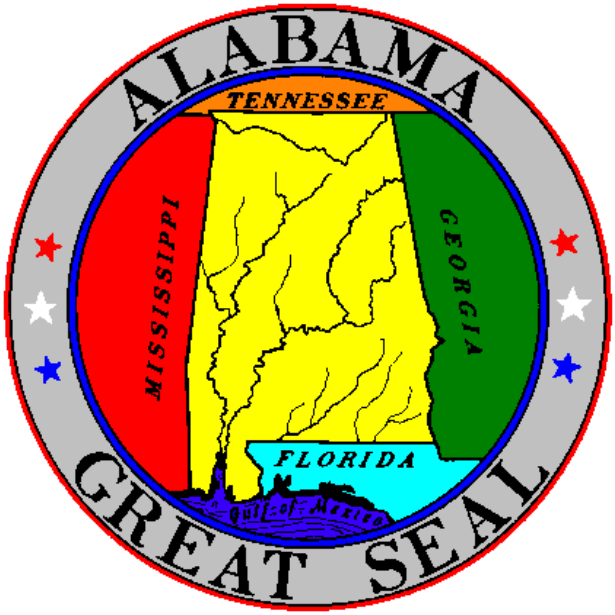
Report on the

Lee County Commission

Lee County, Alabama

October 1, 2007 through September 30, 2008

Filed: July 31, 2009



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Ronald L. Jones, Chief Examiner

09-348

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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, we submit this report on the results of the audit of the Lee County Commission for the period October 1, 2007 through September 30, 2008.

Respectfully submitted,

Lara D. Mattison
Examiner of Public Accounts

Haley Hornsby
Examiner of Public Accounts

Sworn to and subscribed before me this the 14th day of July, 2009.

Shirley Jackson
Notary Public

Sworn to and subscribed before me this the 17 day of July, 2009.

Mary A. Nelson
Notary Public

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Department of
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SUMMARY

Lee County Commission
October 1, 2007 through September 30, 2008

The Lee County Commission (the "Commission") is a six-member body elected by the citizens of Lee County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 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 programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the ***Code of Alabama 1975***, Section 41-5-14.

An unqualified 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, 2008.

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: Chief Administrative Officer: Roger Rendleman; Assistant Chief Administrative Officer, Alice Hodge; Commission Chairman: Bill English; and County Commissioners: Johnny Lawrence, Harry B. Ennis, Annell M. Smith, John Andrew Harris, and Mathan Holt. The following individuals attended the exit conference, held at the offices of the County Commission: Roger Rendleman, Chief Administrative Officer; Alice Hodge, Assistant Chief Administrative Officer; Commission Chairman: Bill English; Commissioner: John Andrew Harris; and representatives from the Department of Examiners of Public Accounts: Tammy Shelley, Audit Manager; Lara Mattison, Examiner; and Haley Hornsby, Examiner. The audit report was discussed with Commissioner Harry B. Ennis by telephone.

Independent Auditor's Report

Independent Auditor's Report

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, 2008, which collectively comprise the basic financial statements of the Lee County Commission as listed in the table of contents as Exhibits 1 through 8. These financial statements are the responsibility of the Lee County Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated July 13, 2009 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*** and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A), the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 11) and the Schedule of Funding Progress (Exhibit 12) are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

July 13, 2009

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Management's Discussion and Analysis (Required Supplementary Information)

Lee County Commission
Management's Discussion and Analysis
Fiscal Year October 1, 2007 through September 30, 2008

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, 2008. 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 entity-wide assets exceeded its liabilities at the close of the fiscal year ended September 30, 2008 by $43,367,950. The County's total net assets decreased by $460,186 or 1.05%. The decrease reflected the effects of slowing revenues and higher energy costs during the 2008 fiscal year.

- Entity-wide revenues were down $1,881,118 or 5.63% compared to the previous year. The main reason was $2,000,000 in the last fiscal year was a receipt of one-time funds. When taking that into consideration the overall revenues increased $118,882 (0.35%). Property Taxes and Charges for Service were up $1,738,566 (8.5%); however, the more economic sensitive and certain intergovernmental revenues were down $1,619,683 (12.6%).

- Entity-wide expenses increased $1,534,982 or 5.04% compared to the previous year. Most of the increase can be attributed to implementation of a new salary survey and pay plan and the first full year funding the additional staff for consolidated jail that opened in May 2007. The remainder of the increase is associated with higher fuel, energy and materials costs that increased significantly in the spring and summer of 2008.

- The overall main operational fund balances dropped from 38.87% to 27.22%. Despite of the decrease, these fund balances are still within the targeted range to provide the county with flexibility to address possible unforeseen events.

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 the private-sector businesses. The statement of net assets includes all of the County's assets and liabilities. Current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. 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 assets 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 assets 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 share revenues (i.e. gasoline taxes) and other miscellaneous revenues.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements more familiar. 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 many 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 Tax Fund, and the Public Buildings Roads and Bridges 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 and the assets reported in these funds. All the County's fiduciary activities are reported in a separate statement of fiduciary net assets (Exhibit 7) and a statement of changes in fiduciary net assets (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

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 11 which are Annual Budget to Actual comparisons of the governmental major funds of the County. Lee County adopts an annual appropriated budget for its General, Gasoline, and Public Buildings, Roads and Bridges funds; the comparison schedules are presented to demonstrate compliance with the fund budgets.

Government-wide Financial Analysis

The County governmental net assets decreased by $460,186 (1.05%) during the current fiscal year. Management monitors net assets because the variance is a useful indicator of the County's financial position. Lee County's total assets exceeded total liabilities by $43,367,950 as of the fiscal year ending September 30, 2008.

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

Statement of Net Assets as of September 30:

	Governmental Activities 2008	Governmental Activities 2007	Difference	Percentage
Current & Other Assets	27,741,311	28,369,108	(627,797)	-2.21%
Non-current/non-capital Assets	127,035	129,705	(2,670)	-2.06%
Capital Assets, Net	53,804,586	52,482,865	1,321,721	2.52%
Total Assets	**81,672,932**	**80,981,678**	691,254	0.85%
Current Liabilities	18,802,513	16,762,917	2,039,596	12.17%
Long-term Liabilities	19,502,470	20,390,626	(888,156)	-4.36%
Total Liabilities	**38,304,983**	**37,153,543**	1,151,440	3.10%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	35,152,518	31,310,201	3,842,317	12.27%
Restricted	2,994,230	6,436,689	(3,442,459)	-53.48%
Unrestricted	5,221,202	6,081,246	(860,044)	-14.14%
Total Net Assets	**43,367,950**	**43,828,135**	(460,186)	-1.05%

The 2.21% decrease in Current Assets is basically a net of a $2.1 million decrease (14.5%) in cash and investments and a $1.6 million increase (13.27%) in property tax receivable.

Half of the decreases in cash and investments can be attributed the County's use of these resources for acquiring facilities for the expansion of current and futures services, primarily, with the purchase of a facility across the street of the courthouse for future expansion that increases the usable square footage of the complex by 71% (22,000 square feet) and with the beginning of construction of a 6,500 square foot satellite office in the City of Auburn, which is the largest city in the county. The majority of the rest was a planned use of excess funds for the purchase of equipment and additional funds for resurfacing of roads above the annual allotment; however, most of these funds had to be reallocated to cover the significant run up in fuel and energy costs during the spring and summer of 2008.

The $1.6 million increase in property tax receivable is a result of continued residential and commercial growth in the area. There is a corresponding increase in Current Liabilities for a deferral of $1.8 million (13.86%) that is associated with property taxes, which accounts for a majority of the $2 million increase (12.17%) in Current Liabilities.

The increase in Capital Assets Net of Accumulated Depreciation of $1,321,721 (2.52%) and the increase in the Invested in Capital Assets Net of Related Debt of $3,842,317 (12.27%) represent the continued additional investment into fixed assets and infrastructure, along with the $888,156 (4.36%) reduction in long-term debt.

Restricted Net Assets and Unrestricted Net Assets decreased $3,442,459 (12.17%) and $860,044 (53.48%) as funds on hand were utilized for additional capital investment in facilities, infrastructure and absorbing extremely higher than expected energy costs.

A significant portion of Lee County's net assets $35,152,518 (77%) 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 liquidate these liabilities. The remaining net assets, $2,994,230 in restricted and $5,221,202 in unrestricted, may be used to meet the County's ongoing obligations to citizens and creditors. Restricted net assets are already designated for specific purposes where as unrestricted assets have not been specifically designated for a particular use.

Statement of Activities

The following schedule compares the revenues and expenses for the current year. Government activities decreased the County's net assets by $460,186.

Changes in Net Assets as of September 30, 2008:

	Governmental Activities 2008	Governmental Activities 2007	Difference	Percentage
REVENUES				
Program Revenues:				
Charges for Services	8,171,849	7,752,058	419,792	5.42%
Operating Grants & Contributions	6,088,181	8,419,513	(2,331,332)	-27.69%
Capital Grants & Contributions	687,472	983,071	(295,599)	-30.07%
General Revenues:				
Property Taxes – General Purposes	9,044,246	8,260,952	783,294	9.48%
Property Taxes – Specific Purposes	5,055,658	4,520,178	535,480	11.85%
Misc. Taxes	1,072,400	1,278,485	(206,085)	-16.12%
Grants & contributions not restricted to Special Programs	576,088	602,705	(26,616)	-4.42%
Interest Revenue	493,043	776,603	(283,560)	-36.51%
Miscellaneous	351,956	828,447	(476,491)	-57.52%
Total Revenues	**31,540,894**	**33,422,012**	(1,881,118)	-5.63%
EXPENSES				
Program Activities:				
General Government	8,929,158	8,055,348	873,810	10.85%
Public Safety	9,809,826	8,723,880	1,085,946	12.45%
Highways & Roads	9,472,233	9,707,002	(234,769)	-2.42%
Sanitation	2,491,099	2,683,047	(191,948)	-7.15%
Health & Welfare	217,634	212,272	5,362	2.53%
Culture & Recreation	128,978	120,453	8,525	7.08%
Education	96,727	88,911	7,816	8.79%
Interest and Fiscal Charges	855,425	875,185	(19,759)	-2.26%
Total Expenses	**32,001,080**	**30,466,098**	1,534,982	5.04%
Net Assets, Increase in	**-460,186**	**2,955,914**	(3,416,100)	-115.57%

Of the County's total revenues at $31,540,894 property taxes account for 44.7% of the total revenue of the County. Taxes as a whole represent 48.1% of the total revenue collected by the County for fiscal year ended September 30, 2008.

Overall, Property Taxes experienced a 10.32% increase primarily as a result of annual reappraisal and continued residential and commercial growth in the area. These revenues were collected during the 2008 fiscal year based on assessments and values established from activity (i.e., sales and change in use) that occurred from October 2005 through September 2006 in Lee County. This is important to note as will be discussed in the Economic Factors later in the MD&A.

Operating Grants & Contributions decreased 27.69% ($2,331,332). The majority of this decrease is attributed to a settled lawsuit with a local quarry which was received in the prior year. These funds would have originally been used towards the repair and maintenance of the County's highway system, so these proceeds were designated towards those operations. Considering the infrequency of such an event, this decrease was expected in this category and budgeted accordingly. The decrease in this category was the primary reason for the overall revenues to decrease 5.63% ($1,881,118) from the previous year.

Capital Grants &Contributions decreased 30.07% ($295,599). The decrease is primarily attributed to large fluctuations that occur from year to year relating to the State Aid Road and Bridge Projects. In Fiscal Year 2008, the County had no State funded projects performed.

Charges for Services increased 5.42% ($419,792) primarily due from a $567,520 increase in inmate housing fees with the consolidated jail completing the first full year of operations. There was a sizable decrease in solid waste disposal fees of $256,762 (10.4%) due to the City of Smiths Station beginning garbage collection, which removed their citizens from our disposal system on October 1, 2007. Several of the more economy sensitive items showed declines (i.e., Building Permits 4.79%, Probate Office Fees 14.8%); however, these were countered with moderate increases in less sensitive items (i.e., Revenue Commission Office Fees 10.4%, Court Fees 17.1%).

Interest Revenue decreased 36.51% ($283,560) due from falling interest rates and a decrease in the funds available for investment especially during the last half of the fiscal year.

Miscellaneous Revenue decreased 57.5% ($476,491) due to gains in the sale of equipment in the previous year and lack of such in the current year. In addition, the nature of this line item is subject to significant fluctuations from year to year.

Expenses for all services of the County were $32,001,080. Of this amount 27.9% was spent for general government, 30.65% for public safety, 29.6% for highways and roads, 7.78% for sanitation and 4.07% on the remaining categories listed above.

General Government increased 10.85% which is primarily attributed to implementation of a new salary survey and pay plan for about 9% ($328,730). Also there was an 86% increase ($269,216) in repairs and maintenance to address several mechanical system needs in county facilities.

Public Safety increased 12.45% which is primarily attributed to implementation of a new salary survey and pay plan and the first full year of the additional staff for consolidated jail that opened in May 2007 for about 12% ($739,236). Another significant cost increase was fuel of 75% ($130,425).

Highways and Roads had a slight decrease of 2.42%. Although there was an implementation of a new salary survey and pay plan, those costs were significantly offset with vacancies that occurred in the Highway Department during the year. Increases in various areas like fuel of 24% ($173,365), materials of 23% ($192,364), and participation in a couple of economic development projects ($174,114) were offset by $739,300 less in legal fees that were incurred last year in relation to the settlement from the lawsuit with a local quarry.

Sanitation had a slight decrease of 7.15% which is primarily attributed to federal funding granted through the County to the Smith's Station Water Authority to extend water service to moderate and low-income families that was completed in the previous fiscal year. If you exclude the project's numbers, Sanitation increased by 4.5% ($107,967) which is primarily attributed to implementation of a new salary survey and pay plan for about 5.5% ($53,510). Also, depreciation expense increase 17.5% ($42,266) with various site improvements and heavy equipment purchases.

The remaining expenditure items (4.07% of total expenditures) are in line with year-to-year fluctuations for the types of expenditures.

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 $32,001,080 and the combined charges for services plus operating and capital grants received were $14,947,502 leaving a net cost to the County of $17,053,578. This is an increase of $3,742,122 in expenditures required to be funded from general revenues. The major of the increase was the effect of receiving a $2,000,000 settlement in a lawsuit that was dedicated to Highways and Roads in the previous fiscal year. When you take that into consideration then the increase could really be considered to be $1,742,122.

Charges for services amounted to $8,171,849 and combined grants and contributions totaled $6,775,653. The charges for services are payments made by those that received the services while grants and contributions are monies that were received from other governments and organizations that subsidized the functions or programs.

Function/Programs	**2008 Net Cost of Services**	**2007 Net Cost of Services**	**Net Cost (Increase)/Decrease**
General Government	(3,494,394.74)	(2,674,285)	(820,110)
Public Safety	(6,912,241.24)	(6.722,142)	(190,099)
Highways and Roads	(5,114,749.69)	(2,891,633)	(2,223,116)
Sanitation	(267,265.58)	(202,934)	(64,332)
Health	(198,342.48)	274,864	(473,207)
Welfare	(11,579.07)	(10,777)	(802)
Culture and Recreation	(128,977.76)	(120,453)	(8,525)
Education	(70,601.49)	(88,911)	18,310
Interest and Fiscal	(855,425.48)	(875,184)	19,759
Total Governmental Activities	**(17,053,578)**	**(13,311,455)**	(3,742,122)

Financial Analysis of Fund Balances

The financial position of the County to address immediate needs as a whole is reflected in its governmental funds. The total governmental funds balances at the end of the fiscal year decreased from $13,442,107 to $11,054,273. This was a decrease of $2,387,834 (17.76%).

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

Large increases or decreases in overall fund balance will occur when significant capital projects are undertaken. For this reason, the Capital Projects Fund is excluded since the fund is established by the resources set aside for specific projects that can span more than one fiscal year and aren't operational in nature; therefore, the fund hasn't been included for comparison in the table below.

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 (which excludes the Capital Projects Fund).

Fund	Beginning Fund Balance	Net Increase or (Decrease)	Ending Fund Balance	% of Annual Expenditures
General Fund	4,677,041	(521,913)	4,155,128	24.91%
Gasoline Fund	2,255,533	(992,222)	1,263,311	19.35%
Public Buildings, Roads & Bridges Fund	103,410	(96,042)	7,368	***
Other Governmental Funds	6,399,121	(2,545,541)	3,853,580	35.40%
Totals	**13,435,105**	**(4,155,718)**	**9,279,387**	**27.22%**

***- All Resources of this Major Fund are transferred to other Operational Funds each year.

For Lee County a target fund balance for most operational funds is a floor (absolute minimum) of fifteen percent, 15%, of annual expenditures to a preferred target of thirty percent, 30%, of annual expenditures. This is a very acceptable range due to the county's dependability on property taxes, a reliable and predictable revenue source. The one main exception is the RRR Gasoline Fund (included in Other Governmental Funds) which is targeted at 15%, plus an additional $500,000 due to nature and dollar magnitude of the type of emergencies (i.e., bridge failure) that might arise in the activities funded in this fund.

The total operational governmental fund balances (excluding funds associated with significant capital projects) at the end of the fiscal year decreased from $13,435,105 to $9,279,387. This was a decrease of $4,155,718 (30.93%). Almost half of the decrease in the operational fund balances was a $2 million transfer to the Capital Projects Fund from a fund within the Other Governmental Funds for the purpose of constructing a satellite office ($1.7 million) and partial funding for a new family court room ($300,000).

The two major main operational funds for the County experienced decreases of 11.16% for the General Fund and 44% for the Gasoline Tax Fund; however, the ending balances are still within the targeted ranges and these were budgeted and planned decreases.

The overall operational Governmental fund balances are at twenty-seven percent (27.22%) of annual expenditures thus providing the county with some flexibility to address possible unforeseen events.

Budgetary Highlights - Major Funds

General Fund

Exhibit 9 shows that a few changes were made in the original General Fund budgets for fiscal year ended September 30, 2008.

Transfers Out budget for the General Fund was increased $953,500. Of this amount, $750,000 represented excess funds to the Capital Improvement Fund as established by County Policy for various capital projects approved by the County Commission. The remaining $203,500 was reduced from budgeted expenditures and transferred to the Capital Projects Fund to assist in funding the construction of a satellite office in the City of Auburn.

Actual Revenues were $445,474 higher than the final budgeted revenues while actual expenditures were $569,101 lower than the final budgeted amounts. The net change in the general fund balance for the current fiscal year was a $521,913 decrease or (11.16%), which is a $1,028,088 positive difference from the planned $1,550,000 decrease in the final budget. This is primarily attributed to budgeting revenues slightly below actual projections for the fiscal year and the commitment of all the various departments to stay within or finish the year below budget. This fund ended with a fund balance equal to 24.91% of its annual expenditures.

Gasoline Tax Fund

Exhibit 10 shows that a few changes were made in the original Gasoline Tax Fund budgets for fiscal year ended September 30, 2008.

Transfer In was increased $411,000 from Other Governmental Funds while Capital Outlay was reduced $100,000. These amounts were used to increase the operational budget for Road & Bridge by $511,000 to cover the significant increases in fuel and material costs during the spring and summer of 2008.

Actual Revenues were $109,826 lower than the budgeted revenues. This was attributed to drops in gasoline tax revenues as the general population drove significantly less with the high fuel prices and in miscellaneous revenue as interest earnings decreased with the slowing economy.

Actual Expenditures were under budget by $816,504. The Highway Department took significant measures to conserve and reduce expenditures to address the sudden decrease in revenues and increases in fuel and fuel related costs. Such measures allowed the County to only have to transfer in $100,000 of the $411,000 budget adjustment; therefore, Transfer In is $311,000 less than budgeted.

The net change in the Gasoline Tax fund balance for the current fiscal year was a $992,222 decrease or (44%), which is $399,778 less than the planned decrease for this fund. This fund ended with a fund balance equal to 19.35% of its annual expenditures.

Public Buildings, Roads and Bridges Fund

Exhibit 11 shows changes was made to the original Public Buildings, Roads and Bridges Fund budgets for fiscal year ended September 30, 2008.

The Revenue budget was increased $54,200 to recognize additional funds available due to better that expected receipts of taxes during the year. A debt service budget of $54,200 was established to fund a bank note to partially finance the remodel of the southern end of the T. K. Davis Justice Center for a new family courtroom.

Actual Revenues were slightly more ($11,828) more than the final budgeted revenues while actual expenditures and transfers to operational funds were slightly lower ($2,130) than the final budgeted amounts.

The net change in the Public Buildings, Roads and Bridges fund balance for the current fiscal year was a $96,042 decrease, which was $13,958 less than anticipated by the final budget.

Most of these monies received into this fund are transferred each year to other operational funds (i.e., Gas Tax, RRR Gas Tax and Debt Service).

Capital Asset and Debt Administration

Capital Assets - Depreciation of assets other than land and construction in progress projects is 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, 2008.

Capital Assets	
Total Capital Assets at October 1, 2007,	$52,482,865
Additions	4,301,312
Retirements	(1,260,467)
Annual Depreciation	(2,928,424)
Accumulated Depreciation of Retired Assets	1,209,300
Total Capital Assets at September 30,2008	**$53,804,586**

The following table shows total assets before and after depreciation.

Governmental Activities	**Assets Original Cost**	**Value at 9/30/08 After Depreciation**
Land	$1,917,688	1,917,688
Construction in Progress	961,028	961,028
Infrastructure	16,387,072	13,391,555
Buildings and Improvements	39,187,636	30,762,867
Equipment and Furniture	15,409,466	5,158,724
Equipment Under Capital Leases	2,483,407	1,612,724
Total Capital Assets	**$76,346,297**	**$53,804,586**

Debt Outstanding

At the end of September 2007 the County's general obligation long-term debt was $22,004,223. By the end of the current year the general obligation long-term debt had decreased $567,986 (2.58%) to $21,436,237.

The County did not issue any new general obligation warrants during the year and the pay-down on the existing general obligation warrants was $975,000.

The County issued general obligation notes with maturities of five years or less for financing of new Sheriff's patrol cars, for new trucks for garbage disposal and partial funding for a family courtroom for a total amount of $1,069,819. These obligations were already paid down in the amount of $134,179 by the end of the current year.

Capital lease debt decreased $620,004 without any new issuances in this type of debt. During the 2008 fiscal year, the issuance of general obligation notes for the Sheriff's patrol cars lease rotation program was determined to be a more cost effective financing method.

The liability for compensated absences as of the end of the current year was $1,109,169, which was a $105,735 increase (10.54%) over last fiscal year's $1,003,434.

Based on the County's legal limits of debt at 5% of the net assessed value of property as of October 1, 2008, Lee County's maximum debt limit was $69,674,944. With our total chargeable debt against our limit as of the end of the current fiscal year being $38,304,983, we were at 54.98% of our legal debt limit. For Fiscal Year 2008, our debt service was $2,598,550 or 8.24% of our total revenues.

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 residential growth. With the student population and the rate of residential growth supporting a larger retail base, the County has seen significant construction in commercial development recently, as evident in the 10% annual tax base increase over the last five years. According to censes estimates, the County continues to grow at 1.6% per annum. Although the presence of the university and regional hospital provide a sound economic base during the times of national downturns, Lee County knows it is not totally immune to the current recession as this growth has recently slowed significantly.

In the 2007 fiscal year, we already had indications of the slowing economy with a significant drop in building permits. Despite building permits, revenue resources remained strong in fiscal year 2007 and most of fiscal year 2008. Towards the end of fiscal year 2008 our economic sensitive revenue started to show significant weakness; however, the largest concern at the time was costs. Fuel and energy prices were peaked and causing problems with our budget. Not only were fuel costs causing a strain on the County's budget but the vendors were passing their fuel costs on by increasing their prices for goods and services. These increased costs, with slowing revenue, resulted in the first deficit spending year in every significant operational fund for the County Commission in the last five years.

Each fiscal year, we budget the use of fund balance above the fifteen percent (15%) floor for capital and one-time projects; however, the goal is for revenues to exceed budget by setting the budget slightly less than projections and for departments to finish the year a little under budget. If these goals are achieved, we tend to finish close to spending the amount of revenues that are received each year, which results in no deficit spending. In most years, we finish with surplus in most funds which improves the overall financial position. Unfortunately, the slowing revenues and rapid cost increases prevented achieving those goals in fiscal year 2008; therefore, fund balances were utilized. Despite the use of the fund balances, the county maintained the targeted fund balances and is still in a solid financial position.

Over the next few years, we are monitoring and preparing for the effects of the current recession will have on our main revenue source. Ad Valorem Taxes on real property is over 43% of our total revenue. This source basically has a two-year time lag in relation with current market conditions. For example, tax revenues collected in fiscal year 2009 is based on an October 1, 2008 assessment established by sales data collected between October 1, 2006 and September 30, 2007. The official national recession began in December 2007. Based on the preliminary assessments for the fiscal year 2010 collections, we still will have growth in taxes; however, the rate will be 60% less than what we have been experiencing over the last few years. Based on preliminary sales data for assessments associated with the fiscal year 2011 collections, we are currently projecting no growth.

Already, the County Commission has approved a hiring freeze with the exception of where the vacancies may cause public safety and health to be compromised or a department may be incapable of functioning at a minimum level. Such cases are to be brought to the County Commission for a vote based on the merits presented by the appointing authority. We anticipate implementing additional measures as needed to increase fund balances in order to provide resources and flexibility to address potential financial challenges that the Lee County Commission may face over the next few years while minimizing the negative impact on services.

There are a couple of significant events that could assist in expanding the tax base and minimize the effects of the current recession. The County could experience additional growth due to the realization of the 2006 Base Realignment and Closure (BRAC). Fort Benning in Columbus, Georgia borders the Southeast corner of the County and is projected to increase by 28,000 soldiers, support personnel, and families as the result of BRAC. With our quality school systems and proximity to the base, the County will be an attractive alternative location to live, especially to those with families. Also, the construction of a new KIA automotive plant just outside West Point, Georgia should also have a positive economic impact with Lee County being located within thirty minutes from the site. These two significant events are projected to start impacting the area during 2010.

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) 745-9767. The office is located on the second floor of the historic courthouse in downtown Opelika.

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Basic Financial Statements

Statement of Net Assets
September 30, 2008

	Governmental Activities
ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 8,283,850.94
Investments	4,168,185.60
Accounts Receivable	183,835.44
Interest Receivable	29,942.05
Due from Other Governments	987,090.42
Property Tax Receivable	14,058,873.49
Inventories	538.97
Prepaid Expenses	28,993.63
Total Current Assets	27,741,310.54
Noncurrent Assets	
Cash with Fiscal Agent	127,035.22
Capital Assets:	
Nondepreciable:	
Land	1,917,687.58
Construction in Progress	961,028.47
Depreciable:	
Infrastructure	16,387,072.03
Buildings	39,187,636.31
Equipment and Furniture	15,409,465.71
Equipment Under Capital Lease	2,483,407.19
Less: Accumulated Depreciation	(22,541,710.85)
Total Noncurrent Assets	53,931,621.66
TOTAL ASSETS	81,672,932.20
LIABILITIES	
Current Liabilities	
Accounts Payable	1,008,764.32
Wages and Fringes Payable	733,905.99
Deferred Revenue	14,768,765.36
Due to Other Governments	199,375.91
Accrued Interest Payable	157,933.58
Long-Term Liabilities:	
Portion Due Within One Year:	
Warrants Payable	1,237,848.37
Add: Premium on Warrants	14,356.68
Capital Lease Contracts Payable	578,301.02
Estimated Liability for Compensated Absences	103,261.32
Total Current Liabilities	$ 18,802,512.55

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	$ 17,347,791.99
Add: Premium on Warrants	217,742.31
Capital Lease Contracts Payable	931,028.18
Estimated Liability for Compensated Absences	1,005,907.61
Total Noncurrent Liabilities	19,502,470.09
TOTAL LIABILITIES	38,304,982.64
Net Assets	
Invested in Capital Assets - Net of Related Debt	35,152,517.89
Restricted for Road Purposes	2,775,325.19
Restricted for Other Purposes	218,904.64
Unrestricted	5,221,201.84
Total Net Assets	$ 43,367,949.56

Statement of Activities
For the Year Ended September 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government			
Governmental Activities			
General Government	$ 8,929,157.94	$ 4,828,311.84	$ 199,604.40
Public Safety	9,809,825.87	1,117,874.61	1,525,210.02
Highways and Roads	9,472,233.02	1,829.27	4,355,654.06
Sanitation	2,491,099.29	2,223,833.71	
Health	206,054.76		7,712.28
Welfare	11,579.07		
Culture and Recreation	128,977.76		
Education	96,726.82		
Interest	850,975.48		
Fiscal Agent Fees	4,450.00		
Total Governmental Activities	$ 32,001,080.01	$ 8,171,849.43	$ 6,088,180.76

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

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - 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 Assets Primary Government Total Governmental Activities
$ 406,846.96	$ (3,494,394.74)
254,500.00	(6,912,241.24)
	(5,114,749.69)
	(267,265.58)
	(198,342.48)
	(11,579.07)
	(128,977.76)
26,125.33	(70,601.49)
	(850,975.48)
	(4,450.00)
$ 687,472.29	(17,053,577.53)
	9,044,246.09
	5,055,658.32
	1,072,400.13
	576,088.17
	493,042.73
	351,956.16
	16,593,391.60
	(460,185.93)
	43,828,135.49
	$ 43,367,949.56

Balance Sheet
Governmental Funds
September 30, 2008

	General Fund	Gasoline Tax Fund
ASSETS		
Cash and Cash Equivalents	$ 2,412,618.99	$ 1,327,346.83
Cash with Fiscal Agent		
Investments	2,668,185.60	
Accounts Receivable	88,822.29	
Interest Receivable	20,575.47	
Due from Other Governments	368,473.67	389,096.82
Property Tax Receivable	8,999,582.06	
Inventories	538.97	
Prepaid Expenses	28,993.63	
TOTAL ASSETS	14,587,790.68	1,716,443.65
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	324,381.18	333,518.74
Wages and Fringes Payable	512,160.85	104,439.38
Deferred Revenue	9,331,968.10	
Due to Other Governments	192,643.19	
Estimated Liability for Compensated Absences	71,509.64	15,173.82
TOTAL LIABILITIES	10,432,662.96	453,131.94
FUND BALANCES		
Reserved for Debt Service		
Reserved for Capital Projects		
Reserved for Prepaid Expenses	28,993.63	
Reserved for Encumbrances	243,444.64	325,261.76
Designated Fund Balance		
Unreserved	3,882,689.45	938,049.95
TOTAL FUND BALANCES	4,155,127.72	1,263,311.71
TOTAL LIABILITIES AND FUND BALANCES	$ 14,587,790.68	$ 1,716,443.65

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

Public Buildings, Roads and Bridges Fund	Other Governmental Funds	Total Governmental Funds
$ 157,074.62	$ 4,386,810.50	$ 8,283,850.94
	127,035.22	127,035.22
	1,500,000.00	4,168,185.60
	95,013.15	183,835.44
	9,366.58	29,942.05
	229,519.93	987,090.42
4,069,411.99	989,879.44	14,058,873.49
		538.97
		28,993.63
4,226,486.61	7,337,624.82	27,868,345.76
	350,864.40	1,008,764.32
	117,305.76	733,905.99
4,219,118.16	1,217,679.10	14,768,765.36
	6,732.72	199,375.91
	16,577.86	103,261.32
4,219,118.16	1,709,159.84	16,814,072.90
	127,035.22	127,035.22
	1,774,883.51	1,774,883.51
		28,993.63
	536,012.35	1,104,718.75
	1,121,722.55	1,121,722.55
7,368.45	2,068,811.35	6,896,919.20
7,368.45	5,628,464.98	11,054,272.86
$ 4,226,486.61	$ 7,337,624.82	$ 27,868,345.76

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Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
September 30, 2008

Total Fund Balances - Governmental Funds (Exhibit 3)		$ 11,054,272.86
Amounts reported for governmental activities in the Statement of Net Assets (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	$ 1,917,687.58	
Infrastructure	16,387,072.03	
Buildings	39,187,636.31	
Equipment and Furniture	15,409,465.71	
Construction in Progress	961,028.47	
Equipment under Capital Lease	2,483,407.19	
Less: Accumulated Depreciation	(22,541,710.85)	
		53,804,586.44

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:

	Liabilities		
	Current	Noncurrent	
Warrants Payable	$ 1,237,848.37	17,347,791.99	
Premium on Warrants	14,356.68	217,742.31	
Capital Lease	578,301.02	931,028.18	
Accrued Interest Payable	157,933.58		
Estimated Liability for Compensated Absences		1,005,907.61	
Total Long-Term Liabilities	$ 1,988,439.65	$ 19,502,470.09	
			(21,490,909.74)
Total Net Assets - Governmental Activities (Exhibit 1)			$ 43,367,949.56

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, 2008

	General Fund	Gasoline Tax Fund
Revenues		
Taxes	$ 10,167,730.47	$
Licenses and Permits	659,733.65	
Intergovernmental	1,921,386.89	1,865,351.65
Charges for Services	4,349,049.09	1,829.27
Miscellaneous	484,674.28	62,993.07
Total Revenues	17,582,574.38	1,930,173.99
Expenditures		
Current:		
General Government	7,015,881.44	
Public Safety	8,480,240.99	
Highways and Roads		5,153,452.02
Sanitation		
Health	197,794.70	
Welfare	3,270.59	
Culture and Recreation	100,000.00	
Education	90,237.37	
Capital Outlay	578,496.48	952,902.78
Debt Service:		
Principal Retirement	204,897.57	356,396.36
Interest and Fiscal Charges	12,100.10	65,746.83
Fiscal Agent Fees		
Total Expenditures	16,682,919.24	6,528,497.99
Excess (Deficiency) of Revenues Over Expenditures	899,655.14	(4,598,324.00)
Other Financing Sources (Uses)		
Sale from Capital Assets	12,781.16	4,100.00
Transfer In	8,800.00	3,602,002.00
Debt Issued	225,357.00	
Transfer Out	(1,668,506.00)	
Total Other Financing Sources (Uses)	(1,421,567.84)	3,606,102.00
Net Change in Fund Balances	(521,912.70)	(992,222.00)
Fund Balances - Beginning of Year	4,677,040.42	2,255,533.71
Fund Balances - End of Year	$ 4,155,127.72	$ 1,263,311.71

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

Public Buildings, Roads and Bridges Fund	Other Governmental Funds	Total Governmental Funds
$ 4,057,773.98	$ 946,800.09	$ 15,172,304.54
	9,208.34	668,941.99
33,045.52	4,330,613.48	8,150,397.54
	2,226,026.21	6,576,904.57
63,208.73	343,049.31	953,925.39
4,154,028.23	7,855,697.43	31,522,474.03
	1,202,846.51	8,218,727.95
	618,351.12	9,098,592.11
	3,042,666.12	8,196,118.14
	2,210,367.02	2,210,367.02
		197,794.70
		3,270.59
	20,386.43	120,386.43
		90,237.37
	2,769,913.14	4,301,312.40
47,142.15	1,120,746.47	1,729,182.55
6,192.60	780,878.26	864,917.79
	4,450.00	4,450.00
53,334.75	11,770,605.07	35,035,357.05
4,100,693.48	(3,914,907.64)	(3,512,883.02)
	38,349.05	55,230.21
	5,337,483.54	8,948,285.54
	844,462.00	1,069,819.00
(4,196,735.38)	(3,083,044.16)	(8,948,285.54)
(4,196,735.38)	3,137,250.43	1,125,049.21
(96,041.90)	(777,657.21)	(2,387,833.81)
103,410.35	6,406,122.19	13,442,106.67
$ 7,368.45	$ 5,628,464.98	$ 11,054,272.86

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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, 2008

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)		$ (2,387,833.81)
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 ($4,301,312.40) exceeds depreciation ($2,928,424.45).		1,372,887.95
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 Assets.		1,729,182.55
Debt issuances provide current financial resources governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.		(1,069,819.00)
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 items consist of:		
Net Increase in Long-Term Compensated Absences	$ (81,735.77)	
Net Decrease in Accrued Interest Payable	13,942.31	(67,793.46)
Amortization of Premium on Bond Issue		14,356.68
In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the changes in net assets differs from the change in fund balance by the cost of the capital assets sold.		(51,166.84)
Total Net Assets - Governmental Activities (Exhibit 2)		$ (460,185.93)

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

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2008

	Private-Purpose Trust Funds
Assets	
Cash and Cash Equivalents	$ 2,130,036.31
Total Assets	2,130,036.31
Liabilities	
Payable to External Parties	1,826,712.35
Total Liabilities	1,826,712.35
Net Assets	
Held in Trust for Other Purposes	$ 303,323.96

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

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2008

	Private-Purpose Trust Funds
Additions	
Contributions:	
Probate Court	$ 2,643,200.55
Charges for Service	146,517.79
Total Additions	2,789,718.34
Deductions	
Payment to Beneficiaries	2,591,086.84
Administrative Expenses	159,927.93
Total Deductions	2,751,014.77
Changes in Net Assets	38,703.57
Net Assets - Beginning of Year	264,620.39
Net Assets - End of Year	$ 303,323.96

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) require 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. Financial accountability ordinarily involves meeting the following criteria: 1) the primary government appoints a voting majority of the organization's governing body and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government or 2) the potential component unit is fiscally dependent on the primary government. Based on the application of these criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets 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 nonexchange 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 nonmajor 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 County. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the County.

- ***Gasoline Tax Fund*** – This fund is used to account for the expenditures of gasoline taxes restricted to roads.

- ***Public Buildings, Roads and Bridges Fund*** – This fund is used to account for the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges.

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 the proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

- ***Capital Projects Fund*** – This fund is used to account for the expenditures of funds designated for significant capital projects.

- ***Debt Service Funds*** – These funds are used to account for the accumulation of resources for and the payment of, the Commission's principal and interest on governmental bonds.

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 sixty (60) 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 assets 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.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

D. Assets, Liabilities, and Net Assets/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 and securities of federal agencies and certificates of deposit.

Investments are reported at cost.

2. Receivables

All ad valorem tax and sales tax receivables are shown net of an allowance for uncollectibles.

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.

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 records exist. 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 roads, 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 assets. Bond/Warrant premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds/Warrants payable are reported net of the applicable bond/warrant premium or discount. Bond/Warrant issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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, 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. In unusual circumstances department heads may advance up to six days sick leave, provided that all other leave has been used and that the cause of absence is supported by a doctor's certificate.

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).

As of September 30, 2008, the liability for accrued annual leave and compensatory leave time is approximately $1,109,168.93. Of this amount $103,261.32 is recorded as current and $1,005,907.61 as noncurrent in the governmental activities' Statement of Net Assets.

9. Net Assets/Fund Equity

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

- ***Invested in Capital Assets, Net of Related Debt*** – 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 at year-end related to capital assets are not included in this calculation.

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

- ***Unrestricted*** – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Commission.

Fund equity is reported in the fund financial statements. Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Stewardship, Compliance, and Accountability

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 2007-488, Acts of Alabama. According to the terms of the law, at some meeting in September of each year, but in any event not later than October 1, the Commission must estimate the anticipated revenues, estimated expenditures and appropriations for the respective amounts that are to be used for each of such purposes. The appropriations must not exceed the total revenues available for appropriation plus any balances on hand. Expenditures may not legally exceed appropriations.

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

Note 3 – Deposits and Investments

Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal 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. The Commission invested in certificates of deposit. These certificates of deposit were classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

Cash with Fiscal Agent

The Commission has deposits totaling $127,035.22 in the debt service funds (other governmental funds) which is shown as cash with fiscal agents on the fund financial statements and on the government-wide financial statements. These funds are invested in Regions Select Treasury Money Market Funds. This money market fund invests primarily in U. S. Treasury obligations maturing in 397 days or less and in repurchase agreements collateralized by U. S. Treasury obligations. Regions Select Treasury Money Market Funds are rated AAA by Standard & Poor's with an average maturity of 60 days or less.

Investments

State statutes authorize the Commission to invest in obligations of the U. S. Treasury and securities of federal agencies.

At September 30, 2008, the Commission had the following investments on the government-wide financial statements and on the fund financial statements:

Investments	Maturity	Fair Value
Federal Home Loan Bank Discount Notes	10/06/2008	$269,913.60
Federal Home Loan Bank Discount Notes	12/01/2008	$298,230.00
Fannie Mae Investment Notes	03/04/2011	$100,042.00

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 federal securities are held in the name of the Commission. As of September 30, 2008, the fair value of the securities exceed the reported amount, therefore, the Commission's investments are fully collateralized. $100,042.00 of the Commission's investments in Fannie Mae are rated Aaa by Moody's Investor's Service and AAA by Standard and Poor's.

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 – Deferred Revenues

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2008, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Taxes Receivable	$13,878,314.07	$701,951.61
Grants Received but Unearned at September 30, 2008		188,499.68
Total Deferred/Unearned Revenue for Governmental Funds	$13,878,314.07	$890,451.29

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2008, was as follows:

	Balance 10/01/2007	Additions	Retirements	Balance 09/30/2008
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 1,917,687.58	$	$	$ 1,917,687.58
Construction in Progress	24,300.00	936,728.47		961,028.47
Total Capital Assets, Not Being Depreciated	1,941,987.58	936,728.47		2,878,716.05
Capital Assets Being Depreciated:				
Infrastructure	16,387,072.03			16,387,072.03
Buildings	38,136,593.75	1,051,042.56		39,187,636.31
Equipment and Furniture	14,356,390.89	2,313,541.37	(1,260,466.55)	15,409,465.71
Equipment Under Capital Lease	2,483,407.19			2,483,407.19
Total Capital Assets Being Depreciated	71,363,463.86	3,364,583.93	(1,260,466.55)	73,467,581.24
Less Accumulated Depreciation for:				
Buildings	(7,820,296.36)	(604,473.28)		(8,424,769.64)
Infrastructure	(2,582,775.42)	(412,741.18)		(2,995,516.60)
Equipment and Furniture	(10,028,508.05)	(1,431,533.11)	1,209,299.71	(10,250,741.45)
Equipment Under Capital Lease	(391,006.28)	(479,676.88)		(870,683.16)
Total Accumulated Depreciation	(20,822,586.11)	(2,928,424.45)	1,209,299.71	(22,541,710.85)
Total Capital Assets, Being Depreciated, Net	50,540,877.75	436,159.48	(51,166.84)	50,925,870.39
Governmental Activities Capital Assets, Net	$ 52,482,865.33	$ 1,372,887.95	$ (51,166.84)	$ 53,804,586.44

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	$ 693,098.38
Public Safety	647,024.55
Highway and Roads	1,272,410.50
Sanitation	283,887.92
Health	8,613.84
Welfare	8,308.48
Recreation	8,591.33
Education	6,489.45
Total Depreciation Expense – Governmental Activities	$2,928,424.45

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. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. 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. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. 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, 135 South Union Street, Montgomery, Alabama 36130-2150.

B. Funding Policy

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. As of January 1, 2001, full-time law enforcement officers are required by statute to contribute 6 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, 2008, was 6.49% based on the actuarial valuation performed as of September 30, 2005.

C. Annual Pension Cost

For the year ended September 30, 2008, the Commission's annual pension cost of $815,459 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, 2007, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.75 percent at age 20 to 4.61 percent at age 65. Both (a) and (b) include an inflation component of 4.5 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 unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period as of September 30, 2007, was 19 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
9/30/2008	$815,459	100%	$0
9/30/2007	$681,431	100%	$0
9/30/2006	$621,364	100%	$0

D. Funded Status and Funding Progress

As of September 30, 2007, the most recent actuarial valuation date, the plan was 82.90 percent funded. The actuarial accrued liability for benefits was $27,222,075 and the actuarial value of assets was $22,562,893 resulting in an unfunded actuarial accrued liability (UAAL) of $4,659,182. The covered payroll (annual payroll of active employees covered by the plan) was $11,926,357, and the ratio of the UAAL to the covered payroll was 39.10 percent.

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

Note 7 – Other Postemployment Benefits (OPEB)

In addition to the pension benefits described in Note 6, the County provides post employment health care benefits, in accordance with a resolution approved by the Commission on October 12, 1999 (modified January 1, 2005), to all County employees who retire with twenty-five years of service with the Lee County Commission until "full retirement age" as outlined by the current Social Security Administration's Full Retirement and Reductions by Age Schedule, or upon eligibility for Medicare.

Dependents can be covered under an eligible retiree's family plan if the dependents meet the definition of "who can be covered" in each option's contract. However, the employee must reimburse the County for dependent coverage.

The County pays for the retired employees' insurance. The cost is currently $666.00 per month for retirees eligible for this benefit. Expenditures for post-retirement health care benefits are made and recognized as premiums are paid, and are included with the expenditures for health care benefits for current employees. During the fiscal year ending September 30, 2008, post-retirement health care benefits paid by the Commission was $53,690 to cover eight retirees.

Note 8 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled $2,483,407.19 for governmental activities at September 30, 2008. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days' written notice and payment of a pro rata share of the current year's lease payments. Until that time, the leased equipment will be identified separately. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

Fiscal Year Ending	Governmental Activities
September 30, 2009	$ 638,867.24
2010	564,672.07
2011	422,143.17
Total Minimum Lease Payments	1,625,682.48
Less: Amount Representing Interest	(116,353.28)
Present Value of Net Minimum Lease Payments	$1,509,329.20

Note 9 – Long-Term Debt

The Commission issued General Obligation Bonds 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.

The Commission issued General Obligation Bonds Series 1998 for the purpose of (i) prepaying and retiring the County's General Obligation Road and Bridge Warrants, dated June 1, 1989, (ii) providing the funds to pay the Cities of Opelika and Auburn for the cost of maintaining, repairing and replacing certain County roads and highways the responsibility for which will be transferred to such cities pursuant to separate agreements with the County and (iii) paying the costs of issuing the Series 1998 Warrants.

The Commission issued three General Obligation Warrants as a series of bank notes for the following purposes:

Issued in February 2008 a thirty-six month (3 years) $225,357 warrant intended for funding the purchase of vehicles for the Sheriff's Office.

Issued in February 2008 a forty-eight month (4 years) $244,462 warrant intended for funding the purchase of heavy equipment for the Environmental Service Department.

Issued in April 2008 a sixty month (5 years) $600,000 warrant intended for funding the remodeling of the south end of the T. K. Davis Justice Center for a new family courtroom and juvenile probation officer offices.

	Debt Outstanding 10/01/2007	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2008	Amounts Due Within One Year
Warrants and Notes Payable:					
General Obligation - Series 2004	$16,655,000.00	$	$ 680,000.00	$15,975,000.00	$ 695,000.00
General Obligation - Series 1998	1,970,000.00		295,000.00	1,675,000.00	305,000.00
Unamortized Premium	246,455.67		14,356.68	232,098.99	14,356.68
General Obligation Notes		1,069,819.00	134,178.64	935,640.36	237,848.37
Capital Lease Contracts Payable	2,129,333.11		620,003.91	1,509,329.20	578,301.02
Estimated Liability for Compensated Absences	1,003,433.76	105,735.17		1,109,168.93	103,261.32
Totals	$22,004,222.54	$1,175,554.17	$1,743,539.23	$21,436,237.48	$1,933,767.39

Payments on the bonds payable that pertain to the General Obligation Bonds Series 2004 are made by the Public Buildings, Roads and Bridges Fund and the Debt Service Fund, which both cities (Auburn and Opelika) are contributing an annual appropriation for the debt service on $10 million of the $17.98 million principal.

Payments on the bonds payable that pertain to the General Obligation Bonds Series 1998 are made by the RRR Gasoline Fund and the Debt Service Fund (both Other Governmental Funds).

Payments on the February 2008 a thirty-six month (3 years) $225,357 warrant are made by the General Fund.

Payments on the February 2008 a forty-eight month (4 years) $244,462 warrant are made by the Environmental Services Department (Other Governmental Funds).

Payments on the April 2008 a sixty month (5 years) $600,000 warrant are made by the Public Buildings, Roads and Bridges Fund.

The capital lease liability for the governmental activities will be liquidated by the General Fund, Gasoline Tax Fund and the Environmental Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 68.28% has paid by the General Fund and 31.72% by other governmental funds (18.38% by the Gasoline Tax Fund, 2.7% by the RRR Gasoline Fund, 4.18% by the Justice Center Maintenance Fund, 4.64% by the Reappraisal Fund and the remaining 1.82% by the Emergency Management Fund.)

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

	Governmental Activities			
	2004 General Obligation Bonds		1998 General Obligation Bonds	
Fiscal Year Ending	Principal	Interest	Principal	Interest
September 30, 2009	$ 695,000.00	$ 662,698.00	$ 305,000.00	$ 74,810.00
2010	715,000.00	645,323.00	320,000.00	61,543.00
2011	730,000.00	625,303.00	335,000.00	47,633.00
2012	755,000.00	603,403.00	350,000.00	32,715.00
2013	780,000.00	579,998.00	365,000.00	16,790.00
2014-2018	4,320,000.00	2,465,768.00		
2019-2023	5,435,000.00	1,356,975.00		
2024-2025	2,545,000.00	169,858.00		
Total	$15,975,000.00	$7,109,326.00	$1,675,000.00	$233,491.00

Bond Premiums

The Commission has bond premiums in connection with the issuance of its series 2004 General Obligation Warrants. The bond premium is being amortized using the straight-line method over a period of twenty years.

Total Premium	$287,132.90
Amount Amortized Prior Years	(40,677.23)
Balance Premium	246,455.67
Current Amount Amortized	(14,356.68)
Balance Premium	$232,098.99

Note 10 – Conduit Debt Obligations

The Commission has issued Series 2003 Limited Obligation School Warrants to provide financial assistance to the Lee County Board of Education. These warrants are limited obligations of the Commission and are payable solely from the funding agreement 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.

Governmental Activities					
General Obligation Warrants					
Bank Notes		Capital Lease Payable		Totals	
Principal	Interest	Principal	Interest	Principal	Interest
$237,848.37	$22,418.36	$ 578,301.02	$ 60,566.22	$ 1,816,149.39	$ 820,492.58
256,188.53	15,383.88	526,379.49	38,292.58	1,817,568.02	760,542.46
221,706.40	8,624.40	404,648.69	17,494.48	1,691,355.09	699,054.88
145,864.22	3,774.74			1,250,864.22	639,892.74
74,032.84	635.81			1,219,032.84	597,423.81
				4,320,000.00	2,465,768.00
				5,435,000.00	1,356,975.00
				2,545,000.00	169,858.00
$935,640.36	$50,837.19	$1,509,329.20	$116,353.28	$20,094,969.56	$7,510,007.47

This warrant issue also refunded the Commission's $15,000,000 Limited Obligation School Warrants, Series 1997 and the $8,515,000 outstanding Limited Obligation School Warrants, Series 1995. These warrants were reported as conduit debt in previous fiscal years.

The original agreements with the Lee County Board of Education provided that they could be cancelled and satisfied of record upon deposit with the Trustee of cash sufficient to provide for full payment of all the Series 1995 and 1997 Limited Obligation School Warrants then outstanding there under, including the interest that will mature thereon until such payment. As a result, these agreements are considered cancelled.

As of September 30, 2008, the aggregate principal amount payable for the Series 2003 Limited Obligation Warrants was $34,635,000.

Note 11 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to $500,000.00 per claim for a maximum total coverage of $1,000,000.00.

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. Premiums are based on a rate per $100 of renumeration of each class of employee which is adjusted by an experience modifier for the individual County less a 15% discount. At year-end, pool participants 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 may choose between two options. They may choose to 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 – Interfund Transactions

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2008, were as follows:

	Transfers Out			
	General Fund	Public Buildings, Roads and Bridges Fund	Other Governmental Funds	Totals
Transfers In:				
General Fund	$	$	$ 8,800.00	$ 8,800.00
Gasoline Tax Fund		3,157,252.00	444,750.00	3,602,002.00
Other Governmental Funds	1,668,506.00	1,039,483.38	2,629,494.16	5,337,483.54
Totals	$1,668,506.00	$4,196,735.38	$3,083,044.16	$8,948,285.54

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.

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	$ 10,240,000.00	$ 10,240,000.00	$ 10,167,730.47
Licenses and Permits	646,100.00	646,100.00	659,733.65
Intergovernmental	1,530,000.00	1,530,000.00	1,921,386.89
Charges for Services	4,313,000.00	4,313,000.00	4,349,049.09
Miscellaneous	408,000.00	408,000.00	484,674.28
Total Revenues	17,137,100.00	17,137,100.00	17,582,574.38
Expenditures			
Current:			
General Government	7,742,663.00	7,539,163.00	7,015,881.44
Public Safety	8,475,685.00	8,475,685.00	8,480,240.99
Health	206,533.00	206,533.00	197,794.70
Welfare	4,200.00	4,200.00	3,270.59
Culture and Recreation	58,000.00	58,000.00	100,000.00
Education	78,970.00	78,970.00	90,237.37
Capital Outlay	656,782.00	656,782.00	578,496.48
Debt Service:			
Principal Retirement	202,000.00	202,000.00	204,897.57
Interest and Fiscal Charges	30,687.00	30,687.00	12,100.10
Total Expenditures	17,455,520.00	17,252,020.00	16,682,919.24
Excess (Deficiency) of Revenues Over Expenditures	(318,420.00)	(114,920.00)	899,655.14
Other Financing Sources (Uses)			
Sales from Capital Assets			12,781.16
Transfer In			8,800.00
Debt Issued	234,000.00	234,000.00	225,357.00
Transfer Out	(715,580.00)	(1,669,080.00)	(1,668,506.00)
Total Other Financing Sources (Uses)	(481,580.00)	(1,435,080.00)	(1,421,567.84)
Net Changes in Fund Balance	(800,000.00)	(1,550,000.00)	(521,912.70)
Fund Balances - Beginning of Year	4,677,040.00	4,677,040.00	4,677,040.42
Fund Balances - End of Year	$ 3,877,040.00	$ 3,127,040.00	$ 4,155,127.72

Budget to GAAP Differences	Actual Amounts GAAP Basis
$	$ 10,167,730.47
	659,733.65
	1,921,386.89
	4,349,049.09
	484,674.28
	17,582,574.38
	7,015,881.44
	8,480,240.99
	197,794.70
	3,270.59
	100,000.00
	90,237.37
	578,496.48
	204,897.57
	12,100.10
	16,682,919.24
	899,655.14
	12,781.16
	8,800.00
	225,357.00
	(1,668,506.00)
	(1,421,567.84)
	(521,912.70)
	4,677,040.42
$	$ 4,155,127.72

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Intergovernmental	$ 1,940,000.00	$ 1,940,000.00	$ 1,865,351.65
Charges for Services			1,829.27
Miscellaneous	100,000.00	100,000.00	62,993.07
Total Revenues	2,040,000.00	2,040,000.00	1,930,173.99
Expenditures			
Current:			
Highways and Roads	5,030,557.00	5,541,057.00	5,153,452.02
Capital Outlay	1,481,300.00	1,381,800.00	952,902.78
Debt Service:			
Principal Retirement	356,397.00	356,397.00	356,396.36
Interest and Fiscal Charges	65,748.00	65,748.00	65,746.83
Total Expenditures	6,934,002.00	7,345,002.00	6,528,497.99
Excess (Deficiency) of Revenues Over Expenditures	(4,894,002.00)	(5,305,002.00)	(4,598,324.00)
Other Financing Sources (Uses)			
Transfer In	3,502,002.00	3,913,002.00	3,602,002.00
Sale from Capital Assets			4,100.00
Total Other Financing Sources (Uses)	3,502,002.00	3,913,002.00	3,606,102.00
Net Changes in Fund Balance	(1,392,000.00)	(1,392,000.00)	(992,222.00)
Fund Balances - Beginning of Year	2,255,534.00	2,255,534.00	2,255,533.71
Fund Balances - End of Year	$ 863,534.00	$ 863,534.00	$ 1,263,311.71

Budget to GAAP Differences	Actual Amounts GAAP Basis
$	$ 1,865,351.65
	1,829.27
	62,993.07
	1,930,173.99
	5,153,452.02
	952,902.78
	356,396.36
	65,746.83
	6,528,497.99
	(4,598,324.00)
	3,602,002.00
	4,100.00
	3,606,102.00
	(992,222.00)
	2,255,533.71
$	$ 1,263,311.71

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Public Buildings, Roads and Bridges Fund For the Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	$ 4,000,000.00	$ 4,054,200.00	$ 4,057,773.98
Intergovernmental	33,000.00	33,000.00	33,045.52
Miscellaneous	55,000.00	55,000.00	63,208.73
Total Revenues	4,088,000.00	4,142,200.00	4,154,028.23
Expenditures			
Debt Service:			
Principal Retirement		48,000.00	47,142.15
Interest and Fiscal Charges		6,200.00	6,192.60
Total Expenditures		54,200.00	53,334.75
Excess (Deficiency) of Revenues Over Expenditures	4,088,000.00	4,088,000.00	4,100,693.48
Other Financing Sources (Uses)			
Transfer Out	(4,198,000.00)	(4,198,000.00)	(4,196,735.38)
Total Other Financing Sources (Uses)	(4,198,000.00)	(4,198,000.00)	(4,196,735.38)
Net Changes in Fund Balance	(110,000.00)	(110,000.00)	(96,041.90)
Fund Balances - Beginning of Year	110,000.00	110,000.00	103,410.35
Fund Balances - End of Year	$	$	$ 7,368.45

Budget to GAAP Differences	Actual Amounts GAAP Basis
$	$ 4,057,773.98
	33,045.52
	63,208.73
	4,154,028.23
	47,142.15
	6,192.60
	53,334.75
	4,100,693.48
	(4,196,735.38)
	(4,196,735.38)
	(96,041.90)
	103,410.35
$	$ 7,368.45

Schedule of Funding Progress
For the Year Ended September 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/2007	$22,562,893	$27,222,075	$4,659,182	82.90%	$11,926,357	39.10%
9/30/2006**	$20,619,123	$24,876,424	$4,257,301	82.90%	$10,684,367	39.80%
9/30/2005	$19,680,766	$21,548,208	$1,867,442	91.30%	$ 9,892,876	18.40%

* Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
** Reflects changes in actuarial assumptions.

Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
U. S. Department of Justice		
Direct Program		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005 DJ BX 0859
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007 DJ BX 1032
Total Edward Byrne Memorial Justice Assistance Grant		
Public Safety Partnership and Community Policing Grants	16.710	2006 CK WX 0366
Total U. S. Department of Justice		
U. S. Department of Homeland Security		
Passed Through Alabama Department of Homeland Security		
Homeland Security Grant Program	97.067	5LET/5SHG
Homeland Security Grant Program	97.067	6SHL/6SSC/6LET
Homeland Security Grant Program	97.067	7CCL/7SHL
Passed Through Alabama Department of Public Health		
Homeland Security Grant Program	97.067	ALDHS-07-0366
Sub-Total Homeland Security Grant Program (M)		
Passed Through Alabama Emergency Management Agency		
Chemical Stockpile Emergency Preparedness Program (M)	97.040	8CSEPP
Emergency Management Performance Grants	97.042	07-EMPG-43
Total U. S. Department of Homeland Security		
U. S. Department of Health and Human Services		
Passed Through Alabama Department of Public Health		
National Bioterrorism Hospital Preparedness Program	93.889	C80117198
U. S. Department of Transportation		
Passed Through Alabama Emergency Management Agency		
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HMEP-07-DOT
U. S. Department of the Interior, National Park Service		
Passed Through Alabama Department of Economic and Community Affairs		
Outdoor Recreation - Acquisition, Development and Planning	15.916	07 LW 905
Total Expenditures of Federal Awards		

(M) = Major Program

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
10/01/2004-09/30/2008	$ 101,328.00	$ 101,328.00	$ 12,862.00	$ 12,862.00
10/01/2006-09/30/2010	66,965.00	66,965.00	12,639.00	12,639.00
	168,293.00	168,293.00	25,501.00	25,501.00
11/22/2005-11/21/2008	296,168.00	296,168.00	285,916.83	285,916.83
	464,461.00	464,461.00	311,417.83	311,417.83
04/01/2005-09/01/2008	411,500.00	411,500.00	29,910.81	29,910.81
08/28/2006-09/01/2008	205,000.00	205,000.00	111,188.96	111,188.96
10/11/2007-12/31/2009	41,666.67	41,666.67	33,667.22	33,667.22
10/11/2007-12/31/2009	155,500.00	155,500.00	155,500.00	155,500.00
	813,666.67	813,666.67	330,266.99	330,266.99
10/01/2006-09/30/2008	100,455.49	100,455.49	100,455.49	100,455.49
10/01/2007-09/30/2008	74,285.72	74,285.72	74,285.72	74,285.72
	988,407.88	988,407.88	505,008.20	505,008.20
10/11/2007-12/31/2009	3,315.05	3,315.05	3,315.05	3,315.05
10/01/2007-09/30/2008	9,644.37	9,644.37	9,644.37	9,644.37
05/23/2007-05/01/2009	100,000.00	50,000.00	26,125.33	26,125.33
	$ 1,565,828.30	$ 1,515,828.30	$ 855,510.78	$ 855,510.78

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2008

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 financial statements.

Additional Information

Commission Members and Administrative Personnel

October 1, 2007 through September 30, 2008

Commission Members			**Term Expires**
Hon. Bill English	Chairman	P. O. Box 831 Opelika, AL 36801	2012
Hon. Johnny Lawrence	Member	3327 Moores Mill Road Auburn, AL 36830	2010
Hon. Harry B. Ennis	Member	1414 Lee Road 379 Smiths Station, AL 36877	2008
Hon. Annell M. Smith	Member	5707 Lee Road 166 Opelika, AL 36804	2010
Hon. John Andrew Harris	Member	311 East Avenue Opelika, AL 36801	2010
Hon. Mathan Holt	Member	P. O. Box 96 Loachapoka, AL 36865	2008
Administrative Personnel			
Roger Rendleman	Chief Administrative Officer	1512 Turn Lake Court Auburn, AL 36830	
Alice M. Hodge	Assistant Chief Administrative Officer	1168 Overwood Court Auburn, AL 36830	

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

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Lee County Commission as of and for the year ended September 30, 2008, which collectively comprise the Lee County Commission's basic financial statements and have issued our report thereon dated July 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

This report is intended solely for the information and use of management, members of the Lee County Commission, the Chief Administrative Officer, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

July 13, 2009

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of the Lee County Commission with the types of compliance requirements described in the ***U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*** that are applicable to each of its major federal programs for the year ended September 30, 2008. The Lee County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Lee County Commission's management. Our responsibility is to express an opinion on the Lee County Commission's compliance based on our audit.

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

In our opinion, the Lee County Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the Lee County Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Lee County Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lee County Commission's internal control over compliance.

A control deficiency in a entity's internal control over compliance exists when the design and operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of management, members of the Lee County Commission, the Chief Administrative Officer, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

July 13, 2009

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	__X__ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ 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 that are not considered to be material weakness(es)?	_____ Yes	__X__ None reported
Type of opinion issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ Yes	__X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
97.067	Homeland Security Grant Program
97.040	Chemical Stockpile Emergency Preparedness Program

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000.00	
Auditee qualified as low-risk auditee?	__X__ Yes	_____ 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.	