00 (.5%) to $10,323,658 as of the latest available measurement date of September 30, 2018.

At the end of September 2018, the County's long-term bonded debt was $26,586,428. By the end of the current year the long-term bond debt had increased $6,461,808 (31.74%) to $ $33,048,236.

The liability for compensated absences as of the end of the current year was $1,228,340 which was a $137,236 increase (12.57%) from last fiscal year's $1,091,104.

The Lee County Commission provides health insurance to retirees under certain conditions as disclosed in the notes to the financial statements. The estimated liability at the beginning of the fiscal year was $5,033,350. For the 2019 Fiscal Year, the difference between the annual required contribution as determined by an actuarial valuation and the actual contribution was $1,331,997. This increase has been recognized in the Noncurrent section of the Liabilities on the Statement of Net position for a total long-term liability of $6,365,347.

See the notes to the financial statements for a full breakdown of outstanding long-term debt.

Economic Factors

Lee County benefits from the stable presence of Auburn University, with approximately 23,000 students and from the presence of a highly respected regional hospital (East Alabama Medical Center). In addition, the three K through 12 school systems within the County are solidly supported by the local community which has made Lee County a very attractive area for growth. The City of Opelika, the county seat, is approximately 110 miles southeast of Birmingham, 60 miles northeast of Montgomery, 100 miles southwest of Atlanta, Georgia, and 30 miles northwest of Columbus, Georgia. The proximity to these cities has made Lee County and its communities very attractive for families with occupations that allow flexibility in how and where they work.

The Auburn-Opelika area is continually recognized as an excellent place for business and place to live. Lee County is continuing to see encouraging signs in the local economy with commercial construction in the two largest cities of Auburn and Opelika. Both cities are having success in recruiting new industry to the area along with the expansion of existing industries. We are seeing the local housing market continue to strengthen in the year-to-year numbers with new home starts and re-sales of existing homes. In addition, the commercial market has continued significant growth over the last year.

Based on the 2019 U.S. Census Bureau estimates, Lee County continues to grow at 1.92% per year. From 2010 to 2019, Lee County has grown from 140,247 to 164,542 (17.32%) in population.

The United States encountered a COVID-19 pandemic which adversely affected the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions have been modified to ensure the safety of its citizenry as well as its employees. The Commission does not anticipate that there will be any significant increase or decrease in their revenues or costs associated with the aftermath of COVID-19. Budgets have not been significantly impacted at this time.

Financial Information Contact

The County's financial statements are designed to provide our citizens, taxpayers, customers, creditors and readers with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions about the report or need additional financial information, contact the Chief Financial Officer at 215 South Ninth Street, Opelika, Alabama, (334) 737-3662. The office is located on the second floor of the historic courthouse in downtown Opelika.

Basic Financial Statements

Statement of Net Position
September 30, 2019

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	$ 22,221,260.34
Investments	8,951,309.46
Accounts Receivable	127,321.62
Interest Receivable	17,356.64
Due from Other Governments	4,379,282.66
Property Tax Receivable	19,918,702.78
Inventories	276,828.02
Prepaid Items	7,972.33
Total Current Assets	55,900,033.85
Noncurrent Assets	
Capital Assets (Note 5):	
Nondepreciable:	
Land	2,781,736.70
Construction in Progress	19,609,570.78
Depreciable:	
Buildings	54,972,005.40
Equipment and Furniture	29,229,334.40
Infrastructure	30,892,418.34
Less: Accumulated Depreciation	(57,648,068.69)
Total Noncurrent Assets	79,836,996.93
Total Assets	135,737,030.78
Deferred Outflows of Resources	
Related to Pensions	3,016,098.00
Related to Capital Assets	4,900.60
Related to Net Other Postemployment Benefits (OPEB)	1,258,763.00
Total Deferred Outflows of Resources	$ 4,279,761.60

The accompanying Notes to the Financial Statements are an integral part of this statement.

	Governmental Activities
Liabilities	
Current Liabilities	
Accounts Payable	$ 691,380.92
Wages and Fringes Payable	1,176,467.05
Unearned Revenue	409,340.27
Accrued Interest Payable	298,999.83
Long-Term Liabilities - Portion Due Within One Year:	
Warrants Payable	2,327,629.21
Premium on Warrants	74,312.78
Notes Payable	268,339.21
Compensated Absences	98,927.91
Total Current Liabilities	5,345,397.18
Noncurrent Liabilities	
Long-Term Liabilities - Portion Payable After One Year:	
Warrants Payable	30,720,606.62
Premium on Warrants	738,558.50
Notes Payable	1,709,667.59
Other Postemployment Benefits (OPEB) Liability	6,365,347.00
Net Pension Liability	10,323,658.00
Compensated Absences	1,129,412.87
Total Noncurrent Liabilities	50,987,250.58
Total Liabilities	56,332,647.76
Deferred Inflows of Resources	
Unavailable Revenues - Property Taxes	19,691,203.78
Revenue Received in Advance - Motor Vehicle Taxes	910,096.04
Related to Pensions	1,465,177.00
Related to Other Postemployment Benefits (OPEB)	257,807.00
Total Deferred Inflows of Resources	22,324,283.82
Net Position	
Net Investment in Capital Assets	53,697,841.05
Restricted for:	
Other Purposes	5,847,473.86
Unrestricted	1,814,545.89
Total Net Position	$ 61,359,860.80

Statement of Activities
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Total Governmental Activities
Primary Government					
Governmental Activities					
General Government	$ 10,181,062.92	$ 7,027,378.92	$ 204,331.84	$ 608,834.74	$ (2,340,517.42)
Public Safety	20,902,958.83	996,680.54	4,610,017.35		(15,296,260.94)
Highways and Roads	8,493,513.23	1,552.00	5,369,100.26	1,211,689.32	(1,911,171.65)
Sanitation	3,550,573.40	3,249,452.96			(301,120.44)
Health	342,728.22		9,344.75		(333,383.47)
Welfare	2,687.93				(2,687.93)
Culture and Recreation	21,390.86				(21,390.86)
Education	33,546.18				(33,546.18)
Interest and Fiscal Fees	1,266,645.68		198,193.43		(1,068,452.25)
Total Governmental Activities	$ 44,795,107.25	$ 11,275,064.42	$ 10,390,987.63	$ 1,820,524.06	(21,308,531.14)

General Revenues	
Taxes:	
Sales Tax - Specific Purposes	1,758,980.18
Property Taxes for General Purposes	13,146,646.55
Property Taxes for Specific Purposes	7,182,063.90
Miscellaneous Taxes	1,171,382.50
Grants and Contributions Not Restricted for Specific Programs	805,426.50
Investment Earnings	373,641.65
Miscellaneous	2,034,298.97
Proceeds from Settlement	194,712.18
Total General Revenues	26,667,152.43
Changes in Net Position	5,358,621.29
Net Position - Beginning of Year	56,001,239.51
Net Position - End of Year	$ 61,359,860.80

The accompanying Notes to the Financial Statements are an integral part of this statement.

Balance Sheet
Governmental Funds
September 30, 2019

	General Fund	Gasoline Tax Fund	Reappraisal Fund	2019 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	$ 10,125,955.09	$ 3,266,254.67	$ 451,933.36	$ 879,402.48	$ 7,497,714.74	$ 22,221,260.34
Investments	2,013,657.79			6,500,000.00	437,651.67	8,951,309.46
Accounts Receivable	112,427.16				14,894.46	127,321.62
Interest Receivable	8,871.14	2,670.93	326.17		5,488.40	17,356.64
Due from Other Funds					236,583.85	236,583.85
Due from Other Governments	3,862,478.85	477,240.45			39,563.36	4,379,282.66
Property Tax Receivable	18,574,347.74		1,344,355.04			19,918,702.78
Inventories	231,533.15	45,294.87				276,828.02
Prepaid Items	7,972.33					7,972.33
Total Assets	34,937,243.25	3,791,460.92	1,796,614.57	7,379,402.48	8,231,896.48	56,136,617.70
Deferred Outflows of Resources						
Related to Capital Assets					4,900.60	4,900.60
Total Assets and Deferred Outflows of Resources	34,937,243.25	3,791,460.92	1,796,614.57	7,379,402.48	8,236,797.08	56,141,518.30
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts Payable	550,746.07	109,196.27	5,530.32	2,770.00	23,138.26	691,380.92
Wages and Fringes Payable	990,888.00	133,077.53	34,194.12		18,307.40	1,176,467.05
Unearned Revenue			408,413.96		926.31	409,340.27
Due to Other Funds		236,583.85				236,583.85
Estimated Liability for Compensated Absences	82,458.03	10,160.66	4,121.04		2,188.18	98,927.91
Total Liabilities	1,624,092.10	489,018.31	452,259.44	2,770.00	44,560.15	2,612,700.00
Deferred Inflows of Resources						
Unavailable Revenue Property Taxes	18,346,848.65		1,344,355.13			19,691,203.78
Revenue Received in Advance - Motor Vehicles Taxes	910,096.04					910,096.04
Total Deferred Inflows of Resources	19,256,944.69		1,344,355.13			20,601,299.82
Fund Balances						
Nonspendable	239,505.46	45,294.61				284,800.07
Restricted	4,676,825.00			7,376,632.48	8,170,798.93	20,224,256.41
Assigned	2,277,733.00	3,257,148.00			21,438.00	5,556,319.00
Unassigned	6,862,143.00					6,862,143.00
Total Fund Balances	14,056,206.46	3,302,442.61		7,376,632.48	8,192,236.93	32,927,518.48
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 34,937,243.25	$ 3,791,460.92	$ 1,796,614.57	$ 7,379,402.48	$ 8,236,797.08	$ 56,141,518.30

The accompanying Notes to the Financial Statements are an integral part of this statement.

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

Total Fund Balances - Governmental Funds (Exhibit 3)		$ 32,927,518.48
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. These assets consist of:		
Land	$ 2,781,736.70	
Infrastructure	30,892,418.34	
Buildings	54,972,005.40	
Equipment and Furniture	29,229,334.40	
Construction in Progress	19,609,570.78	
Less: Accumulated Depreciation	(57,648,068.69)	
Total Capital Assets		79,836,996.93
Deferred outflows/inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows of Resources for Pension Related Costs	$ 3,016,098.00	
Deferred Inflows of Resources from Pension Related Activities	(1,465,177.00)	
		1,550,921.00
Deferred outflows/inflows of resources related to Other Postemployment Benefits (OPEB) are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows of Resources for Other Postemployment Benefits (OPEB) Related Costs	$ 1,258,763.00	
Deferred Inflows of Resources From Other Postemployment Benefits (OPEB) Related Activities	(257,807.00)	
		1,000,956.00

The accompanying Notes to the Financial Statements are an integral part of this statement.

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

	Liabilities		
	Current	Noncurrent	
Warrants Payable	$ 2,327,629.21	$ 30,720,606.62	
Premium on Warrants	74,312.78	738,558.50	
Notes Payable	268,339.21	1,709,667.59	
Accrued Interest Payable	298,999.83		
Estimated Liability for Compensated Absences		1,129,412.87	
Net Other Postemployment Benefits (OPEB) Liability		6,365,347.00	
Net Pension Liability		10,323,658.00	
Total Long-Term Liabilities	$ 2,969,281.03	$ 50,987,250.58	(53,956,531.61)
Total Net Position - Governmental Activities (Exhibit 1)			$ 61,359,860.80

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

	General Fund	Gasoline Tax Fund	Reappraisal Fund	2019 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 23,373,001.56	$	$ 1,146,246.97	$	$ 153,869.78	$ 24,673,118.31
Licenses and Fees	917,500.00					917,500.00
Intergovernmental	5,467,883.90	2,445,089.25			5,463,672.57	13,376,645.72
Fees and Charges for Services	9,182,507.06	1,552.00			512,874.31	9,696,933.37
Miscellaneous	841,451.52	19,177.25	8,936.91	15,343.51	153,914.47	1,038,823.66
Total Revenues	39,782,344.04	2,465,818.50	1,155,183.88	15,343.51	6,284,331.13	49,703,021.06
Expenditures						
Current:						
General Government	8,277,088.57		1,147,881.43		365,111.39	9,790,081.39
Public Safety	18,638,269.24					18,638,269.24
Road and Bridge	2,148.45	3,835,269.25			2,350,619.49	6,188,037.19
Sanitation	3,061,001.12					3,061,001.12
Health	329,879.81					329,879.81
Welfare	1,981.08					1,981.08
Culture and Recreation	12,386.85			645.71		13,032.56
Education	32,242.90					32,242.90
Capital Outlay	2,245,546.85	1,588,895.99	7,302.45	1,770,651.92	4,093,411.75	9,705,808.96
Debt Service:						
Principal Retirement	21,993.20				2,243,191.79	2,265,184.99
Interest and Fiscal Agent Fees	3,702.77				1,262,942.91	1,266,645.68
Total Expenditures	32,626,240.84	5,424,165.24	1,155,183.88	1,771,297.63	10,315,277.33	51,292,164.92
Excess (Deficiency) of Revenues Over Expenditures	7,156,103.20	(2,958,346.74)		(1,755,954.12)	(4,030,946.20)	(1,589,143.86)
Other Financing Sources (Uses)						
Sale of Capital Assets	88,066.07	159,205.04				247,271.11
Transfer In		2,953,085.00			2,865,543.89	5,818,628.89
Proceeds from Settlement	194,712.18					194,712.18
Proceeds from Debt Issue	2,000,000.00			8,705,000.00		10,705,000.00
Premium on Debt Issue				427,586.60		427,586.60
Transfer Out	(5,818,628.89)					(5,818,628.89)
Total Other Financing Sources (Uses)	(3,535,850.64)	3,112,290.04		9,132,586.60	2,865,543.89	11,574,569.89
Net Change in Fund Balances	3,620,252.56	153,943.30		7,376,632.48	(1,165,402.31)	9,985,426.03
Fund Balances - Beginning of Year	10,435,953.90	3,148,499.31			9,357,639.24	22,942,092.45
Fund Balances - End of Year	$ 14,056,206.46	$ 3,302,442.61	$	$ 7,376,632.48	$ 8,192,236.93	$ 32,927,518.48

The accompanying Notes to the Financial Statements are an integral part of this statement.

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

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)			$ 9,985,426.03
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:			
Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay ($9,705,808.96) exceeds depreciation ($5,131,461.61).			4,574,347.35
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.			(91,154.07)
Repayment of principal on debt that is reflected as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.			2,265,184.99
Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities.			
Debt Issuance for 2018 Warrants	$	(8,705,000.00)	
Debt Issuance for 2019 Bank Note		(2,000,000.00)	(10,705,000.00)
Premiums on debt issuance are recorded as other financing sources in the governmental funds, but are deferred and amortized in the Statement of Activities.			(427,586.60)
Some items reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds. These consist of:			
Net Increase in Long-Term Compensated Absences	$	(95,240.32)	
Net Increase in Net Pension Amounts		(57,276.00)	
Net Increase in Other Postemployment Benefits (OPEB) Amounts		(127,362.00)	
Net Increase in Accrued Interest Payable		(37,030.87)	(316,909.19)
The costs of the deferred premium on the issuance of debt is amortized over the life of the debt in the Statement of Net Position.			74,312.78
Total Change in Net Position - Governmental Activities (Exhibit 2)			$ 5,358,621.29

The accompanying Notes to the Financial Statements are an integral part of this statement.

This Page Intentionally Blank

Statement of Fiduciary Net Position
September 30, 2019

		Private-Purpose Trust Funds
Assets		
Current Assets		
Cash and Cash Equivalents	$	2,905,293.82
Total Assets		2,905,293.82
Liabilities		
Current Liabilities		
Payable to External Parties		2,723,322.59
Total Liabilities		2,723,322.59
Net Position		
Held in Trust for Other Purposes	$	181,971.23

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2019

	Private-Purpose Trust Funds
Additions	
Contributions:	
Probate Court	$ 236,375.87
Total Additions	236,375.87
Deductions	
Payment to Beneficiaries	258,502.26
Total Deductions	258,502.26
Changes in Net Position	(22,126.39)
Net Position - Beginning of Year	204,097.62
Net Position - End of Year	$ 181,971.23

The accompanying Notes to the Financial Statements are an integral part of this statement.

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Lee County Commission (the "Commission"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The Commission is a general purpose local government governed by separately elected commissioners. Generally Accepted Accounting Principles (GAAP) requires that the financial statements present the Commission (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of the above criteria, the following entity is a component unit that has been included in the accompanying financial statements as a blended presented component unit.

Blended Presentation Unit – Act Number 2009-330, Acts of Alabama, created the Lee County Alternative Sentencing Board, a legally separate entity to oversee and operate all programs related to alternative sentencing as specified in the Act. The Board is comprised of seven members with five as permanent members. The five permanent members are the presiding circuit judge for the 37th Judicial Circuit, a district judge appointed by the presiding circuit judge, the Lee County Sheriff, the District Attorney for the 37th Judicial Circuit, and the Lee County Circuit Clerk. The two non-permanent members are appointed by the Lee County Commission and serve four-year terms.

The Board has the authority over its personnel; sets fees for its programs; buys, sells, leases personal and real property; enters contracts; and exercises incidental powers to carry out the intent and purposes of Act Number 2009-330, Acts of Alabama. Currently, the Commission provides about 20% of the funding for the Board. The Commission is also closely related to the Board by providing participation of the Board's employees in retirement, health insurance and worker's compensation programs of the Commission. In addition, the Commission provides office space, administrative services and general liability insurance coverage to the Board and its employees. The Board's programs provide benefits to the Commission by diverting certain non-violent individuals from occupying space in the county's jail. For these reasons, the Lee County Alternative Sentencing Board financial information has been blended into the Commission's financial statements and is included as a special revenue fund in the Other Governmental Funds' column.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds in the Other Governmental Funds' column.

The Commission reports the following major governmental funds:

- ***General Fund*** **–** The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily receives revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, the fund is used to account for the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges as well as the expenditure of solid waste disposal fees for environmental services provided to the citizens of the county.

- ***Gasoline Tax Fund*** **–** This fund is used to account for the expenditures of Commission's share of the 7-cent gasoline tax restricted to roads.

- ***Reappraisal Fund*** **–** This fund is used to account for the expenditure of property taxes and the other revenues required to be expended for the costs of the property reappraisal program.

- ***2019 Capital Projects Fund*** – This fund is used to account for financial resources that are restricted for (i) the acquisition, construction, and equipping of the courtroom and judges suite at the T. K. Davis Justice Center, (ii) eight youth baseball fields, (iii) construction of an expansion to the County Emergency Management Agency's Emergency Operations Center, (iv) renovations to the historic downtown courthouse.

The Commission reports the following governmental fund types in the Other Governmental Funds' column:

Governmental Fund Types

- ***Special Revenue Funds*** – These funds are used to account for financial resources that are restricted or committed to specific purposes other than capital outlay, debt service, and private-purpose trusts. The restricted or committed resources are expected to comprise a substantial portion of the financial inflows of the fund. Lee County Commission has defined a substantial portion as at least forty percent within three consecutive fiscal years. Any funds failing to meet this definition, whether legally required or established by resolution of the County Commission, are combined with the General Fund for reporting purposes.

- ***Capital Projects Funds*** – These funds are used to account for financial resources that are restricted, committed, or assigned for capital expenditures in the acquisition and/or construction of capital facilities and other capital assets.

- ***Debt Service Funds*** – These funds are used to account for financial resources that are restricted, committed, or assigned for current and future principal and interest payments on debt.

The Commission reports the following fiduciary fund type:

Fiduciary Fund Type

- ***Private-Purpose Trust Funds*** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within thirty (30) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County Commission to invest in obligations of the U. S. Treasury, securities of federal agencies, obligations of certain governmental units of Alabama and certificates of deposit.

Investments are reported at fair value, based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost. Certificates of deposits are reported at cost. The Commission reports all money market investments – U. S. Treasury bills and bankers' acceptances having a remaining maturity at time of purchase of one year or less – at amortized cost.

2. Receivables

All ad valorem tax and sales tax receivables are shown net of an allowance for uncollectibles. Sales tax receivables are based on the amounts collected within 30 days after year-end. The allowance for uncollectibles for ad valorem taxes is based on past collection experience.

Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 30 days.

Millage rates for property taxes are levied by the Commission. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations. Property tax revenue deferred is reported as a deferred inflow of resources.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects. There are amounts due from State shared tax and fee revenues like gasoline taxes and motor vehicle fees. In addition, there are amounts due from local cities for consolidated services like the detention center.

3. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

Certain general obligation warrants proceeds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable warrant covenants. The Alternative Sentencing Board's cash is restricted by local law.

6. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical record exists. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Depreciation on all assets is provided on the straight-line basis over the assets' estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	$ 800	40 Years
Equipment and Furniture	$ 800	5 – 7 Years
Roads	$250,000	15 Years
Bridges	$ 50,000	50 Years

The majority of governmental activities infrastructure assets are roads and bridges. The Association of County Engineers has determined that due to the climate and materials used in road construction, the base of the roads in the county will not deteriorate and therefore should not be depreciated. The remaining part of the road, the surface, will deteriorate and will be depreciated. The entire costs of bridges in the county will be depreciated.

7. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the debt. Bonds/Warrants payable are reported gross, with a separate line for the applicable bond/warrant premium or discount. Bond/Warrant issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of 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.

9. Compensated Absences

The Commission has a standard leave policy for its full-time employees as to sick leave and annual leave.

Annual Leave

Annual (vacation) leave accrues to permanent full-time employees at the following rates:

Continuous Years of Service	Per Year
Less than six years	12 days
Six to ten years	14 days
Eleven to fifteen years	17 days
Sixteen years and Over	20 days

Earned leave will be for each full month worked. No more than two hundred eighty-eight hours (36 days) of annual leave may be accrued and carried forward into the next year; however, the first sixty hours over the maximum carryover is paid to the employee at some point in February. Upon separation from County service, employees may be paid for all unused annual leave at the employee's current rate of pay or required to take his/her leave, at the discretion of the department head and the Lee County Commission.

Sick Leave

Sick leave is earned at the rate of one day per full month worked. No employee may accumulate more than 130 days total sick leave. Sick days shall not be accrued while an employee is in a non-pay status. Upon separation from County service, an employee's accrued sick leave shall not be paid; however, all individuals who are separated in good standing shall receive up to 120 days credit for unused sick leave accrued from their prior Lee County employment, if they are reinstated within twelve calendar months from the effective date of their separation.

Based on the fact that payments for sick leave are not made upon termination or retirement, no accruals for sick leave are reflected in the accompanying financial statements.

10. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and governmental fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

11. Net Position/Fund Balances

Net position is reported on the government-wide financial statements and are required to be classified for accounting and reporting purposes into the following net position categories:

- ***Net Investment in Capital Assets*** – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction and improvement of those assets should also be included in this component. Any significant unspent related debt proceeds, or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.

- ***Restricted*** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

- ***Unrestricted*** – The net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

Fund balance is reported in governmental funds on the fund financial statements and is required to be classified for accounting and reporting purposes into the following fund balance categories:

A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.

B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal resolution of the County Commission, which is the highest level of decision making authority, before the end of the fiscal year and that require the same level of formal resolution to remove or modify the constraint.

D. Assigned fund balances consist of amounts that are intended to be used by the County Commission for specific purposes. The County Commission adopted a policy on September 26, 2011, to authorize the County Administrator to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

E. Unassigned fund balances include all spendable amounts not contained in one of the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended are as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

12. Minimum Fund Balance Policy

The Commission adopted a fund balance policy in order to establish financial reserves for its operating funds, funds from which personnel and operational costs are expended for day-to-day operations. The policy requires each operational fund to maintain, in addition to all other required reserves or designations of fund balances, a minimum of 15% committed fund balance for the current year expenditure budget less capital outlay.

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Employees' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

F. Postemployment Benefits Other Than Pensions (OPEB)

For the purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the balances of the Commission's OPEB Plan have been determined on the same basis as they are reported by the Commission. For this purpose, the Commission's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Note 2 – Stewardship, Compliance, and Accountability Budgets

Budgets

Annual budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

The present statutory basis for county budgeting operations is the County Financial Control Act of 1935, as amended by Act Number 2007-488, Acts of Alabama. According to the terms of the law, at some meeting in September of each year, but in any event not later than October 1, the Commission must estimate the anticipated revenues, estimated expenditures and appropriations for the respective amounts that are to be used for each of such purposes. The appropriations must not exceed the total revenues available for appropriation plus any balances on hand. Expenditures may not legally exceed appropriations.

Budgets may be adjusted during the fiscal year when approved by the County Commission. Any changes must be within the revenues and reserves estimated to be available.

Note 3 – Deposits and Investments

Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Investments

The ***Code of Alabama 1975***, Section 11-8-11, Section 11-81-19, Section 11-81-20 and Section 11-81-21, authorize the Commission to invest in obligations, including any common trust fund or other collective investment fund, of the U. S. Treasury and federal agency securities along with certain pre-refunded public obligation such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local government unit of any such state.

At September 30, 2019, the Commission had $6,500,000 in certificates of deposit as well as the following investments on the government-wide financial statements and on the fund financial statements:

Mutual Fund Investments	Cost	Fair Value
Franklin U. S. Government Securities Class A	$1,700,000	$1,544,891
Franklin Alabama Tax-Free Income Fund Class A	500,000	468,766
Franklin Adjusted U. S. Government Securities Class A1	500,000	437,652
Total	$2,700,000	$2,451,309

All three mutual funds balances are reported on an end of the month statement from Edwards Jones and all three securities in this account are all Level 1 securities and are priced by a third party (Independent Directors Council). These securities are traded in multiple active markets; so, the quoted price represents the fair value.

Overall, the Commission has recognized an unrealized loss on investments of $248,691 as of September 30, 2019. The funds used for these investments are funds that are not anticipated to be utilized in the future. These investments were purchased for income production and not speculation.

The Franklin U. S. Government Securities fund invests substantially in Government National Mortgage Association securities or other securities backed by the full faith and credit of the U. S. government.

The Franklin Alabama Tax-Free Income Fund invests in Alabama municipal securities rated in one of the top four rating categories by one or more U. S. nationally recognized rating services.

The Franklin Adjusted U. S. Government Securities fund investment seeks a high level of current income, while providing lower volatility of principal than a fund that invests in fixed-rate securities. The fund normally invests at least 80% of its net assets in “adjustable-rate U. S. government mortgage securities.” “Adjustable-rate U. S. government mortgage securities” include adjustable-rate mortgage securities (ARMS) and other mortgage-backed securities with interest rates that adjust periodically to reflect prevailing market interest rates.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Custodial Credit Risk – The shares of the mutual funds are held in the name of the Commission. The actual securities, which are bought and sold based on the objectives of the fund by the fund managers, are held by the mutual fund.

Concentrations of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission does not have an investment policy that limits an investment in any one issuer that is in excess of five percent of the Commission's total investments.

Note 4 – Unearned Revenues

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2019, the various components of unearned revenue reported in the governmental funds were as follows:

	Unearned
Grants Received but Unearned at September 30, 2019	$ 926.31
Reappraisal Fund Balance	408,413.96
Total Unearned Revenue for Governmental Funds	$409,340.27

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance 10/01/2018	Additions	Deletions	Balance 09/30/2019
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 2,781,736.70	$	$	$ 2,781,736.70
Construction in Progress	12,247,528.12	7,362,042.66		19,609,570.78
Total Capital Assets, Not Being Depreciated	15,029,264.82	7,362,042.66		22,391,307.48
Capital Assets Being Depreciated:				
Infrastructure	30,892,418.34			30,892,418.34
Buildings	54,972,005.40			54,972,005.40
Equipment and Furniture	28,218,804.26	2,343,766.30	(1,333,236.16)	29,229,334.40
Total Capital Assets Being Depreciated	114,083,228.00	2,343,766.30	(1,333,236.16)	115,093,758.14
Total Capital Assets	129,112,492.82	9,705,808.96	(1,333,236.16)	137,485,065.62
Less Accumulated Depreciation for:				
Buildings	(22,352,487.06)	(1,970,186.50)		(24,322,673.56)
Infrastructure	(10,977,129.42)	(992,724.73)		(11,969,854.15)
Equipment and Furniture	(20,429,072.69)	(2,168,550.38)	1,242,082.09	(21,355,540.98)
Total Accumulated Depreciation	(53,758,689.17)	(5,131,461.61)	1,242,082.09	(57,648,068.69)
Total Capital Assets, Being Depreciated, Net	60,324,538.83	(2,787,695.31)	(91,154.07)	57,445,689.45
Total Governmental Activities Capital Assets, Net	$ 75,353,803.65	$ 4,574,347.35	$ (91,154.07)	$ 79,836,996.93

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation Expense
Governmental Activities:	
General Government	$1,134,622.45
Public Safety	1,609,117.92
Highway and Roads	2,022,704.42
Sanitation	354,267.04
Health	381.35
Recreation	9,065.15
Education	1,303.28
Total Depreciation Expense – Governmental Activities	$5,131,461.61

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer plan (the "Plan"), was established October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

1) The Governor, ex officio.
2) The State Treasurer, ex officio.
3) The State Personnel Director, ex officio.
4) The State Director of Finance, ex officio.
5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
    a) Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
    b) Two vested active state employees.
    c) Two vested active employees of an employer participating in ERS pursuant to the ***Code of Alabama 1975***, Section 36-27-6.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,818
Terminated employees entitled to but not yet receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Post-DROP participants who are still in active service	141
Active Members	56,760
Total	90,999

Contributions

Tier 1 covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2019, the Commission's active employee contribution rate was 5.46% of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 6.44% of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2019, was 8.46% of pensionable pay for Tier 1 employees, and 5.81% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were $1,177,181.00 for the year ended September 30, 2019.

B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2017, rolled forward to September 30, 2018, using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward		
	Expected	Actual	Actual
(a) Total Pension Liability as of September 30, 2017	$50,778,584	$50,923,023	$51,217,462
(b) Discount Rate	7.75%	7.75%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2017 – September 30, 2018	1,340,072	1,340,072	1,352,125
(d) Transfers Among Employers		52,322	52,322
(e) Actual Benefit Payments and Refunds for the period October 1, 2017 – September 30, 2018	(2,522,318)	(2,522,318)	(2,522,318)
(f) Total Pension Liability as of September 30, 2018 =[(a) x (1+(b))] + (c) +(d) + [(e) x (1 + 0.5*(b))]	$53,433,938	$53,641,894	$53,946,227
(g) Difference between Expected and Actual		$ 207,956	
(h) Less Liability Transferred for Immediate Recognition		52,322	
(i) Experience (Gain)/Loss = (g) – (h)		$ 155,634	
(j) Difference between Actual at 7.70% and Actual at 7.75% [Assumption change (Gain)/Loss] =			$ 304,333

Actuarial Assumptions

The total pension liability as of September 30, 2018, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary Increases (Including Inflation)	3.25% - 5.00%
Investment Rate of Return (Including Inflation) (*)	7.70%

(*) Net of pension plan investment expense

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.50%

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2017	$50,778,584	$40,401,606	$10,376,978
Changes for the Year:			
Service Cost	1,340,072		1,340,072
Interest	3,837,600		3,837,600
Changes in Assumptions	304,333		304,333
Differences Between Expected and Actual Experience	155,634		155,634
Contributions – Employer		1,071,473	(1,071,473)
Contributions – Employee		903,343	(903,343)
Net Investment Income		3,716,143	(3,716,143)
Benefit Payments, including Refunds of Employee Contributions	(2,522,318)	(2,522,318)	
Transfers among Employers	52,322	52,322	
Net Changes	3,167,643	3,220,963	(53,320)
Balances at September 30, 2018	$53,946,227	$43,622,569	$10,323,658

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Commission's net pension liability calculated using the discount rate of 7.70%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Plan's Net Pension Liability (Asset)	$17,066,810	$10,323,658	$4,656,553

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated September 17, 2019, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at http://www.rsa-al.gov.

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the Commission recognized pension expense of $1,128,749. At September 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 645,291.00	$ 51,010.00
Changes of assumptions	1,193,626.00	
Net difference between projected and actual earnings on pension plan investments		1,414,167.00
Employer contributions subsequent to the measurement date	1,177,181.00	
Total	$3,016,098.00	$1,465,177.00

The $1,177,181.00 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2020	$ 200,155
2021	$(240,287)
2022	$ (96,426)
2023	$ 281,749
2024	$ 156,884
Thereafter	$ 71,665

Note 7 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description

The Lee County Commission (the "Commission") provides certain continuing health care and life insurance benefits for its retired employees. The Lee County Commission's OPEB Plan (the "OPEB Plan") is a single-employer defined benefit OPEB plan administered by the Commission. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the Commission. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 ***Postemployment Benefits Other Than Pensions – Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria – Defined Benefit***.

Benefits Provided

Medical benefits are provided through a self-insured medical plan and are made available to employees upon actual retirement. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called "Tier 1" members). Employees hired on and after January 1, 2013 (called "Tier 2" members) are eligible to retire only after attainment of age 62 or later and completion of 10 years of service. It is necessary to have 25 years of service with Lee County Commission for a retiree to have medical coverage paid by the employer.

Employees Covered by Benefit Terms

At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	20
Active employees	347
Total	367

Total OPEB Liability

The Commission's total OPEB liability of $6,365,347 was measured as of September 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary Increases	4.0%, including inflation
Discount Rate	4.18% annually (Beginning of Year to Determine ADC)
	2.66%, annually (as of End of Year Measurement Date)
Healthcare Cost Trend Rates	Flat 5.5% annually

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of September 30, 2019, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the September 30, 2019, valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2019.

Changes in the Total OPEB Liability

Balance at September 30, 2018	$5,033,350
Changes for the year:	
Service cost	86,217
Interest	205,547
Differences between expected and actual experience	398,814
Changes in assumptions	873,350
Benefit payments and net transfers	(231,931)
Net changes	1,331,997
Balance at September 30, 2019	$6,365,347

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage point higher (3.66%) than the current discount rate:

	1.0% Decrease (1.66%)	Current Discount Rate (2.66%)	1.0% Increase (3.66%)
Total OPEB liability	$7,155,287	$6,365,347	$5,682,345

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (4.5%) or 1-percentage point higher (6.5%) than the current healthcare trend rates:

	1.0% Decrease (4.5%)	Current Trend (5.5%)	1.0% Increase (6.5%)
Total OPEB liability	$5,644,153	$6,365,347	$7,195,388

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the Commission recognized OPEB expense of $359,293. At September 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 439,997	$
Changes in assumptions	818,766	257,807
Total	$1,258,763	$257,807

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending	
September 30, 2020	$ 67,529
2021	$ 67,529
2022	$ 67,529
2023	$ 67,529
2024	$ 67,529
Thereafter	$663,310

Note 8 – Long-Term Debt

Outstanding long-term debt as of September 30, 2019, was as follows:

During fiscal year 2019, the Commission issued a $2,000,000 seven year note to Southern States Bank for the construction of recreational projects.

On December 13, 2018, the Commission issued an $8,705,000 General Obligation Warrants Series 2018 for (i) the acquisition, construction, and equipping of courtroom and judges suite at the T. K. Davis Justice Center, (ii) eight youth baseball fields, (iii) construction of an expansion to the County Emergency Management Agency's Emergency Operations Center, (iv) renovations to the historic downtown courthouse, (v) costs of issuing the Series 2018 Warrants.

During fiscal year 2017, the Commission issued a $6,500,000 fifteen year note to Regions Capital Advantage, Inc. for construction of a 36,215-square foot courthouse expansion for $9,900,000 with the County providing cash for the remaining project funds.

On August 28, 2013, the Commission issued an $8 million General Obligation Warrants Series 2013 for (i) constructing a 40,871-square foot addition for the T. K. Davis Justice Center to house the circuit clerk, district attorney and a future courtroom, and (ii) paying the costs of issuing the Series 2013 Warrants.

The Commission issued $10 million in General Obligation Warrants Series 2012 with an average interest rate of 2.3809% to advance refund $9.345 million of the $13.835 million outstanding warrants in a partial refunding of the General Obligation Warrants Series 2004 with an outstanding average interest rate of 4.7833%. The $9.345 million was called on August 1, 2015, and is no longer outstanding.

The Commission issued an $8.12 million General Obligation Warrants Series 2010 for replacing fourteen to sixteen bridge structures throughout the County, and (ii) paying the costs of issuing the Series 2010 Warrants.

Long-term liabilities associated with employees' benefits are associated with:

Accrued obligations for future payment of unpaid annual leave as outlined in Note 1.

Accrued obligations for future payment of the County Commission's Net Pension Liability as disclosed in Note 6.

Accrued obligations for future payment of County Commission's Net Other Postemployment Benefits as disclosed in Note 7.

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2019:

	Debt Outstanding 10/01/2018	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2019	Amounts Due Within One Year
Governmental Activities:					
General Obligation – Series 2018	$	$ 8,705,000.00	$ 135,000.00	$ 8,570,000.00	$ 145,000.00
General Obligation Note 2017	6,046,427.62		373,191.79	5,673,235.83	382,629.21
General Obligation – Series 2013	7,055,000.00		335,000.00	6,720,000.00	355,000.00
General Obligation – Series 2012 Refunding	8,055,000.00		1,025,000.00	7,030,000.00	1,060,000.00
General Obligation – Series 2010	5,430,000.00		375,000.00	5,055,000.00	385,000.00
Deferred Amount:					
Unamortized Premium	459,597.46	427,586.60	74,312.78	812,871.28	74,312.78
Note Payable		2,000,000.00	21,993.20	1,978,006.80	268,339.21
Net Pension Liability	10,376,978.00		53,320.00	10,323,658.00	
OPEB Liability	5,033,350.00	1,331,997.00		6,365,347.00	
Estimated Liability for Compensated Absences	1,091,104.59	137,236.19		1,228,340.78	98,927.91
Total	$43,547,457.67	$12,601,819.79	$2,392,817.77	$53,756,459.69	$2,769,209.11

Payments on the seven year note to the Southern States Bank are made by the Recreation Fund.

Payments on the warrants payable that pertains to the General Obligation Warrants Series 2018 are allocated 56% and 44% between the Recreation Fund and General Fund respectively.

Payments on the fifteen year note to the Regions Capital Advantage, Inc. are made by the Capital Improvement Fund from the County's share of the Oil and Gas Tax Trust Fund investment earnings.

Payments on the warrants payable that pertains to the General Obligation Warrants Series 2013 are made with a local court fee designated for such a purpose; however, the debt service will be serviced by the General Fund if such court fee is inadequate at any-time during the outstanding debt.

Payments on the warrants payable that pertains to the General Obligation Refunding Warrants Series 2012 are made by the General Fund and the Debt Service Fund, which both the municipalities of Auburn and Opelika are contributing an annual appropriation for the debt service on $10 million of the $17.98 million principal.

Payments on the warrants payable that pertains to the General Obligation Warrants Series 2010 are made by the General Fund.

The net pension liability attributable to governmental activities will be liquidated by the annual employer contribution rate on covered payroll as determined by actuarial assumptions provided by the Employees' Retirement System of Alabama.

The other postemployment benefit liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds on a pay-as-you-go basis.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds on a pay-as-you-go basis.

The following is a schedule of debt service requirements to maturity:

	2019 Bank Note		2018 General Obligation Warrants		2017 General Obligation Note	
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest
September 30, 2020	$ 268,339.21	$ 40,012.00	$ 145,000.00	$ 336,925.00	$ 382,629.21	$137,466.38
2021	274,286.00	34,065.00	150,000.00	334,025.00	392,305.31	127,790.28
2022	280,242.00	28,110.00	150,000.00	330,838.00	402,226.12	117,869.49
2023	286,327.00	22,025.00	155,000.00	327,650.00	412,397.78	107,697.79
2024	292,544.00	15,808.00	155,000.00	323,969.00	422,826.70	97,268.89
2025-2029	576,268.59	12,426.00	2,275,000.00	1,384,940.00	2,280,034.57	320,443.26
2030-2034			2,850,000.00	812,190.00	1,380,816.14	49,446.68
2035-2038			2,690,000.00	242,744.00		
Total	$1,978,006.80	$152,446.00	$8,570,000.00	$4,093,281.00	$5,673,235.83	$957,982.77

Bond (Warrant) Premiums

The Commission has bond premiums relating to the issuance of its 2018 General Obligation Warrants. The bond premium is being amortized using the straight-line method. The premium for the 2018 Warrants will be amortized over the life of the issue which will be through August 1, 2038.

The Commission has bond premiums relating to the issuance of its 2013 General Obligation Warrants. The bond premium is being amortized using the straight-line method. The premium for the 2013 Warrants will be amortized over the life of the issue which will be through August 1, 2033.

The Commission has bond premiums relating to the issuance of its 2004 General Obligation Warrants and the related 2012 General Obligation Refunding Warrants. The bond premium is being amortized using the straight-line method. The 2004 Warrants have been adjusted for the amount defeased as of September 30, 2018, with the balance of the premium to be amortized over the remaining debt service of the un-refunding warrants. The premium for the 2012 Warrants will be amortized over the life of the issue which will be through August 1, 2025.

	2018 General Obligation Warrants	2013-A General Obligation Warrants Justice Center	2012-A General Obligation Refunding Warrants
Total Issuance Premium	$427,586.60	$233,689.35	$ 549,985.00
Amount Amortized Prior Years		(59,397.76)	(264,679.13)
Balance Issuance Premium	427,586.60	174,291.59	285,305.87
Current Amount Amortized	(21,379.33)	(11,684.53)	(41,248.92)
Amount Associated with Refunded Debt Balance Issuance Premium	$406,207.27	$162,607.06	$ 244,056.95

2012 General Obligation Refunding Warrants		2013 General Obligation Warrants		2010 General Warrants		Total	Total
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
$1,060,000.00	$232,150.00	$ 355,000.00	$ 304,350.00	$ 385,000.00	$ 283,220.00	$ 2,595,968.42	$ 1,334,123.38
1,115,000.00	179,150.00	370,000.00	286,600.00	400,000.00	263,777.00	2,701,591.31	1,225,407.28
1,175,000.00	123,400.00	390,000.00	268,100.00	410,000.00	243,177.00	2,807,468.12	1,111,494.49
1,195,000.00	96,375.00	410,000.00	248,600.00	425,000.00	221,652.00	2,883,724.78	1,023,999.79
1,225,000.00	66,500.00	430,000.00	228,100.00	440,000.00	198,829.00	2,965,370.70	930,474.89
1,260,000.00	34,650.00	2,420,000.00	865,465.00	2,450,000.00	604,368.00	11,261,303.16	3,222,292.26
		2,345,000.00	280,825.00	545,000.00	32,700.00	7,120,816.14	1,175,161.68
						2,690,000.00	242,744.00
$7,030,000.00	$732,225.00	$6,720,000.00	$2,482,040.00	$5,055,000.00	$1,847,723.00	$35,026,242.63	$10,265,697.77

Note 9 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to $500,000 per claim for a maximum total coverage of $2,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to $100,000 per incident with a $5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per $100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

The Commission purchases commercial insurance for its other risks of loss, including property and casualty insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Commission has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). The program functions as a public entity risk pool. This program is self-sustaining through member premiums. Monthly premiums are determined annually by the program's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

Note 10 – Interfund Transactions

Interfund Receivables and Payables

The amounts of interfund payables and receivables during the fiscal year ended September 30, 2019, were as follows:

	Interfund Receivables RRR Gasoline Tax Fund	Total
Interfund Payables:		
Gasoline Tax Fund	$236,583.85	$236,583.85
Total	$236,583.85	$236,583.85

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2019, were as follows:

	Transfers Out General Fund
Transfers In:	
Gasoline Tax Fund	$2,953,085.00
Other Governmental	2,865,543.89
Totals	$5,818,628.89

The Commission typically uses transfers to fund ongoing operating subsidies and to transfer the portion from operational funds to the Debt Service Funds to service current-year debt requirements.

Note 11 – Aggregated Fund Balance Amounts and Classification

The components of nonspendable, restricted, committed, and assigned fund balances aggregated on the face of the financial statements are as follows:

Fund Balance Classification Detail from Exhibit 3
as of September 30, 2019

	General Fund	Gasoline Fund	2019 Capital Project Fund	Other Governmental Funds	Totals
Nonspendable:					
Inventory	$ 231,533	$ 45,295	$	$	$ 276,828
Prepaid Expenses	7,972				7,972
Total Nonspendable	239,505	45,295			284,800
Restricted for:					
Sheriff Office – School Resource	34,307				34,307
Bridge Bond Program				2,323,326	2,323,326
Recreational Programs	4,642,518				4,642,518
Road and Bridge Resurface, Repair and Construction				4,823,469	4,823,469
County Facilities, Repair and Construction			7,376,632	696,470	8,073,102
Alternative Sentencing Board				221,126	221,126
Revenue Commission Office Funds				106,408	106,408
Total Restricted	4,676,825		7,376,632	8,170,798	20,224,256
Assigned to:					
Procurement Program	38,133				38,133
Road and Bridge Maintenance		800,000			800,000
Facilities Improvement Program		1,500,000		21,438	1,521,438
Chairman Expense Issue	39,600				39,600
Capital Expenditures for Fiscal Year 2020	2,200,000	957,148			3,157,148
Total Assigned	2,277,733	3,257,148		21,438	5,556,319
Unassigned	6,862,143				6,862,143
Total Fund Balances	$14,056,206	$3,302,443	$7,376,632	$8,192,237	$32,927,518

Note 12 – Tax Abatements

Granted Active Abatements

The Commission only has two active abatements all granted under the authority of the Tax Reform Act of 1992, of which all two are being disclosed in this note. All properties are appraised and fully assessed. The Commission, by a duly adopted resolution, abates the levy of non-educational taxes on the property. Neither of these exceeded 10 percent of the total amount abated.

A roofing company was granted tax abatements on April 26, 2010. The abatement is associated with the construction of a facility for the manufacturing of metal roofing. The abatement was granted for a period of ten years. The property taxes for the State General Fund, State Solider Fund, and the County General Fund are abated. For fiscal year 2019, these taxes were reduced by $720.46.

A lumber company was granted tax abatements February 11, 2013. The abatement is associated with the construction and equipping of a new sawmill facility. The abatement was granted for a period of ten years. The property taxes for the State General Fund, State Solider Fund, and the County General Fund are abated. For fiscal year 2019, these taxes were reduced by $14,117.74.

Granted Active Abatements by Other Entities

The County is also subject to tax abatement agreements granted by the City of Auburn and the City of Opelika.

Lee County Commission property tax revenues for fiscal year 2019 were reduced by $1,204,633.28 through tax abatement agreements executed by the City of Auburn.

Lee County Commission property tax revenues for fiscal year 2019 were reduced by $1,775,890.44 through tax abatement agreements executed by the City of Opelika.

The following tax abatement exceeded 10 percent of the total amount abated:

- A 50 percent property tax abatement to hemodialysis dialyzer manufacturer for the expansion of its hemodialysis dialyzer manufacturing facility. The abatement amounted to 486,252.18.

Note 13 – Related Organizations

Several agencies are considered related organizations of the Lee County Commission. For each agency, a majority of the members are appointed by the Commission. The Commission, however, is not financially accountable because it does not impose its will and does not have a financial benefit or burden relationship; therefore, they are not considered part of the Commission's financial reporting entity. The following is a list of the related organizations:

- Southwest Lee County Fire Protection Authority
- Beulah Utilities District
- E-911 Communications District
- Lee County Cemetery Preservation Committee
- Lee County Public Building Authority
- Industrial Development Board
- Loachapoka Water Authority
- East Alabama Health Care Authority
- Beauregard Water Authority
- Smiths Water Authority

Note 14 – Subsequent Events

During fiscal year 2020, General Obligation Warrants in the amount of $4,835,000 were issued by Lee County. Proceeds of the warrant were used to advance refund all maturities of General Obligation Warrant Series 2010.

During fiscal year 2021, General Obligation Warrants in the amount of $5,965,000 were issued by Lee County. Proceeds of the warrant were used to advance refund all maturities of General Obligation Warrant Series 2013.

The United States encountered a COVID-19 pandemic which adversely affected the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions have been modified to ensure the safety of its citizenry as well as its employees. The Commission does not anticipate that there will be any significant increase or decrease in their revenues or costs associated with the aftermath of COVID-19. Budgets have not been significantly impacted at this time.

This Page Intentionally Blank

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2019

	Budgetary Amount		Actual	Excess/
	Original	Final	Amounts	(Deficit)
Revenues				
Taxes	$ 22,087,915.00	$ 22,087,915.00	$ 23,373,001.56	$ 1,285,086.56
Licenses and Fees	747,800.00	747,800.00	917,500.00	169,700.00
Intergovernmental	1,528,034.00	3,272,784.00	5,467,883.90	2,195,099.90
Fees and Charges for Services	8,662,500.00	8,807,500.00	9,182,507.06	375,007.06
Miscellaneous	552,300.00	587,765.00	841,451.52	253,686.52
Total Revenues	33,578,549.00	35,503,764.00	39,782,344.04	4,278,580.04
Expenditures				
Current:				
General Government	8,823,570.15	8,783,570.15	8,277,088.57	506,481.58
Public Safety	15,282,106.58	18,361,006.58	18,638,269.24	(277,262.66)
Road and Bridge			2,148.45	(2,148.45)
Sanitation	3,445,634.47	3,448,484.47	3,061,001.12	387,483.35
Health	362,952.84	362,952.84	329,879.81	33,073.03
Welfare	6,350.00	6,350.00	1,981.08	4,368.92
Culture and Recreation	150,000.00	100,000.00	12,386.85	87,613.15
Education	33,000.00	33,000.00	32,242.90	757.10
Capital Outlay	1,999,900.00	1,552,900.00	2,245,546.85	(692,646.85)
Principal			21,993.20	(21,993.20)
Interest			3,702.77	(3,702.77)
Total Expenditures	30,103,514.04	32,648,264.04	32,626,240.84	22,023.20
Excess (Deficiency) of Revenues Over Expenditures	3,475,034.96	2,855,499.96	7,156,103.20	4,256,556.84
Other Financing Sources (Uses)				
Sale of Capital Assets	54,000.00	57,000.00	88,066.07	31,066.07
Proceeds from Settlement		194,000.00	194,712.18	712.18
Proceeds from Debt Issuance			2,000,000.00	2,000,000.00
Transfer Out	(6,087,704.00)	(6,277,704.00)	(5,818,628.89)	459,075.11
Total Other Financing Sources (Uses)	(6,033,704.00)	(6,026,704.00)	(3,535,850.64)	2,490,853.36
Net Changes in Fund Balances	(2,558,669.04)	(3,171,204.04)	3,620,252.56	6,747,410.20
Fund Balances - Beginning of Year	10,435,953.90	10,435,953.90	10,435,953.90	
Fund Balances - End of Year	$ 7,877,284.86	$ 7,264,749.86	$ 14,056,206.46	$ 6,747,410.20

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2019

	Budgetary Amount		Actual	Excess/
	Original	Final	Amounts	(Deficit)
Revenues				
Intergovernmental	$ 2,214,000.00	$ 2,255,666.00	$ 2,445,089.25	$ 189,423.25
Fees and Charges for Services	3,000.00	3,000.00	1,552.00	(1,448.00)
Miscellaneous	15,000.00	15,000.00	19,177.25	4,177.25
Total Revenues	2,232,000.00	2,273,666.00	2,465,818.50	192,152.50
Expenditures				
Current:				
Road and Bridge	5,135,084.95	5,176,750.95	3,835,269.25	(1,341,481.70)
Capital Outlay	725,000.00	921,000.00	1,588,895.99	667,895.99
Total Expenditures	5,860,084.95	6,097,750.95	5,424,165.24	(673,585.71)
Excess (Deficiency) of Revenues Over Expenditures	(3,628,084.95)	(3,824,084.95)	(2,958,346.74)	865,738.21
Other Financing Sources (Uses)				
Sale of Capital Assets		146,000.00	159,205.04	13,205.04
Transfer In	2,903,085.00	2,953,085.00	2,953,085.00	
Total Other Financing Sources (Uses)	2,903,085.00	3,099,085.00	3,112,290.04	13,205.04
Net Changes in Fund Balances	(724,999.95)	(724,999.95)	153,943.30	878,943.25
Fund Balances - Beginning of Year	725,000.00	725,000.00	3,148,499.31	2,423,499.31
Fund Balances - End of Year	$ 0.05	$ 0.05	$ 3,302,442.61	$ 3,302,442.56

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2019

	Budgetary Amount		Actual	Excess/
	Original	**Final**	**Amounts**	**(Deficit)**
Revenues				
Taxes	$ 885,444.88	$ 976,194.88	$ 1,146,246.97	$ 170,052.09
Miscellaneous			8,936.91	8,936.91
Total Revenues	885,444.88	976,194.88	1,155,183.88	178,989.00
Expenditures				
Current:				
General Government	1,463,794.88	1,548,524.88	1,147,881.43	400,643.45
Capital Outlay	6,250.00	12,270.00	7,302.45	4,967.55
Total Expenditures	1,470,044.88	1,560,794.88	1,155,183.88	405,611.00
Excess (Deficiency) of Revenues Over Expenditures	(584,600.00)	(584,600.00)		(584,600.00)
Net Changes in Fund Balances	(584,600.00)	(584,600.00)		(584,600.00)
Fund Balances - Beginning of Year	584,600.00	584,600.00		584,600.00
Fund Balances - End of Year	$	$	$	$

Schedule of Changes in the Employer's Net Pension Liability
For the Year Ended September 30, 2019

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 1,340,072	$ 1,334,587	$ 1,276,095	$ 1,176,947	$ 1,135,547
Interest	3,837,600	3,613,430	3,340,801	3,179,907	3,031,378
Differences between expected and actual experience	155,634	214,202	612,323	(121,366)	
Changes of assumptions	304,333		1,599,033		
Benefit payments, including refunds of employee contributions	(2,522,318)	(2,146,981)	(2,167,961)	(2,280,653)	(2,339,994)
Transfers among employers	52,322	64,958	194,103		
Net change in total pension liability	3,167,643	3,080,196	4,854,394	1,954,835	1,826,931
Total pension liability - beginning	50,778,584	47,698,388	42,843,994	40,889,159	39,062,228
Total pension liability - ending (a)	$ 53,946,227	$ 50,778,584	$ 47,698,388	$ 42,843,994	$ 40,889,159
Plan fiduciary net position					
Contributions - employer	$ 1,071,473	$ 1,121,385	$ 1,214,557	$ 1,094,045	$ 1,032,249
Contributions - employee	903,343	890,858	832,666	787,510	780,522
Net investment income	3,716,143	4,589,833	3,313,081	383,446	3,507,792
Benefit payments, including refunds of employee contributions	(2,522,318)	(2,146,981)	(2,167,961)	(2,280,653)	(2,339,994)
Other (Transfers among employers)	52,322	64,958	194,103	(19,040)	101,166
Net change in plan fiduciary net position	3,220,963	4,520,053	3,386,446	(34,692)	3,081,735
Plan fiduciary net position - beginning	40,401,606	35,881,553	32,495,107	32,529,799	29,448,064
Plan fiduciary net position - ending (b)	$ 43,622,569	$ 40,401,606	$ 35,881,553	$ 32,495,107	$ 32,529,799
County's net pension liability - ending (a) - (b)	$ 10,323,658	$ 10,376,978	$ 11,816,835	$ 10,348,887	$ 8,359,360
Plan fiduciary net position as a percentage of the total pension liability	80.86%	79.56%	75.23%	75.85%	79.56%
Covered payroll (*)	$ 16,878,519	$ 15,204,343	$ 15,380,908	$ 13,973,098	$ 12,955,392
County's net pension liability as a percentage of covered payroll	61.16%	68.25%	76.83%	74.06%	64.52%

(*) Employer's covered payroll during the measurement period is the total covered payroll. For the fiscal year 2019, the measurement period is October 1, 2017 through September 30, 2018. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll for the fiscal year 2017.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Employer's Contributions - Pensions
For the Year Ended September 30, 2019

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	$ 1,177,181	$ 1,071,473	$ 1,121,385	$ 1,214,557	$ 1,094,045	$ 1,032,249
Contributions in relation to the actuarially determined contribution	$ 1,177,181	$ 1,071,473	$ 1,121,385	$ 1,214,557	$ 1,094,045	$ 1,032,249
Contribution deficiency (excess)	$	$	$	$	$	$
Covered payroll (**)	$ 18,269,389	$ 16,878,519	$ 15,204,343	$ 15,380,908	$ 13,973,098	$ 12,955,392
Contributions as a percentage of covered payroll	6.44%	6.35%	7.38%	7.90%	7.83%	7.97%

(*) The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. This Schedule is based on the 12 month period of the underlying financial statement.

(**) Employer's covered payroll for fiscal year 2019 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2019 were based on the September 30, 2016 actuarial valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	26.9
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability
For the Year Ended September 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 86,217	$ 92,588
Interest	205,547	182,019
Differences between expected and actual experience	398,814	74,373
Changes of assumptions	873,350	(290,033)
Benefit payments	(231,931)	(219,840)
Net change in total OPEB liability	1,331,997	(160,893)
Total OPEB liability - beginning	5,033,350	5,194,243
Total OPEB liability - ending (*)	$ 6,365,347	$ 5,033,350
Covered employee payroll	$ 14,943,570	$ 14,368,817
Commission's OPEB liability as a percentage of covered employee payroll	42.60%	35.03%

(*) The Commission has no assets set aside in a trust; therefore, the net OPEB liability and the total OPEB liability are the same.

Notes to Schedule:

Benefit Changes . There were no changes of benefit terms for the year ended September 30, 2019.

Changes in Assumptions . The discount rate as of September 30, 2018, was 4.18% and it changed to 2.66% as of September 30, 2019.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Employer's Contributions
Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2019

		2019		2018
Actuarially determined contribution	$	371,473	$	377,844
Contributions in relation to the actuarially determined contribution (premiums)	$	231,931	$	219,840
Contribution deficiency (excess)	$	139,542	$	158,004
Covered employee payroll	$	14,943,570	$	14,368,817
Contributions as a percentage of covered employee payroll		1.55%		1.53%

Notes to Schedule

Valuation date: September 30, 2019
Actuarially determined contributions (ADC) are calculated as of the last day of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal
Amortization method	Level dollar, open
Amortization period	30 years
Asset valuation method	Market Value
Inflation	2.5% annually
Healthcare cost trend	Flat 5.5% annually
Salary increases	4.0% annually
Discount Rate	4.18% annually (As of September 30, 2018) 2.66% annually (As of September 30, 2019)
Retirement age	Attainment of age 50 and completion of 30 years of service; or attainment of age 55 and 28 years of service; attainment of age 60 and 10 years of service; at least 25 years of service with Lee County Commission; employees hired on and after January 1, 2013 are not eligible to retire before age 62.
Mortality	RP-2000 without projection, 50% unisex blend
Turnover	Age specific table with an average of 12% when applied to the active census

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Expenditures
U. S. Department of Homeland Security			
Passed Through Alabama Emergency Management Agency			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4419-DR-AL	$ 2,686,305.00
Emergency Management Performance Grants	97.042	18EMF	60,590.00
Emergency Management Performance Grants	97.042	18EMS	12,000.00
Sub-Total Emergency Management Performance Grants			72,590.00
Total U. S. Department of Homeland Security			2,758,895.00
U. S. Department of Health and Human Services			
Passed Through Alabama Department of Public Health			
Public Health Emergency Preparedness	93.069	N.A.	9,484.18
Public Health Emergency Preparedness	93.069	CEP-11PV8-19	10,000.00
Total U. S. Department of Health and Human Services			19,484.18
Total Expenditures of Federal Awards			$ 2,778,379.18

N.A. = Not Available or Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Note 1 – Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Lee County Commission has not elected to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

This Page Intentionally Blank

Additional Information

Commission Members and Administrative Personnel
October 1, 2018 through September 30, 2019

Commission Members	Position	Term Expires
Hon. Bill English	Chairman	2025
Hon. Johnny Lawrence	Member	Deceased
Hon. Gary D. Long	Member	2024
Hon. Robert Ham	Member	2022
Hon. John Andrew Harris	Member	2018
Hon. Richard LaGrand	Member	2022
Hon. Sheila H. Eckman	Member	2020

Administrative Personnel

Roger Rendleman	County Administrator

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

Members of the Lee County Commission and County Administrator
Opelika, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lee County Commission (the "Commission"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated May 6, 2021.

Internal Control Over Financial Reporting

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

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

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Compliance and Other Matters

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

The Commission's Response to Finding

The Commission's response to the finding identified in our audit on the Schedule of State and Local Compliance and Other Findings is described in the accompanying Auditee Response. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

May 6, 2021

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Members of the Lee County Commission and County Administrator
Opelika, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Lee County Commission's compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on the Lee County Commission's major federal program for the year ended September 30, 2019. The Lee County Commission's major federal program is identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

May 6, 2021

This Page Intentionally Blank

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified?	______ Yes	X None reported
Noncompliance material to financial statements noted?	______ Yes	X No

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified?	______ Yes	X None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?	______ Yes	X No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000.00	
Auditee qualified as low-risk auditee?	______ Yes	X No

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.

Auditee Response

LEE COUNTY COMMISSION

Chairman
Bill English, *Probate Judge*
Mailing Address:
P. O. Box 666
Opelika, AL 36803-0666
(334) 737-3660 phone
1-855-212-8024
www.leeco.us

LEE COUNTY ALABAMA
EST · 1866

Members
Doug Cannon, District 1
Sarah Brown, District 2
Gary D. Long, District 3
Robert Ham, District 4
Richard LaGrand, District 5

Auditee Response
For the Year Ended September 30, 2019

The Lee County Commission has prepared and hereby submits the following Auditee Response for the finding which is included in the Schedule of State and Local Compliance and Other Findings for the year ended September 30, 2019.

Finding Ref. No.	**Corrective Action Plan Details**
2019-001	***Finding:***
	The ***Code of Alabama 1975***, Section 41-16-50, requires all expenditures of funds of whatever nature for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving $15,000 or more made by or on behalf of a county commission to be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder. The ***Code of Alabama 1975***, Section 41-16-54(f) further provides that no purchase or contract involving an amount in excess of $15,000 shall be divided into parts involving amounts of $15,000 or less for the purpose of avoiding the requirements of the Alabama Competitive Bid Law. The Commission expended a total of $21,000 for a utility vehicle and accessories split between two disbursements in the amounts of $13,699 and $7,301 without soliciting bids. The Commission has policies in place for purchases over $15,000 designed to ensure compliance with the Alabama Competitive Bid Law, but the policies were not properly followed for this purchase. As a result, the utility vehicle and accessories were purchased without the benefit of free and open competitive bidding.

Recommendation:

The Commission should ensure compliance with the ***Code of Alabama 1975***, Sections 41-16-50 and 41-1654(f), relating to the Alabama Competitive Bid Law.

Response/Views:

A review was performed on an equipment purchase made by EMA during the summer after the Lee County EMA Director presented the utility vehicle during the County Commission Meeting on August 12, 2019 . A determination was made that the purchase was not make in accordance with the Alabama Competitive Bid Law and Lee County Commission policies. During the review of this purchase, various concerns regarding the decisions and actions of the EMA staff and its director required additional investigation. Prior to the conclusion of the additional investigation, the Lee County Commission agreed to terms for the acceptance of the Lee County EMA Director's resignation on November 12, 2019.

Corrective Action Planned:

The matter has already been resolved.

Anticipated Completion Date:

The Lee County Commissions considered the matter resolved upon the acceptance of Lee County EMA Director's resignation on November 12, 2019.

Contact Person(s):

Roger H Rendleman, County Administrator, (334)737-3664,
Rrendleman@leeco.us

Bill English

Chairman, Lee County Commission