Report on the

Lee County Commission

Lee County, Alabama

October 1, 2013 through September 30, 2014

Filed: September 4, 2015

Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Ronald L. Jones, Chief Examiner

15-436

State of Alabama
Department of
Examiners of Public Accounts
P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
Montgomery, Alabama 36104-3833
Telephone (334) 242-9200
FAX (334) 242-1775

Ronald L. Jones
Chief Examiner

Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the ***Code of Alabama 1975***, Section 41-5-21, I submit this report on the results of the audit of the Lee County Commission, Lee County, Alabama, for the period October 1, 2013 through September 30, 2014.

Respectfully submitted,

Wanda Jones
Wanda Jones
Examiner of Public Accounts

Sworn to and subscribed before me this
the 31st day of July, 2015.

Nina Bell
Notary Public
My Commission Expires 9-6-2016

rb

15-436

Table of Contents

Table of Contents

Table of Contents

Page

Department of

Examiners of Public Accounts

SUMMARY

Lee County Commission
October 1, 2013 through September 30, 2014

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 in Exhibit 14. 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 program. 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 41-5-14.

An unmodified opinion was issued on the 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, 2014.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

The following officials/employees were invited to an exit conference to discuss the audit report: County Administrator: Roger Rendleman; Commission Chairman: Bill English; and County Commissioners: Johnny Lawrence, Gary D. Long, Shelia H. Eckman, Robert Ham, and John Andrew Harris. The following individuals attended the exit conference, held at the offices of the County Commission: Roger Rendleman, County Administrator; County Commissioners: Johnny Lawrence, Shelia H. Eckman, Robert Ham, and John Andrew Harris; and a representative from the Department of Examiners of Public Accounts: Tammy D. Shelley, Audit Manager.

This Page Intentionally Blank

Independent Auditor's Report

Independent Auditor's Report

To: Members of the Lee County Commission and County Administrator

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, 2014, 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

The management of the Lee County Commission 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 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 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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, in fiscal year ended September 30, 2014, the Lee County Commission adopted Governmental Accounting Standards Board (GASB) Statement Number 65, ***Items Previously Reported as Assets and Liabilities***. Our opinion is not modified with respect to this matter.

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 Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, (Exhibits 9 and 10), and the Schedules of Funding Progress (Exhibits 11 and 12), 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 13) as required by U. S. Office of Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying 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 July 29, 2015, on our consideration of the Lee County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Lee County Commission's internal control over financial reporting and compliance.

Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

July 29, 2015

Management's Discussion and Analysis
(Required Supplementary Information)

Lee County Commission
Management's Discussion and Analysis
Fiscal Year October 1, 2013 through September 30, 2014

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, 2014. Please consider the information contained in this MD&A in conjunction with the County's financial statements for the same period.

Financial Highlights

- Lee County's total assets exceeded total liabilities and deferred inflows of resources by \$56,907,188 as of the fiscal year ending September 30, 2014. The County governmental net position decreased by \$217,615 (0.38%) during the current fiscal year.

- Highways & Roads had an increase of \$1,901,479 (27.79%). Almost \$1.6 million of the increase was utilized for matching the Alabama Transportation Rehabilitation Program (ATRIP) and other resurfacing projects during the fiscal year.

- There continues to be growth to the tax base with new construction, which has been encouraging; however, the lower per square foot cost of the new construction has a decreasing affect on the existing values. These factors are causing property tax revenues to have very slow growth in the near-term future.

- The General Fund’s fund balance experienced a \$448,956 (5.17%) increase; although, program costs were increased in all of the major areas. Through the County's objectives to conservatively budget revenue and to continually encourage departments to perform well within their annual budgets, the County was able to increase the fund balance for the fifth fiscal year in a row.

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 of the County's assets, liabilities and deferred inflows of resources. 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 of the County's assets, liabilities and deferred inflows of resources, with the difference between them 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 cost of various governmental services and/or subsidy 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, cultural and recreational, 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 rather than the County as a whole. 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; the Gasoline Fund; the 2010 Bridge Bond Program Fund and the 2013 Justice Center Expansion 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 thru 10 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 2010 Bridge Bond Program Fund and the 2013 Justice Center Expansion Fund aren't presented in this comparison as these funds are for projects spanning multiple years and not appropriated annually. In addition, the Schedule of Funding Progress Defined Benefit Pension Plan (Exhibit 11) and the Schedule of Funding Progress Other Postemployment Benefits (Exhibit 12) are reported in this section.

Government-wide Financial Analysis

The County governmental net position decreased by $217,615 (0.38%) 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 and deferred inflows of resources by $56,907,188 as of the fiscal year ending September 30, 2014.

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 2014	Governmental Activities 2013	Difference	Percentage
Current Assets	41,360,477	48,434,524	(7,074,047)	-14.61%
Non-current/non-capital Assets	179,880	185,655	(5,775)	-3.11%
Capital Assets, Net	64,103,798	57,478,044	6,625,754	11.53%
Total Assets	**105,644,155**	**106,098,223**	(454,068)	-0.43%
Current Liabilities	4,519,475	3,681,551	837,924	22.76%
Long-term Liabilities	29,410,512	30,371,246	(960,733)	-3.16%
Total Liabilities	**33,929,987**	**34,052,797**	(122,810)	-.36%
Total Deferred Inflow of resources	14,806,980	14,920,624	(113,644)	-.76%
Net position:				
Net Investment in Capital Assets,	42,948,443	41,573,267	1,375,176	3.31%
Restricted	1,965,429	3,132,395	(1,166,966)	-37.25%
Unrestricted	11,993,316	12,419,141	(425,825)	-3.43%
Total Net position	**56,907,188**	**57,124,803**	(217,615)	-0.38%

The slight decrease of $217,615 (0.38%) was from overall increase in program expenditures in areas like Highway & Roads which exceed revenues and investment in capital assets. With the continued improvement in the local economy and solid financial position, we can place more of our available resources into program activities and a little less aggressive in accumulating those resources. For example, a sizable amount of funds restricted for resurfacing as reflected in the $1,166,966 (37.25%) decrease in Restricted Net Position was utilized for matching the Alabama Transportation Rehabilitation Program (ATRIP) and other resurfacing projects during the fiscal year, which weren't capitalized type projects.

Current Assets decreased $7,074,047 (14.61%) with a significant portion attributed to the expenditure of proceeds received from an $8,000,000 bond issue near the end of August 2013 for the expansion of the T. K. Davis Justice Center. About 81% of the project was constructed during the 2014 Fiscal Year as reflected in the $6,625,754 (11.53%) increase in Capital Assets.

Overall Liabilities decreased slightly $122,810 (0.36%) as the County Commission continues to manage the assets and liabilities in a manner to maintain a solid and balanced financial position.

Overall Deferred inflow of resources decreased $113,644 (.76%) as the County Commission continues to manage the assets and liabilities in a manner to maintain a solid and balanced financial position.

A significant portion of Lee County's net position $42,948,443 (75.73%) are 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, $1,965,429 in restricted and $11,993,316 in unrestricted, may be used to meet the County's ongoing obligations to citizens and creditors. Restricted net position are already designated for specific purposes where as unrestricted assets have not been specifically designated for a particular use.

<u>Statement of Activities</u>

The following schedule compares the revenues and expenses for the current year. Government activities decreased the County's net position by $217,615.

Changes in Net position as of September 30, 2014:

	Governmental Activities 2014	Governmental Activities 2013	Difference	Percentage
Program Revenues:				
Charges for Services	9,914,967	9,630,879	284,088	2.95%
Operating Grants & Contributions	7,156,292	6,142,670	1,013,622	16.50%
Capital Grants & Contributions	593,074	1,593,185	(1,000,111)	-62.77%
General Revenues:				
Property Taxes – General Purposes	10,279,239	10,315,183	(35,944)	-0.35%
Property Taxes – Specific Purposes	5,785,979	5,599,717	186,262	3.33%
Misc. Taxes	911,984	1,142,692	(230,708)	-20.19%
Grants & contributions not restricted to Special Programs	576,740	546,870	29,870	5.46%
Interest Revenue	124,042	127,949	(3,906)	-3.05%
Miscellaneous	915,278	1,886,540	(971,261)	-51.48%
Total Revenues	**36,257,596**	**36,985,684**	(728,088)	-1.97%
EXPENSES				
Program Activities:				
General Government	9,125,522	8,639,591	485,932	5.62%
Public Safety	14,144,262	12,914,101	1,230,161	9.53%
Highways & Roads	8,742,924	6,841,445	1,901,479	27.79%
Sanitation	3,079,800	2,958,118	121,682	4.11%
Health & Welfare	215,635	113,117	102,517	90.63%
Culture & Recreation	13,547	8,865	4,683	52.83%
Education	33,365	56,917	(23,553)	-41.38%
Interest and Fiscal Charges	1,120,156	836,059	284,097	33.98%
Total Expenses	**36,475,211**	**32,368,213**	4,106,998	12.69%
Net position, Increase in	**(217,615)**	**4,617,472**	(4,835,087)	-104.71%

Of the County's total $36,257,596 revenues, property taxes account for 44.31% or $16,065,218. Taxes as a whole represent 46.82% of the total revenue collected by the County for fiscal year ended September 30, 2014.

Property Taxes experienced a 0.94% increase. These revenues for the 2014 fiscal year were based on assessments and values established from activity (i.e., sales and change in use) that occurred from October 2011 through September 2012 in Lee County. There continues to be growth to the tax base with new construction, which has been encouraging; however, the lower per square foot cost of the new construction has a decreasing effect on the existing values. These factors are causing property tax revenues to have very slow growth in the near-term future.

Overall revenues decreased $728,088 (1.97%) from the previous year. The largest contributor to the difference was one-time funds generated through a successful sale of heavy equipment identified for replacement in the 2013 Fiscal Year. That sale generated an overall gain of $1,428,938 which is the main reason there is a $971,261 (51.48%) decrease in Miscellaneous Revenue in the 2014 Fiscal Year.

Operating Grants and Contributions increase $1,013,622 (16.5%) mainly from Federal and State clean-up aid received from an April EF-3 tornado damage in the southeastern portion of the County near Smiths Station. In addition, Fiscal Year 2014 was an election year when we see about a $125,000 increase in election reimbursements from the state.

Capital Grants and Contributions decreased $1,000,111 (62.77%). In Fiscal Year 2013, we received one-time investment gains associated with counties' share of the state's Oil and Gas Trust Fund. The total allocation was $1,498,880. We typically receive between $500,000 to $600,000 a year, as we did in the current year of $576,987.

Miscellaneous Taxes decreased $230,708 (20.19%) primarily from a noticeable decrease from Mortgage and Deed Taxes, as we continue to see fluctuations in resale of existing properties.

The remaining revenue categories had minor increases or decreases over the previous year.

Expenses for all services of the County were $36,475,211 which is an increase of $4,106,998 (12.69%). Of the total expenses 25.02% was spent for general government, 38.78% for public safety, 23.97% for highways & roads, 8.44% for sanitation and 3.79% on the remaining categories listed above. Seventy-five percent of the increase is associated with Highways & Roads and Public Safety.

Highways & Roads had an increase of $1,901,479 (27.79%). Almost $1.6 million of the increase was utilized for matching the Alabama Transportation Rehabilitation Program (ATRIP) and other resurfacing projects during the fiscal year, which weren't capitalized type projects. The remainder of the increase is related to an increased personnel investment with cost of living increases and merit raises in the same year for the first time since the beginning of the "Great Recession".

Public Safety increased by $1,230,161 (9.53%) almost half of the increase is associated to cost with clean-up and assistance incurred from an April EF-3 tornado damage in the southeastern portion of the County near Smiths Station. The remaining half is primarily from an increased personnel investment with cost of living increases and merit raises as noted in the prior paragraph.

General Government and Sanitation generally experienced personnel cost increases associated with the personnel investment noted above.

Interest and Fiscal Charges increased $284,097 (33.98) from the first year of debt service associated with the $8,000,000 bond issue in August 2013 for the expansion of the T. K. Davis Justice Center.

The remaining expense categories had minor increases or decreases over the previous year.

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 $36,475,211 and the combined charges for services plus operating and capital grants received were $17,664,334 leaving a net cost to the County of $18,810,877. This was an increase of $3,809,399 in expenditures required to be funded from general revenues. The general revenues covered 98.84% of these expenditures leaving a $217,615 deficit for Fiscal Year 2014.

Function/Programs	**2014 Net Cost of Services**	**2013 Net Cost of Services**	**Net Cost (Increase)/Decrease**
General Government	(2,731,783.47)	(1,661,932.98)	(1,069,850)
Public Safety	(11,164,028.92)	(10,740,871.97)	(423,157)
Highways and Roads	(3,952,739.51)	(2,035,107.10)	(1,917,632)
Sanitation	119,176.43	136,514.07	(17,338)
Health	(204,690.75)	(102,588.56)	(102,102)
Welfare	(2,577.25)	(2,162.11)	(415)
Culture and Recreation	(13,547.33)	(8,864.59)	(4,683)
Education	(33,364.70)	(56,917.33)	23,553
Interest and Fiscal	(827,321.56)	(529,547.85)	(297,774)
Total Governmental Activities	**(18,810,877)**	**(15,001,478)**	(3,809,399)

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 decreased from $18,455,752 to $17,588,851. This was a decrease of $866,902 (4.70%).

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 2010 Bridge Bond Program and the 2013 Justice Center Expansion Fund is excluded since the fund is for capital projects and not annual operations and/or routine capital maintenance.

	Beginning Fund Balance	**Net Increase or (Decrease)**	**Ending Fund Balance**	**% of Annual Expenditures**
General Fund	8,687,095	448,956	9,136,051	38.55%
Gasoline Fund	2,669,805	(188,416)	2,481,389	52.42%
Other Governmental Funds *(less Capital Funds)*	7,098,853	(1,127,442)	5,971,411	69.16%
Totals	**18,455,752**	**(866,902)**	**17,588,851**	**47.45%**

The General Fund is the main operational fund for the County. The fund experienced a $448,956 (5.17%) increase. Although program costs were increased in all of the major areas, we were still able to increase the fund balance for the fifth fiscal year in a row.

The Gasoline Tax Fund, which is the main operational fund for the Highway Department, decreased $188,416 (7.06%). We utilized some excess funds for capital asset replacement of heavy equipment.

The Other Governmental Funds decreased $1,127,442 (15.9%) as we begun to utilize funds for facilities improvements and/or replacements. The decrease is primarily associated with a remodel project of a 15,000 square foot furniture store near the courthouse for a training and meeting center.

Budgetary Highlights - Major Funds

General Fund

Exhibit 9 shows that a few changes were made in the original General Fund budget for fiscal year ended September 30, 2014.

Budgeted revenues were increased $664,082 (2.57%) over the original budget. $406,222 was related to expected aid from the April tornado recovery effort. $106,592 was related to a recycling grant that was awarded to the County. The final $151,268 was the recognition of vehicles and equipment purchase with Sheriff's funds which had to be titled over to the County.

Sale of Fixed Assets was budgeted mid-year at $71,703 and additional use of fund balance was increased $84,471 for additional capital asset replacements.

Budgeted expenditures were increased about $830,556. Most of the $452,289 increase in Public Safety was related to the April tornado recovery effort with the remainder for capital equipment below the $800 threshold for fixed assets. Along with a reduction of $54,345 from General Government activities, the remaining $432,612 was increased in Capital Outlay for additional investment in equipment and vehicles.

Budgeted Transfer Out was decreased $10,000 related to the capital asset replacements.

Actual Revenues were $1,535,430 (5.78%) higher than the final budgeted revenues and actual expenditures were $462,117 (1.90%) lower than the final budgeted amounts. Especially with the slow paced economic recovery, the county's objective is to conservatively budget revenue and continually encourage departments to perform well within their annual budgets.

The net change in the general fund balance for the current fiscal year was a $448,956 increase or (5.17%), which is a $2,028,127 difference from the planned $1,579,171 decrease in the final budget.

Gasoline Tax Fund

Exhibit 10 shows that a couple of changes were made in the original Gasoline Tax Fund budget for fiscal year ended September 30, 2014.

Budgeted expenditures were increased about $314,133 for vehicle and heavy equipment replacements. The increase was covered by recognition of $138,059 sale of vehicles and heavy equipment identified for replacement, by $30,000 increase in budgeted transfers in from other funds and by utilizing $146,074 in available unallocated funds.

Actual Revenues were $43,741 (2.17%) higher than the final budgeted revenues.

Actual Expenditures were $571,917 (11.11%) lower than the final budgeted expenditures.

Again, the county's objective is to conservatively budget revenue and continually encourage departments to perform well within their annual budgets.

The net change in the Gasoline Tax fund balance for the current fiscal year was a $188,416 decrease (7.06%), which is a $615,658 improvement from the planned $804,074 decrease in the final budget.

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, 2014.

Total Capital Assets at October 1, 2013,	$57,478,044
Additions	10,152,186
Retirements	(901,608)
Annual Depreciation	(3,507,631)
Accumulated Depreciation of Retired Assets	882,806
Total Capital Assets at September 30, 2014	**$64,103,798**

The following table shows total assets before and after depreciation.

Governmental Activities	Assets Original Cost	Value at 9/30/14 After Depreciation
Land	2,752,568	2,752,568
Construction in Progress	8,106,234	8,016,234
Infrastructure	24,868,600	18,187,503
Buildings and Improvements	43,753,680	29,137,870
Equipment and Furniture	23,488,117	6,009,623
Total Capital Assets	**$102,879,199**	**$64,103,798**

Debt Outstanding

At the end of September 2013 the County's long-term bonded debt was $27,935,000. By the end of the current year the long-term bond debt had decreased $1,215,000 (4.35%) to $26,720,000.

The liability for compensated absences as of the end of the current year was $1,313,450, which was a $32,452 increase (2.53%) from last fiscal year's $1,280,998. The increase is attributed to returning to full staff and cost of living increase granted as the economy and county finances have improved.

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 $1,737,558. For the 2014 Fiscal Year, the difference between the annual required contribution as determined by an actuarial valuation and the actual contribution was $309,831. 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 $2,047,389.

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

Economic Factors

Lee County benefits from the 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 Auburn-Opelika areas continually are recognized as excellent places for business and places 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 continue to have success in recruiting new industry to the area. We continue to see improvement of the housing market with new home starts.

Although we are very encouraged with the new growth, overall values of existing properties are remaining level as the new construction are at square foot costs that are suppressing current market. What growth we will see in property taxes for the next couple of years will likely be just from new property expansion of the general tax base. We will be very cautious moving forward with future plans that require new funding, while the existing property market faces deflationary factors.

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 County Administrator at 215 South Ninth Street, Opelika, Alabama, (334) 745-3660. The office is located on the second floor of the historic courthouse in downtown Opelika.

This Page Intentionally Blank

Basic Financial Statements

Statement of Net Position
September 30, 2014

		Governmental Activities
Assets		
Current Assets		
Cash and Cash Equivalents	$	23,035,859.53
Investments		2,607,204.49
Accounts Receivable		240,127.63
Interest Receivable		6,754.84
Due from Other Governments		1,181,636.59
Property Tax Receivable		14,238,641.91
Inventories		47,152.66
Prepaid Items		3,099.59
Total Current Assets		41,360,477.24
Noncurrent Assets		
Cash with Fiscal Agent		179,880.11
Capital Assets:		
Nondepreciable:		
Land		2,752,568.14
Construction in Progress		8,016,234.32
Depreciable:		
Buildings		43,753,679.77
Equipment and Furniture		23,488,116.64
Infrastructure		24,868,600.07
Less: Accumulated Depreciation		(38,775,401.34)
Total Noncurrent Assets		64,283,677.71
Total Assets		105,644,154.95
Liabilities		
Current Liabilities		
Accounts Payable		1,192,429.36
Wages and Fringes Payable		808,646.58
Unearned Revenue		509,669.36
Accrued Interest Payable		294,956.43
Due to Other Governments		355,087.37
Long-Term Liabilities:		
Portion Due Within One Year:		
Warrants Payable		1,250,000.00
Premium on Warrants		58,773.06
Compensated Absences		49,912.74
Total Current Liabilities	$	4,519,474.90

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

	Governmental Activities
Noncurrent Liabilities	
Portion Payable After One Year:	
Warrants Payable	$ 25,470,000.00
Premium on Warrants	629,586.42
Estimated Liability for Retiree Health Plan	2,047,389.00
Compensated Absences	1,263,536.95
Total Noncurrent Liabilities	29,410,512.37
Total Liabilities	33,929,987.27
Deferred Inflows of Resources	
Unavailable Revenue - Property Taxes	14,018,342.07
Revenue Received in Advance - Motor Vehicle Taxes	788,637.84
Total Deferred Inflows of Resources	14,806,979.91
Net Position	
Net Investment in Capital Assets	42,948,442.88
Restricted for:	
Debt Service	179,880.11
Other Purposes	1,785,548.85
Unrestricted	11,993,315.93
Total Net Position	$ 56,907,187.77

Statement of Activities
For the Year Ended September 30, 2014

			Program Revenues
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**
Primary Government			
Governmental Activities			
General Government	$ (9,125,522.47)	$ 5,557,040.20	$ 259,711.44
Public Safety	(14,144,261.97)	1,132,518.28	1,847,714.77
Highways and Roads	(8,742,923.92)	26,432.50	4,747,664.39
Sanitation	(3,079,799.61)	3,198,976.04	
Health	(213,057.27)		8,366.52
Welfare	(2,577.25)		
Culture and Recreation	(13,547.33)		
Education	(33,364.70)		
Interest and Fiscal Fees	(1,120,156.48)		292,834.92
Total Governmental Activities	$ (36,475,211.00)	$ 9,914,967.02	$ 7,156,292.04

General Revenues

Taxes:

Property Taxes for General Purposes

Property Taxes for Specific Purposes

Miscellaneous Taxes

Grants and Contributions Not Restricted for Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Changes in Net Position

Net Position - Beginning of Year

Net Position - End of Year

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

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position Primary Government Total Governmental Activities
$ 576,987.36	$ (2,731,783.47)
	(11,164,028.92)
16,087.52	(3,952,739.51)
	119,176.43
	(204,690.75)
	(2,577.25)
	(13,547.33)
	(33,364.70)
	(827,321.56)
$ 593,074.88	(18,810,877.06)
	10,279,238.93
	5,785,979.14
	911,983.86
	576,740.29
	124,042.38
	915,278.14
	18,593,262.74
	(217,614.32)
	57,124,802.09
	$ 56,907,187.77

Balance Sheet
Governmental Funds
September 30, 2014

	General Fund	Gasoline Fund
Assets		
Cash and Cash Equivalents	$ 7,844,664.03	$ 2,336,842.62
Cash with Fiscal Agent		
Investments	2,134,671.49	
Accounts Receivable	225,335.37	
Interest Receivable	6,208.80	
Due from Other Funds	304,319.54	159,442.74
Due from Other Governments	759,853.05	171,176.83
Property Tax Receivable	13,337,990.00	
Inventories	11,174.64	35,978.02
Prepaid Items	3,099.59	
Total Assets	24,627,316.51	2,703,440.21
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts Payable	360,485.51	122,137.34
Wages and Fringes Payable	669,672.35	93,393.33
Unearned Revenue		
Due to Other Funds	159,442.74	
Due to Other Government Funds	355,087.37	
Estimated Liability for Compensated Absences	40,249.86	6,520.09
Total Liabilities	1,584,937.83	222,050.76
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	13,117,690.16	
Revenue Received in Advance - Motor Vehicle Taxes	788,637.84	
Total Deferred Inflows of Resources	13,906,328.00	
Fund Balances		
Nonspendable	14,274.23	35,978.02
Restricted		
Committed	717,676.33	
Assigned	2,482,880.94	2,445,411.43
Unassigned	5,921,219.18	
Total Fund Balances	9,136,050.68	2,481,389.45
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 24,627,316.51	$ 2,703,440.21

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

2010 Bridge Bond Program	2013 Justice Center Expansion	Other Governmental Funds	Total Governmental Funds
$ 4,789,518.91	$ 1,463,485.85	$ 6,601,348.12	$ 23,035,859.53
		179,880.11	179,880.11
		472,533.00	2,607,204.49
		14,792.26	240,127.63
		546.04	6,754.84
			463,762.28
		250,606.71	1,181,636.59
		900,651.91	14,238,641.91
			47,152.66
			3,099.59
4,789,518.91	1,463,485.85	8,420,358.15	42,004,119.63
24,223.64		685,582.87	1,192,429.36
		45,580.90	808,646.58
		509,669.36	509,669.36
		304,319.54	463,762.28
			355,087.37
		3,142.79	49,912.74
24,223.64		1,548,295.46	3,379,507.69
		900,651.91	14,018,342.07
			788,637.84
		900,651.91	14,806,979.91
			50,252.25
4,765,295.27	1,463,485.85	451,747.65	6,680,528.77
			717,676.33
		5,713,707.80	10,642,000.17
		(194,044.67)	5,727,174.51
4,765,295.27	1,463,485.85	5,971,410.78	23,817,632.03
$ 4,789,518.91	$ 1,463,485.85	$ 8,420,358.15	$ 42,004,119.63

This Page Intentionally Blank

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2014

Total Fund Balances - Governmental Funds (Exhibit 3)			$ 23,817,632.03

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 governmental funds. These assets consist of:

Land	$ 2,752,568.14	
Infrastructure	24,868,600.07	
Buildings	43,753,679.77	
Equipment and Furniture	23,488,116.64	
Construction in Progress	8,016,234.32	
Less: Accumulated Depreciation	(38,775,401.34)	
Total Capital Assets		64,103,797.60

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

	Current Liabilities	Noncurrent Liabilities	
Warrants Payable	$ 1,250,000.00	$ 25,470,000.00	
Premium on Warrants	58,773.06	629,586.42	
Accrued Interest Payable	294,956.43		
Estimated Liability for Compensated Absences		1,263,536.95	
Estimated Liability for Retiree Health Plan		2,047,389.00	
Total Long-Term Liabilities	$ 1,603,729.49	$ 29,410,512.37	(31,014,241.86)

Total Net Position - Governmental Activities (Exhibit 1)	$ 56,907,187.77

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2014

		General Fund		Gasoline Fund
Revenues				
Taxes	$	15,864,188.25	$	
Licenses and Fees		688,944.88		
Intergovernmental		2,993,386.76		2,022,768.11
Fees and Charges for Services		7,849,275.74		26,432.50
Miscellaneous		689,855.64		8,980.13
Total Revenues		28,085,651.27		2,058,180.74
Expenditures				
Current:				
General Government		6,900,790.94		
Public Safety		12,115,136.42		
Road and Bridge				3,719,945.17
Sanitation		2,815,508.33		
Health		211,147.39		
Welfare		2,577.25		
Culture and Recreation		11,475.90		
Education		30,677.13		
Capital Outlay		1,773,763.05		854,220.29
Debt Service:				
Principal Retirement				
Interest and Fiscal Agent Fees				
Total Expenditures		23,861,076.41		4,574,165.46
Excess (Deficiency) of Revenues Over Expenditures		4,224,574.86		(2,515,984.72)
Other Financing Sources (Uses)				
Sale from Capital Assets		87,959.02		138,058.50
Transfer In				2,189,510.00
Transfer Out		(3,871,892.72)		
Unrealized Gain/(Loss) on Investments		8,314.65		
Total Other Financing Sources (Uses)		(3,775,619.05)		2,327,568.50
Net Change in Fund Balances		448,955.81		(188,416.22)
Fund Balances - Beginning of Year		8,687,094.87		2,669,805.67
Fund Balances - End of Year	$	9,136,050.68	$	2,481,389.45

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

2010 Bridge Bond Program	2013 Justice Center Expansion	Other Governmental Funds	Total Governmental Funds
$	$	$ 1,250,338.50	$ 17,114,526.75
			688,944.88
		4,090,476.93	9,106,631.80
		413,712.19	8,289,420.43
9,400.52	9,759.70	18,968.09	736,964.08
9,400.52	9,759.70	5,773,495.71	35,936,487.94
	455,026.00	1,386,451.43	8,742,268.37
			12,115,136.42
296.59		3,475,324.71	7,195,566.47
			2,815,508.33
			211,147.39
			2,577.25
			11,475.90
			30,677.13
108,986.14	6,013,550.06	1,401,665.86	10,152,185.40
		1,215,000.00	1,215,000.00
		1,120,156.48	1,120,156.48
109,282.73	6,468,576.06	8,598,598.48	43,611,699.14
(99,882.21)	(6,458,816.36)	(2,825,102.77)	(7,675,211.20)
		20,385.58	246,403.10
		2,009,767.74	4,199,277.74
		(327,385.02)	(4,199,277.74)
		(5,107.34)	3,207.31
		1,697,660.96	249,610.41
(99,882.21)	(6,458,816.36)	(1,127,441.81)	(7,425,600.79)
4,865,177.48	7,922,302.21	7,098,852.59	31,243,232.82
$ 4,765,295.27	$ 1,463,485.85	$ 5,971,410.78	$ 23,817,632.03

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, 2014

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)			$ (7,425,600.79)
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 ($10,152,185.40) exceeds depreciation ($3,507,630.58).			6,644,554.82
Difference between economic gain/loss and funds received for sale of disposed assets.			(18,801.58)
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.			1,215,000.00
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	$	(38,208.91)	
Net Increase in Long-Term Retiree Health Plan Benefits		(309,831.00)	
Net Decrease in Accrued Interest Payable		9,470.82	(338,569.09)
Amortization of Deferred Cost on Refunding			(363,095.65)
Amortization of Premium on Warrant Issue			68,897.97
Total Change in Net Position - Governmental Activities (Exhibit 2)			$ (217,614.32)

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

Statement of Fiduciary Net Position
September 30, 2014

		Private-Purpose Trust Funds
Assets		
Current Assets		
Cash and Cash Equivalents	$	3,840,552.89
Total Assets		3,840,552.89
Liabilities		
Current Liabilities		
Payable to External Parties		3,346,297.44
Total Liabilities		3,346,297.44
Net Position		
Held in Trust for Other Purposes	$	494,255.45

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, 2014

		Private-Purpose Trust Funds
Additions		
Contributions:		
Probate Court	$	393,420.61
Total Additions		393,420.61
Deductions		
Payment to Beneficiaries		203,027.60
Total Deductions		203,027.60
Changes in Net Position		190,393.01
Net Position - Beginning of Year		303,862.44
Net Position - End of Year	$	494,255.45

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. Based on the application of these criteria, there is one component unit which should be included as part of the financial reporting entity of the Commission.

Blended Presentation Unit – Act Number 2009-330, Acts of Alabama, created the Lee County Alternative Sentencing Board. It is 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 members are the presiding circuit judge for the 37^{th} Judicial Circuit, a district judge appointed by the presiding circuit judge, the Lee County Sheriff, the District Attorney for the 37^{th} 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; set fees for its programs; buy, sell, lease personal and real property; entering contracts; and exercise 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, heath 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, 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 Fund*** – This fund is used to account for the expenditures of gasoline taxes restricted to roads.

- ***2010 Bridge Bond Program Fund*** – This fund is used to account for the expenditures of bond proceeds from an $8 million bond issue for replacement of approximately sixteen bridges throughout the County.

- ***2013 Justice Center Expansion Fund*** – This fund is used to account for the expenditures of bond proceeds from an $8 million bond issue for a 40,000 square foot expansion of the T. K. Davis Justice Center.

The Commission reports the following 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 for 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 has 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, Liabilities, 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.

2. Receivables

All ad valorem tax receivables are shown net of an allowance for un-collectibles. The allowance for un-collectibles for ad valorem taxes is based on past collection experience.

Millage rates for property taxes are levied at the first regular meeting of the Commission in February of each year. Property taxes are assessed for property 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.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects, and amounts due from the State for taxes and cost sharing.

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 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.

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. 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 net of 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.

8. Compensated Absences

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

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	10 days
Six to ten years	12 days
Eleven to fifteen years	15 days
Sixteen years and over	18 days

Earned leave will be for each full month worked. No more than 36 days of annual leave may be accrued and carried forward into the next year. 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.

Compensatory Time

Compensatory time is granted in lieu of overtime at the discretion of the employee. This time may be taken by the employee at a later date in the same manner as annual leave. Employees are also paid for all unused compensatory leave time 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. Non-exempted employees are allowed to accumulate a maximum of 240 hours (earned at time and a half). Public safety employees are allowed to accumulate a maximum of 480 hours (earned at time and a half). Exempted employees are allowed to accumulate a maximum of 160 hours (earned hour for hour).

9. 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 equity by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund equity, similar to liabilities.

10. Net Position/Fund Equity

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. 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*** **–** is the net amounts of assets, deferred outflows or resources, liabilities and deferred inflows of resources that are not included in determination of net investment in capital assets or the restricted components of net position. Net position that 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:

- Non-spendable 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 non-spendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.

- 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.

- 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.

- 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.

- 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.

11. 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.

Note 2 – Stewardship, Compliance, and Accountability

A. Budgets

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America 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.

B. Deficit Fund Balances/Net Position of Individual Funds

At September 30, 2014, the Justice Center Improvement Fund had a negative unassigned fund balance of $194,045 under Other Governmental Funds on Exhibit 3. This deficit resulted from the General Fund retiring a $1,100,000 general obligation note on behalf of the Justice Center Improvement Fund. The Justice Center Improvement Fund was repaying the General Fund out of future receipts of the fund's court fee through fiscal year 2015; however, the County Commission approved to release the Justice Center Improvement Fund of the repayment in the form of an appropriation from the General Fund in the fiscal year 2015 Budget. On October 1, 2014, the Justice Center Improvement Fund unassigned fund balance was a positive $110,275 upon booking the appropriation.

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 Depository 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.

Cash with Fiscal Agent

The Commission has deposits totaling $179,880 in the debt service funds (other governmental funds) which is shown as cash with fiscal agents on the fund financial statements and as restricted assets on the government-wide financial statements. These funds are invested in Federated Treasury Obligations Funds. This money market fund invests primarily in U. S. Treasury securities maturing in 397 days or less. These investments include repurchase agreements collateralized fully by U. S. Treasury obligations. Federated Treasury Obligations Funds are rated AAA by Standard & Poor's with a dollar-weighted average portfolio maturity of 51 days or less.

Investments

The ***Code of Alabama 1975***, Section 11-8-11, Section 11-81-19, Section 11-81-20 and Section 11-81-21, authorizes 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, 2014, the Commission had 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	$1,651,611
Franklin Alabama Tax-Free Income Fund Class A	500,000	483,060
Franklin Ltd Maturity U. S. Government Securities Class A	500,000	472,533
Total Investments	$2,700,000	$2,607,204

Overall, the Commission has recognized an unrealized loss on investments of $92,796 as of September 30, 2014. The funds used for these investments are funds that aren't 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 Limited Maturity U. S. Government Securities fund normally invests at least 80% in securities with an average maturity of less than 10 years and issued or guaranteed by the U. S. government, its agencies, or instrumentalities. It invests a substantial portion of assets in mortgage-backed securities including adjustable rate mortgage securities, but the fund also invests in direct obligations of the U. S. government (such as treasury bonds, bills and notes) and of its agencies and instrumentalities.

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, 2014, the various components of unearned revenue reported in the governmental funds were as follows:

	Unearned
Build American Bonds Subsidy	$ 58,424
Grants Received but Unearned at 9/30/2014	109,970
Reappraisal Fund Balance	341,276
Total Unearned Revenue for Governmental Funds	$509,670

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance 10/1/2013	Reclassification	Additions	Retirements	Balance 9/30/2014
Governmental Activities:					
Capital Assets, not Being Depreciated:					
Land	$ 2,460,453	$	$ 292,115	$	$ 2,752,568
Construction in Progress	2,102,364	(1,210,491)	7,124,361		8,016,234
Total Capital Assets being Depreciated	4,562,817	(1,210,491)	7,416,477		10,768,802
Infrastructure	23,658,109	1,210,491			24,868,600
Buildings	43,689,682		63,998		43,753,680
Equipment and Furniture	21,718,014		2,671,711	(901,608)	23,488,117
Total Capital Assets Being Depreciated	89,065,804	1,210,491	2,735,709	(901,608)	92,110,396
Buildings	(13,451,464)		(1,164,346)		(14,615,810)
Infrastructure	(5,769,813)		(911,285)		(6,681,097)
Equipment and Furniture	(16,929,301)		(1,432,000)	882,806	(17,478,494)
Total Accumulated Depreciation	(36,150,577)		(3,507,631)	882,806	(38,775,401)
Total Capital Assets, Being Depreciated, Net	52,915,227	1,210,491	(771,922)	(18,802)	53,334,995
Governmental Activities Capital Assets, Net	$ 57,478,044	$	$ 6,644,555	$ (18,802)	$ 64,103,798

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	$ 298,738
Public Safety	1,493,033
Highway and Roads	1,498,703
Sanitation	210,488
Health	1,910
Recreation	2,071
Education	2,688
Total Depreciation Expense – Governmental Activities	$3,507,631

Note 6 – Defined Benefit Pension Plan

A. Plan Description

The Commission contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments.

Substantially all employees of the Commission are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the Commission. There are two member tiers. Any member who had service for which they received credit prior to January 1, 2013 is considered a Tier 1 member. Any member who had service for which they received credit on or after January 1, 2013 and no prior eligible service are considered a Tier 2 member.

Both Tier 1 member and Tier 2 member benefits vest after 10 years of creditable service. Tier 1 vested members may retire with full benefits at age 60 or after 25 years of service. Tier 2 vested members may retire with full benefits at age 62 (age 56 for certified correctional and law enforcement officers).

Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Tier 1 member retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service.

Tier 2 member retirees are allowed 1.65% of their average final salary (best five of the last ten years) for each year of service; however, the retirement benefit cannot exceed 80% of the average final salary.

Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Employees' Retirement System was established as of 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 general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the ***Code of Alabama 1975***, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama 36130-2150.

B. Funding Policy

Tier 1 member employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Employees' Retirement System. Full-time law enforcement officers are required by statute to contribute 6 percent of their salary to the Employee's Retirement System.

Tier 2 member employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 6 percent of their salary to the Employees' Retirement System. Full-time law enforcement officers are required by statute to contribute 7 percent of their salary to the Employee's Retirement System.

The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2014, was 8.10% for Tier 1 member employees and 5.80% Tier 2 member employees based on the actuarial valuation performed as of September 30, 2011 and after consideration of the effect of Act Number 2012-377, Acts of Alabama, which created the new defined benefit plan tier for employees with not previous creditable retirement service hired on or after January 1, 2013.

C. Annual Pension Cost

For the year ended September 30, 2014, the Commission's annual pension cost of $1,066,569 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of September 30, 2013, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.25 percent at age 20 to 3.75 percent at age 65. Both (a) and (b) include an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The funding excess is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period as of September 30, 2013, was 27 years.

The following is three-year trend information for the Commission:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2014	$1,066,569	100%	$0
9/30/2013	$ 995,828	100%	$0
9/30/2012	$ 948,828	100%	$0

D. Funded Status and Funding Progress

As of September 30, 2013, the most recent actuarial valuation date, the plan was 74.9 percent funded. The actuarial accrued liability for benefits was $37,516,834 and the actuarial value of assets was $28,102,219 resulting in an unfunded actuarial accrued liability (UAAL) of $9,414,615. The covered payroll (annual payroll of active employees covered by the plan) was $13,055,157 and the ratio of the UAAL to the covered payroll was 72.1 percent.

The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets in increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Lee County Commission contributes to the Local Government Health Insurance Program, an agent multiple-employer defined benefit postemployment healthcare plan administered by the State Employees' Insurance Board. The plan provides medical, drug, and dental insurance benefits to eligible retirees and their dependents. The ***Code of Alabama 1975***, Section 11-91-1 through 11-91-8, gives authority to the Commission to establish and amend benefits provisions. The plan does not issue a stand-alone financial report. Benefits are provided in accordance with a resolution approved by the Commission on October 12, 1999 (modified on January 1, 2005, July 27, 2009, and April 9, 2012), to all County employees who retire with twenty-five years of service with the Lee County Commission until eligible for Medicare; and to those County employees eligible to retire with eighteen or more years of service if such employee retires on or before October 1, 2009; and to those County employees eligible to retire with twenty or more years of service if such employee retires on or before July 1, 2012.

Dependents can be covered under an eligible retiree's family plan if the dependent meets the definition of who can be covered in each option's contract. However, the employee must reimburse the County for dependent coverage. Also, employees who retire without twenty-five years of service for the Lee County Commission can continue the health insurance coverage for which they must reimburse the full cost of the premium.

B. Fund Policy

The Commission's contributions were on a pay-as-you-go basis as of September 30, 2014.

The Commission contributes $817.00 a month for the cost of current-year premiums of eligible retirees under the age of 65 years for single coverage. For fiscal year 2014, the Commission contributed $138,225 to cover 15 participants at various times during the year. During the course of the year, two new participants were added while none were removed leaving 15 active participants on September 30, 2014. None of the eligible participants paid premiums for dependent coverage during the 2014 Fiscal Year. Eligible retirees are required to contribute monthly as follows:

	Fiscal Year 2014
Individual Coverage – Non-Medicare Eligible	$ 0
Individual Coverage – Medicare Eligible	$ 394
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	$ 685
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	$ 402
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	$1,079
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	$ 796

Plan members who retired without meeting the eligibility requirement for paid coverage by the Lee County Commission who continued the health insurance coverage paid $9,690 for single coverage for fiscal year 2014. Plan members who retired and a have qualified for Medicare who continued the health insurance coverage paid $56,658 which included $23,887 for family coverage for fiscal year 2014.

C. Annual OPEB Cost

For the year ended September 30, 2014, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical, drug, and dental insurance was $448,056. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2014	$448,056	30.85%	$2,047,389
09/30/2013	$448,056	29.82%	$1,737,558
09/30/2012	$445,096	26.66%	$1,423,087

D. Funded Status and Funding Progress

For fiscal year 2014 and 2013, the Lee County Commission made no contributions to its postemployment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the October 1, 2012 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year September 30, 2013 was $4,503,680 which is defined as that portion, as determined by a particular actuarial cost method (the Lee County Commission uses the Projected Unit Credit Cost Method), of the actuarial present value of postemployment plan benefits and expenses which is not provided by normal cost.

	2013	2012
Actuarial Accrued Liability (AAL)	$4,503,680	$4,110,642
Actuarial Value of Plan Assets (AVP)	$0.00	$0.00
Unfunded Actuarial Accrued Liability (UAAL)	$4,503,680	$4,110,642
Funded Ratio (AVP/AAL)	0.00%	0.00%
Covered Payroll (Active Plan Members)	$11,919,293	$12,352,344
UAAL as a Percentage of Covered Payroll	37.79%	33.28%

The annual required contribution of the plan for fiscal year 2013 and 2012, was as follows:

	2013	2012
Normal Cost	$197,624	$226,929
Accrued Liability	$250,432	$237,720
Annual Required Contribution (ARC)	$448,056	$464,649

As of September 30, 2014, the increase in liability for retiree health care of $309,831 was calculated using the annual required contribution total from 2013 of $448,056 less the Commission's annual OPEB cost of $138,225. The increase of $309,831 was added to the prior year liability of $1,737,558 for a total noncurrent liability of $2,047,389 which is recorded as noncurrent in the governmental activities' Statement of Net Position.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare costs trends. Amounts determined regarding the funding status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used was the projected unit credit method. The actuarial assumptions included a four percent investment return assumption (or discount rate) and an annual healthcare cost trend rate of eleven percent initially, reduced by decrements to an ultimate rate of five percent after eight years. It was assumed that one hundred percent of future retirees would participate. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open period. The unfunded actuarial accrued liability (UAAL) is being amortized over thirty years.

Note 8 – Long-Term Debt

Outstanding long-term as of September 30, 2014, was as follows:

On August 28, 2013, the Commission issued an $8 million General Obligation Warrants Series 2013 for the purpose of (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 (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 net proceeds of $10,394,038 (which included a $549,985 net original issue premium less underwriter's fee of $65,000 and issuance costs of $90,947) were used to purchase U. S. government securities. These securities have been placed in an irrevocable trust to provide future debt service payments and future call (August 1, 2014) for $345,000 of the $805,000 in warrants payable in 2017 and the remaining $9 million of the original issue maturity though 2025. As a result $9.345 million of the General Obligation Warrants Series 2004 are considered defeased and the related liability has been removed from the financial statements. The refunding decreased the total debt service over the next thirteen years by $891,648 resulting in an economic gain of $771,255 based on the net present value of the future savings.

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

The Commission issued a $17.98 million General Obligation Warrants Series 2004 for the purpose of (i) expanding the existing County Jail in a partnership with the Cities of Opelika and Auburn for a consolidated detention facility (ii) paying the costs of issuing the Series 2004 Warrants.

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

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

Accrued obligations for future payment of County Commission provided retiree insurance as disclosed in Note 7.

	Debt Outstanding 10/01/2013	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2014	Amounts Due Within One Year
General Obligation - Series 2013	$ 8,000,000	$	$	$ 8,000,000	$
General Obligation - Series 2012 Refunding	9,825,000		80,000	9,745,000	85,000
General Obligation - Series 2010	7,155,000		330,000	6,825,000	335,000
General Obligation - Series 2004	2,955,000		805,000	2,150,000	830,000
Unamortized Premium	757,257		68,898	688,359	58,773
Estimated Liability for Retiree Health Insurance	1,737,558	309,831		2,047,389	
Estimated Liability for Compensated Absences	1,280,998	32,452		1,313,450	49,913
Total Governmental Activities Long-Term Debt	$31,710,813	$342,283	$1,283,898	$30,769,198	$1,358,686

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

Payments on the warrants payable that pertain to the General Obligation Refunding Warrants Series 2012 and the remaining General Obligation Warrants Series 2004 are made by the General Fund and the Debt Service Fund, which both cities are contributing an annual appropriation for the debt service on $10 million of the $17.98 million principal.

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

The retiree health insurance 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:

	Governmental Activities			
	2013-A General Obligation Warrants - Justice Center		2012-A General Obligation Refunding Warrants	
Fiscal Year Ending	Principal	Interest	Principal	Interest
September 30, 2015	$	$ 351,025	$ 85,000	$ 296,469
2016	305,000	351,025	85,000	295,725
2017	315,000	341,875	515,000	294,663
2018	325,000	332,425	1,005,000	288,225
2019	335,000	319,425	1,025,000	273,150
2020-2024	1,955,000	1,335,750	5,770,000	697,575
2025-2029	2,420,000	865,465	1,260,000	34,650
2030-2033	2,345,000	280,825		
Total	$8,000,000	$4,177,815	$9,745,000	$2,180,457

Bond (Warrant) Premiums

The Commission has premiums in connection with the issuance of its 2013 General Obligation Warrants. The 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 premiums in connection with the issuance of its 2004 General Obligation Warrants and the related 2012 General Obligation Refunding Warrants. The premium is being amortized using the straight-line method. The 2004 Warrants have been adjusted for the amount defeased as of September 30, 2014 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.

	2013-A General Obligation Warrants - Justice Center	2012-A General Obligation Refunding Warrants	2004 General Obligation Warrants - Jail
Total Issuance Premium	$233,689	$549,985	$ 287,133
Amount Amortized Prior Years	(974)	(58,436)	(129,346)
Balance Issuance Premium	232,715	491,549	157,787
Current Amount Amortized	(11,685)	(41,249)	(15,965)
Amount Associated with Defeased Debt			(124,795)
Balance Issuance Premium	$221,030	$450,300	$ 17,027

Governmental Activities					
2010-A General Obligation Warrants – Bridge Program		2004 General Obligation Warrants - Jail		Totals	
Principal	Interest	Principal	Interest	Principal	Interest
$ 335,000	$ 359,750	$ 830,000	$ 83,440	$ 1,250,000	$ 1,090,684
345,000	347,190	860,000	54,390	1,595,000	1,048,330
355,000	333,045	460,000	23,000	1,645,000	992,583
360,000	317,780			1,690,000	938,430
375,000	301,220			1,735,000	893,795
2,060,000	1,210,655			9,785,000	3,243,980
2,450,000	604,368			6,130,000	1,504,483
545,000	32,700			2,890,000	313,525
$6,825,000	$3,506,708	$2,150,000	$160,830	$26,720,000	$10,025,810

Deferred Cost on Refunding

The Commission had deferred cost on refunding with the 2012 General Obligation Refunding Warrants. The costs are being amortized over the life of the defeased debt of the 2004 General Obligation Warrants, which were called on August 1, 2014.

	2012 General Obligation Refunding Bonds Deferred Costs
Total Deferred Cost	$ 924,243
Amount Amortized Prior Years	(561,148)
Balance Deferred Cost	363,095
Current Amount Amortized	(363,095)
Balance Deferred Cost	$

Note 9 – Conduit Debt Obligations

The Commission has issued Series 2009 Limited Obligation School Warrants to provide financial assistance to the Lee County Board of Education for the construction and improvements of the system's facilities. These warrants are limited obligations of the Commission and are payable solely from the funding agreement with payments made by the Lee County Board of Education. The warrants do not constitute a debt pledge of the faith and credit of the Commission and accordingly, have not been reported in the accompanying financial statements. Upon repayment of the warrants, ownership of the acquired property transfers to the Lee County School Board.

As of September 30, 2014, the aggregate principal amount payable for the Series 2009 Limited Obligation Warrants was $20,795,000.

Note 10 – 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 $1,000,000 per claim for a maximum total coverage of $3,000,000.00 and unlimited defense costs. Employment-related practices damage protection is limited to $1,000,000 per incident with a $5,000 deductible and unlimited defense costs. Employment-related benefits administration damage protection is limited to $1,000,000 per incident with a $1,000 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 loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per $100 of remuneration of 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 has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). Employees participate in a plan administered by Blue Cross/Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

The Commission purchases commercial insurance to cover buildings and contents.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 11 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2014, were as follows:

	Due From Other Funds		
	General Fund	Gasoline Fund	Totals
Due to Other Funds:			
General Fund	$	$159,443	$159,443
Other Governmental Funds	304,320		304,320
Totals	$304,320	$159,443	$463,763

The General Fund retired a $1,100,000 general obligation note on behalf of the Lee County Justice Improvement Fund (Other Governmental Funds) which will be repaid out of future court fees. With the 2015 fiscal year budget, the County Commission released the Lee County Justice Improvement Fund from the remainder of this obligation to the General Fund. Highway Department (Gasoline Tax) will receive $159,443 reimbursement for costs associated with the April 2014 Tornado Recovery grant.

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2014, were as follows:

	Transfers Out		
	General Fund	Other Governmental Funds	Totals
Transfer In:			
Gasoline Tax Fund	$2,189,510	$	$2,189,510
Other Governmental Funds	1,682,383	327,385	2,009,768
Totals	$3,871,893	$327,385	$4,199,278

The Commission typically used 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 12 – Aggregated Fund Balance Amounts and Classification

The components of non-spendable, 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, 2014

	General Fund	Gasoline Fund	2010 Bridge Bond Program Fund	2013 Justice Center Expansion Fund	Other Governmental Funds	Totals
Nonspendable:						
Inventory	$ 11,174	$ 35,978	$	$	$	$ 47,152
Prepaid Items	3,100					3,100
Total Nonspendable	14,274	35,978				50,252
Restricted for:						
Bridge Replacement Program			4,765,295			4,765,295
County Facilities, Repair and Construction				1,463,486		1,463,486
Debt Service Trustee Account					179,937	179,937
Alternative Sentencing Board					161,746	161,746
Revenue Commission Office Funds					110,065	110,065
Total Restricted			4,765,295	1,463,486	451,748	6,680,529
Committed to:						
Airport FAA Projects Match	101,622					101,622
Recreational Programs	616,055					616,055
Total Committed	717,676					717,676
Assigned to:						
Operational Reserve	1,000,000					1,000,000
Procurement Program	10,063					10,063
Capital Replacement and Improvement	1,427,743	1,562,342			2,200,000	5,190,085
Road and Bridge Maintenance		883,069				883,069
Road and Bridge Resurface, Repair and Rehabilitation					1,080,601	1,080,601
Capital Improvement Program					2,433,106	2,433,106
Building Inspection (use for Capital)	5,475					5,475
Chairman Expense Issue	39,600					39,600
Total Assigned	2,482,881	2,445,411			5,713,707	10,642,000
Unassigned	5,921,219				#(194,045)	5,727,175
Total Fund Balances	$9,136,050	$2,481,389	$4,765,295	$1,463,486	$5,971,411	$23,817,632

= This deficit resulted from the General Fund retiring a $1,100,000 general obligation note on behalf of the Justice Center Improvement Fund. The Justice Center Improvement Fund was repaying the General Fund out of future receipts of the fund's court fee through fiscal year 2015; however, the County Commission approved to release the Justice Center Improvement Fund of the repayment in the form of an appropriation from the General Fund in the fiscal year 2015 Budget. On October 1, 2014, the Justice Center Improvement Fund unassigned fund balance was a positive $110,275 upon booking the appropriation.

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 Lee County 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
- Industrial Development Board
- Loachapoka Water Authority
- East Alabama Health Care Authority
- Beauregard Water Authority
- Smiths Water Authority

Note 14 – Subsequent Event

On December 15, 2014, the County Commission called the remaining $2,150,000 in outstanding principal of the General Obligation Warrants Series 2004. The called warrants were refinanced with a $2,185,000 bank loan with a three year term at 1.71% annual rate. The loan amount along with a $6,056 cash contribution redeemed the outstanding principal along with $31,058 in accrued interest and $10,000 in issuance costs.

The refunding decreased the total debt service over the next three years by $72,355 resulting in an economic gain of $70,645 based on the net present value of the future savings.

Note 15 – Reclassifications

During the fiscal year ended September 30, 2014, the Lee County Commission adopted the GASB Statement Number 65, ***Items Previously Reported as Assets and Liabilities***, (GASB 65). GASB 65 established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses/expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The implementation of GASB 65 resulted in the reclassification of certain items previously reported as assets and liabilities.

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, 2014

	Budgetary Amount	
	Original	Final
Revenues		
Taxes	$ 15,676,705.00	$ 15,676,705.00
Licenses and Fees	457,000.00	457,000.00
Intergovernmental	1,711,134.00	2,223,948.00
Fees and Charges for Services	7,638,500.00	7,638,500.00
Miscellaneous	402,800.00	554,068.00
Total Revenues	25,886,139.00	26,550,221.00
Expenditures		
Current:		
General Government	7,152,400.00	7,098,055.00
Public Safety	11,475,428.00	11,927,717.00
Sanitation	2,992,661.00	2,992,661.00
Health	246,168.00	246,168.00
Welfare	5,300.00	5,300.00
Culture and Recreation		
Education	60,420.00	60,420.00
Capital Outlay	1,560,260.00	1,992,872.00
Total Expenditures	23,492,637.00	24,323,193.00
Excess (Deficiency) of Revenues Over Expenditures	2,393,502.00	2,227,028.00
Other Financing Sources (Uses)		
Sale of Fixed Assets		71,703.00
Transfer Out	(3,887,901.76)	(3,877,901.76)
Unrealized Gain on Investments		
Total Other Financing Sources (Uses)	(3,887,901.76)	(3,806,198.76)
Net Changes in Fund Balances	(1,494,399.76)	(1,579,170.76)
Fund Balances - Beginning of Year	1,494,399.76	1,579,170.76
Fund Balances - End of Year	$	$

Actual Amounts	Excess/ (Deficit)
$ 15,864,188.25	$ 187,483.25
688,944.88	231,944.88
2,993,386.76	769,438.76
7,849,275.74	210,775.74
689,855.64	135,787.64
28,085,651.27	1,535,430.27
6,900,790.94	197,264.06
12,115,136.42	(187,419.42)
2,815,508.33	177,152.67
211,147.39	35,020.61
2,577.25	2,722.75
11,475.90	(11,475.90)
30,677.13	29,742.87
1,773,763.05	219,108.95
23,861,076.41	462,116.59
4,224,574.86	1,997,546.86
87,959.02	16,256.02
(3,871,892.72)	6,009.04
8,314.65	8,314.65
(3,775,619.05)	30,579.71
448,955.81	2,028,126.57
8,687,094.87	7,107,924.11
$ 9,136,050.68	$ 9,136,050.68

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2014

	Budgetary Amount	
	Original	Final
Revenues		
Intergovernmental	$ 2,001,440.00	$ 2,001,440.00
Fees and Charges for Services	2,000.00	2,000.00
Miscellaneous	11,000.00	11,000.00
Total Revenues	2,014,440.00	2,014,440.00
Expenditures		
Current:		
Road and Bridge	4,173,950.00	4,173,950.00
Capital Outlay	658,000.00	972,132.88
Total Expenditures	4,831,950.00	5,146,082.88
Excess (Deficiency) of Revenues Over Expenditures	(2,817,510.00)	(3,131,642.88)
Other Financing Sources (Uses)		
Sale of Fixed Assets		138,058.50
Transfer In	2,159,510.00	2,189,510.00
Total Other Financing Sources (Uses)	2,159,510.00	2,327,568.50
Net Changes in Fund Balances	(658,000.00)	(804,074.38)
Fund Balances - Beginning of Year	658,000.00	804,074.38
Fund Balances - End of Year	$	$

Actual Amounts	Excess/ (Deficit)
$ 2,022,768.11	$ 21,328.11
26,432.50	24,432.50
8,980.13	(2,019.87)
2,058,180.74	43,740.74
3,719,945.17	454,004.83
854,220.29	117,912.59
4,574,165.46	571,917.42
(2,515,984.72)	615,658.16
138,058.50	
2,189,510.00	
2,327,568.50	
(188,416.22)	615,658.16
2,669,805.67	1,865,731.29
$ 2,481,389.45	$ 2,481,389.45

This Page Intentionally Blank

Schedule of Funding Progress
Defined Benefit Pension Plan
For the Year Ended September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)[2]	Actuarial Accrued Liability (AAL) Entry Age (b)[1]	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/2013	$28,102,219	$37,516,834	$9,414,615	74.90%	$13,055,157	72.10%
9/30/2012[3]	$26,071,433	$34,194,391	$8,122,958	76.20%	$11,595,934	70.10%
9/30/2011[4]	$25,706,756	$35,188,422	$9,481,666	73.10%	$12,963,912	73.10%

[1]Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
[2]The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.
[3]Reflects changes to actuarial assumptions.
[4]Reflects changes to interest smoothing methodology.

Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2012	$0	$4,110,642	$4,110,642	0.00%	$12,352,344	33.28%
09/30/2010	$0	$3,952,540	$3,952,540	0.00%	$12,492,616	31.64%
09/30/2008	$0	$5,221,566	$5,221,566	0.00%	$12,610,905	41.40%

Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
U. S. Department of Homeland Security		
Passed Through Alabama Emergency Management Agency		
Disaster Grants - Public Assistance		
(Presidentially Declared Disasters) (M)	97.036	N/A
Emergency Management Performance Grants	97.042	N/A
Passed Through Alabama Department of Homeland Security		
Homeland Security Grant Program	97.067	N/A
Homeland Security Grant Program	97.067	N/A
Sub-Total Homeland Security Grant Program		
Total U. S. Department of Homeland Security		
Total Expenditures of Federal Awards		

(M) = Denotes Major Program
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.

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
10/01/2013-09/30/2014	$ 651,880.01	$ 544,640.09	$ 544,640.09	$ 544,640.09
10/01/2013-09/30/2014	159,433.00	154,320.00	154,320.00	154,320.00
09/01/2011-08/31/2014	66,428.00	66,428.00	66,428.00	66,428.00
09/01/2012-08/31/2014	19,995.00	19,995.00	19,995.00	19,995.00
	86,423.00	86,423.00	86,423.00	86,423.00
	897,736.01	785,383.09	785,383.09	785,383.09
	$ 897,736.01	$ 785,383.09	$ 785,383.09	$ 785,383.09

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2014

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Lee County Commission and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Additional Information

Commission Members and Administrative Personnel
October 1, 2013 through September 30, 2014

Commission Members	**Position**	**Term Expires**
Hon. Bill English	Chairman	2019
Hon. Johnny Lawrence	Member	2014
Hon. Gary D. Long	Member	2016
Hon. Robert Ham	Member	2014
Hon. John Andrew Harris	Member	2014
Hon. Sheila H. Eckman	Member	2016

<u>Administrative Personnel</u>

Roger Rendleman	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

To: Members of the Lee County Commission and County Administrator

We have audited, 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, the 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, 2014, and the related notes to the financial statements, which collectively comprise the Lee County Commission's basic financial statements and have issued our report thereon dated July 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lee County 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 Lee County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lee County 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 over financial reporting 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 Lee County 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***.

Purpose of this Report

The purpose of this report is solely to described 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 Commission'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 Lee County Commission's internal control and compliance. According, this communication is not suitable for any other purpose.

Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

July 29, 2015

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Independent Auditor's Report

To: Members of the Lee County Commission and County Administrator

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 Circular A-133 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, 2014. 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 the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 OMB Circular A-133

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 program for the year ended September 30, 2014.

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 types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

July 29, 2015

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 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 programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	______ Yes	__X__ No

Identification of major programs:

CFDA Numbers	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:	$300,000.00	
Auditee qualified as low-risk auditee?	______ Yes	__X__ No

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		No matters were reportable.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			No matters were reportable.	