

Report on the

# Lee County Commission

Lee County, Alabama

October 1, 2008 through September 30, 2009

Filed: July 9, 2010



## Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201

P.O. Box 302251

Montgomery, Alabama 36130-2251

Website: [www.examiners.alabama.gov](http://www.examiners.alabama.gov)

*Ronald L. Jones, Chief Examiner*





Ronald L. Jones  
Chief Examiner

State of Alabama  
Department of  
**Examiners of Public Accounts**

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

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, I submit this report on the results of the audit of the Lee County Commission for the period October 1, 2008 through September 30, 2009.

Sworn to and subscribed before me this  
the 27<sup>th</sup> day of May, 2010.

Deberak A. Morgan  
Notary Public

Respectfully submitted,

Lara D. Mattison

Lara D. Mattison  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Lee County Commission  
October 1, 2008 through September 30, 2009**

The Lee County Commission (the "Commission") is governed by a six-member body elected by the citizens of Lee County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 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. 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, 2009.

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 M. Hodge; Commission Chairman: Bill English; and County Commissioners: Johnny Lawrence, Harry B. Ennis, Gary D. Long, Anell 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 M. Hodge, Assistant Chief Administrative Officer; Commission Chairman: Bill English; County Commissioners: Johnny Lawrence, Gary D. Long, and John Andrew Harris; and representatives from the Department of Examiners of Public Accounts: Tammy Shelley, Audit Manager; and Lara Mattison, Examiner.

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*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, 2009, 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, 2009, 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.

The Lee County Commission adopted the provisions of Governmental Accounting Standard Board (GASB) Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the fiscal year ended September 30, 2009. This represents a change in the Lee County Commission's method of accounting for certain postemployment benefits.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2010 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 Schedules of Funding Progress (Exhibits 12 and 13 ) 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.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

May 26, 2010

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*Management's Discussion and Analysis  
(Required Supplementary Information)*

Lee County Commission  
Management's Discussion and Analysis  
Fiscal Year October 1, 2008 through September 30, 2009

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, 2009. Please consider the information contained in this MD&A in conjunction with the County's financial statements for the same period.

Financial Highlights

- The Lee County Commission was able to utilize existing funds for a couple of significant projects in Fiscal Year 2009. One project was the construction of a satellite office in the City of Auburn for \$1.4 million. Also, the County Commission contributed \$600,000 for a joint project for a new airport terminal project with the City of Auburn, City of Opelika and Auburn University. The County will continue to fund \$100,000 per year for the next nineteen years for a total \$2.5 million contribution towards the \$10 million aviation project.
- Lee County's entity-wide assets exceeded its liabilities at the close of the fiscal year ended September 30, 2009 by \$47,047,131. The County's total net assets increased by \$3,679,181 or 8.48%. The increase reflected primarily the additional investment in infrastructure and capital during the 2009 fiscal year.
- Entity-wide revenues increased \$3,360,316 or 10.65% compared to the previous year. The main reason was a \$1.2 million bridge replacement with Federal Highway Funds by the State Department of Transportation during Fiscal Year 2009 compared to no State funded projects performed in Fiscal Year 2008. Property Taxes increased \$1,304,542 (9.25%) and Charges for Service were up \$657,603 (8.05%).
- Entity-wide expenses decreased \$779,052 or 2.43% compared to the previous year. Most of the change can be attributed to a net of the capitalization of expenditures for new paved road construction with \$1.5 million completed or under construction in Fiscal Year 2009 and an initial recognition of the unfunded annual required contribution for other postemployment benefits.
- The overall operational fund balances are at twenty-six percent (26.45%) of annual expenditures thus providing the county with some 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 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

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 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. 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

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 major governmental 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 increased by \$3,679,181 (8.48%) 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 \$47,047,131 as of the fiscal year ending September 30, 2009.

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:

	<b>Governmental Activities 2009</b>	<b>Governmental Activities 2008</b>	<b>Difference</b>	<b>Percentage</b>
Current & Other Assets	26,078,575	27,741,311	(1,662,736)	-5.99%
Non-current/non-capital Assets	127,182	127,035	147	0.12%
Capital Assets, Net	56,918,353	53,804,586	3,113,766	5.79%
Total Assets	<b>83,124,110</b>	<b>81,672,932</b>	1,451,177	1.78%
Current Liabilities	18,215,244	18,802,513	(587,269)	-3.12%
Long-term Liabilities	17,861,734	19,502,470	(1,640,736)	-8.41%
Total Liabilities	<b>36,076,978</b>	<b>38,304,983</b>	(2,228,005)	-5.82%
Net Assets:				
Invested in Capital Assets,				
Net of Related Debt	38,888,536	35,152,518	3,736,018	10.63%
Restricted	4,608,411	2,994,230	1,614,181	53.90%
Unrestricted	<u>3,550,184</u>	<u>5,221,202</u>	(1,671,018)	-32.00%
Total Net Assets	<b>47,047,131</b>	<b>43,367,950</b>	3,679,181	8.48%

The \$1.7 million (5.99%) decrease in Current Assets is basically the result of a \$1.8 million (14.96%) decrease in cash and investments.

A significant portion of the decrease can be attributed to the County's use of these assets for construction of a satellite office in the City of Auburn for \$1.4 million. In addition, the County Commission contributed \$600,000 for a new airport terminal joint project with the City of Auburn, City of Opelika and Auburn University. The County will continue to fund \$100,000 per year for the next nineteen years for a total \$2.5 million contribution towards the \$10 million aviation project.

The increase in Capital Assets Net of Accumulated Depreciation of \$3,113,766 (5.79%) and the increase in the Invested in Capital Assets Net of Related Debt of \$3,736,018 (10.63%) represent the continued additional investment into fixed assets and infrastructure, along with the \$1,640,736 (8.41%) reduction in long-term debt. The construction of the Auburn Satellite Office for \$1.4 million with funds on hand and the replacement of a \$1.2 million bridge with Federal highway funds through the Alabama Department of Transportation accounted for a significant amount of fixed assets and infrastructure to be accumulated without any associated debt.

Unrestricted Net Assets decreased \$1,671,018 (32.00%) as funds on hand were utilized for additional capital investment in facilities and equipment.

A significant portion of Lee County's net assets \$38,888,536 (82.7%) 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, \$4,608,411 in restricted and \$3,550,184 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 increased the County's net assets by \$3,679,181.

Changes in Net Assets as of September 30, 2009:

	Governmental Activities 2009	Governmental Activities 2008	Difference	Percentage
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	8,829,453	8,171,849	657,603	8.05%
Operating Grants & Contributions	6,130,934	6,088,181	42,753	0.70%
Capital Grants & Contributions	2,309,975	687,472	1,622,503	236.01%
General Revenues:				
Property Taxes – General Purposes	9,822,536	9,044,246	778,290	8.61%
Property Taxes – Specific Purposes	5,581,911	5,055,658	526,252	10.41%
Misc. Taxes	966,925	1,072,400	(105,475)	-9.84%
Grants & contributions not restricted to Special Programs	527,407	576,088	(48,681)	-8.45%
Interest Revenue	119,320	493,043	(373,723)	-75.80%
Miscellaneous	612,749	351,956	260,793	74.10%
<b>Total Revenues</b>	<b>34,901,210</b>	<b>31,540,894</b>	<b>3,360,316</b>	<b>10.65%</b>
<b>EXPENSES</b>				
Program Activities:				
General Government	9,552,436	8,929,158	623,278	6.98%
Public Safety	11,879,319	9,809,826	2,069,493	21.10%
Highways & Roads	5,906,719	9,472,233	(3,565,514)	-37.64%
Sanitation	2,726,062	2,491,099	234,963	9.43%
Health & Welfare	249,569	217,634	31,935	14.67%
Culture & Recreation	24,078	128,978	(104,899)	-81.33%
Education	94,841	96,727	(1,886)	-1.95%
Interest and Fiscal Charges	789,004	855,425	(66,422)	-7.76%
<b>Total Expenses</b>	<b>31,222,028</b>	<b>32,001,080</b>	<b>(779,052)</b>	<b>-2.43%</b>
<b>Net Assets, Increase in</b>	<b>3,679,181</b>	<b>-460,186</b>	<b>4,139,367</b>	<b>-899.50%</b>

Of the County's total revenues at \$34,901,210 property taxes account for 44.1% of the total revenue of the County. Taxes as a whole represent 46.9% of the total revenue collected by the County for fiscal year ended September 30, 2009.

Overall, Property Taxes experienced a 9.25% increase primarily as a result of annual reappraisal and continued residential and commercial growth in the area. These revenues were collected during the 2009 fiscal year based on assessments and values established from activity (i.e., sales and change in use) that occurred from October 2006 through September 2007 in Lee County. This is important to note as it will be discussed in the Economic Factors later in the MD&A.

Capital Grants & Contributions increased 236.01% (\$1,622,503). The increase is primarily attributed to large fluctuations that occur from year to year relating to the State Aid Road and Bridge Projects. In Fiscal Year 2009, the County had \$1.2 million for bridge replacement with these funds compared to no State funded projects performed in Fiscal Year 2008. The remainder consists of a solar power research grant in conjunction with Auburn University for the Lee County Detention Facility and an increase in the County's share of the State's Oil and Gas Trust Fund Revenue earmarked for facility improvements.

Charges for Services increased 8.05% (\$657,603) primarily due from an enactment of a new court fee for the purpose of construction, renovation and operation of the T.K. Davis Justice Center Complex, which houses the courts and other related State Offices including the Sheriff's Office and detention facility. The fee was effective December 1, 2008 and resulted in revenues of \$552,575 from December 2008 through September 30, 2009. Several of the more economy sensitive items showed declines [i.e., Building Permits 14.44% (\$60,490), Probate Office Fees 8.41% (\$78,600)]; however, these were countered with moderate increases in less sensitive items [i.e., Revenue Commissioner Office Fees 7.11% (\$203,024)].

Miscellaneous Revenue increased 74.10% (\$260,793) due to receipt of funds from the revenue commissioner from an audit covering three years (\$140,940) and funds from the local E911 board to assist funding a new information system for the Sheriff's Office. Due to the nature of this line item, the revenue is subject to significant fluctuations from year to year.

Interest Revenue decreased 75.80% (\$373,723) due to extremely low interest rates, especially in short-term investments.

Miscellaneous Taxes decreased 9.84% (\$105,475) due to a decrease in Mortgage and Deed Tax of 13.83% (\$111,465). The decrease is indicative of the overall economic contraction experienced during this period of time.

Expenses for all services of the County were \$31,222,028. Of this amount 30.60% was spent for general government, 38.05% for public safety, 18.92% for highways and roads, 8.73% for sanitation and 3.71% on the remaining categories listed above.

General Government increased overall by 6.98% (\$623,278) which is primarily attributed to an increase in personnel expenditures of 11.68% (\$525,742). Most of the increase in personnel is related to cost of living and merit raises. Operational costs increased by 3.83% (\$169,652); however, most of the overall increase is associated with the one-time disbursements of \$500,000 for the airport terminal project mentioned previously and \$155,032 associated with professional services for the County's first comprehensive master plan. The significant offset to these items was a 62.89% (\$416,420) decrease in utility costs. Beginning with the 2009 Fiscal Year the County began cost allocation of facility utilities to the departments and offices that utilize the facilities.

Public Safety increased overall by 21.10% (\$2,069,493) which is primarily attributed to an increase in personnel expenditures of 16.12% (\$1,231,970). Most of the increase in personnel is related to cost of living and merit raises. The rest is the addition of two jailer positions, two deputy positions, one investigator position and one administrative position. Operational costs increased by 38.60% (\$837,522). Over half of that increase is associated with the utility allocation identified in the prior paragraph. The other half is attributed to an increase in depreciation costs attributed to the recent expansion of the detention facility and new Sheriff's Office.

Highways and Roads had a significant decrease of 37.64% (\$3,565,514). Although there was some increase in personnel costs related to cost of living and merit raises, overall personnel costs decreased 4.70% (\$144,536) by the highway department improving efficiencies with improved equipment and other approaches requiring fewer personnel. Some operational costs decreased like fuel 53.41% (\$447,782), resurfacing 37.50% (\$660,000), and materials 68.20% (\$511,000). These changes were the combination of several factors including, but not limited to, decreases in fuel prices, timing of resurfacing projects and a change in the type of materials used. The largest amount related to the decrease in operational costs is the capitalization of expenditures for new paved road construction with \$1.5 million completed or under construction in Fiscal Year 2009 compared to none in 2008.

Sanitation had an increase of 9.43% (\$234,963), which is primarily attributed to an increase in personnel expenditures of 13.30% (\$168,593). Most of the increase in personnel is related to cost of living and merit raises. Overall operational costs increased 5.42% (\$66,370). Disposal fees at the landfill increased in February resulting in a 14.94% (\$80,094) increase. The remaining operational costs were a net decrease.

The remaining expenditure items (3.71% of total expenditures) are in line with year to year fluctuations for these 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 \$31,222,028 and the combined charges for services plus operating and capital grants received were \$17,270,362 leaving a net cost to the County of \$13,951,667. This is a decrease of \$3,101,911 in expenditures required to be funded from general revenues. The impacts of the differences in Public Safety and Highways & Roads expenses between Fiscal Year 2009 and Fiscal Year 2008 discussed in the previous section is evident in the following Net Cost of Services table:

<b>Function/Programs</b>	<b>2009 Net Cost of Services</b>	<b>2008 Net Cost of Services</b>	<b>Net Cost (Increase)/Decrease</b>
General Government	(3,231,504.50)	(3,494,394.74)	262,890
Public Safety	(9,273,336.87)	(6,912,241.24)	(2,361,096)
Highways and Roads	(425,672.69)	(5,114,749.69)	4,689,077
Sanitation	(441,676.35)	(267,265.58)	(174,411)
Health	169,662.16	(198,342.48)	368,005
Welfare	(12,980.48)	(11,579.07)	(1,401)
Culture and Recreation	125,262.04	(128,977.76)	254,240
Education	(72,416.61)	(70,601.49)	(1,815)
Interest and Fiscal	(789,003.65)	(855,425.48)	66,422
<b>Total Governmental Activities</b>	<b>(13,951,667)</b>	<b>(17,053,578)</b>	<b>3,101,911</b>

Charges for services amounted to \$8,829,453 and combined grants and contributions totaled \$8,440,909. 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.

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 \$11,054,273 to \$9,699,881. This was a decrease of \$1,354,392 (12.25%). A significant portion of the decrease can be attributed to the County’s use of existing funds for construction of a satellite office in the City of Auburn for \$1.4 million.

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 like the Auburn satellite office. For this reason, the Capital Projects Fund is excluded from the following table for comparison 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.

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).

<b>Fund</b>	<b>Beginning Fund Balance</b>	<b>Net Increase or (Decrease)</b>	<b>Ending Fund Balance</b>	<b>% of Annual Expenditures</b>
General Fund	4,155,128	(840,737)	3,314,391	17.90%
Gasoline Fund	1,263,311	1,227,200	2,490,511	35.63%
Public Buildings, Roads & Bridges Fund	7,368	(12,967)	(5,598)	***
Other Governmental Funds <i>(less Capital Fund)</i>	<u>3,853,580</u>	<u>46,997</u>	<u>3,900,577</u>	<u>35.36%</u>
<b>Totals</b>	<b>9,279,387</b>	<b>420,493</b>	<b>9,699,880</b>	<b>26.45%</b>

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

For Lee County a target fund balance for most operation funds is a floor 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 the nature and dollar magnitude of the type of emergencies (i.e., bridge failure) that might arise in the activities funded in this fund.

The fund balance above fifteen percent is utilized in the following year's budget for capital purchases and smaller construction projects (\$2 million or less). The Lee County Commission traditionally budgets two to three percent below revenue projections and directs departments to stay well within budget. The practice usually creates surplus to replenish the fund balance to the preferred target of thirty percent providing flexibility for projects in the next year.

The General Fund is the main operational fund for the County. The fund experienced a decrease of 20.23% (\$840,737). The General Fund finished the year basically within budget; however, actual revenue fell short of projections and most departments spent right at their budget allocations. As a result, the General Fund ending balance finished 2.9% above the fifteen percent floor.

The Gasoline Tax Fund, the main operational fund for the Highway Department, experienced a 97.14% increase in fund balance. The decreases in fuel and materials from a reduction in both cost and usage significantly contributed to the 35.63% ending fund balance of annual expenditures.

The Other Governmental Funds (less Capital Fund) basically remained at the same level of approximately thirty-five percent (35.36%) of annual expenditures.

The overall operational fund balances are at twenty-six percent (26.45%) 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, 2009.

Budgeted revenues were increased \$67,500 for an allocation from the Lee County E911 Board for a new information system in the Sheriff's Office and \$31,125 for a new security service agreement for the Sheriff's Office.

Transfers Out budget for the General Fund was increased \$93,025. This represented excess funds to the Capital Improvement Fund as established by County Policy for various capital projects approved by the County Commission.

Budgeted expenditures were increased \$568,060 basically to utilize \$500,000 of fund balance for a portion of the initial \$600,000 contribution for a new airport terminal joint project with the City of Auburn, City of Opelika and Auburn University and recognize the cost of the new information system funded by the E911 Board.

Actual Revenues were \$63,802 lower than the final budgeted revenues while actual expenditures were \$574,126 lower than the final budgeted amounts. The net change in the general fund balance for the current fiscal year was an \$840,737 decrease or (20.23%), which is a \$471,723 positive difference from the planned \$1,312,460 decrease in the final budget. This fund ended with a fund balance equal to 17.90% 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, 2009.

Transfer In was increased \$358,000; budgeted expenditures increased overall by \$503,000; and proceeds in debt issue increased for \$245,000 for a partial payoff and remaining refinancing of a \$1.2 million capital lease.

In addition, budgeted revenues and budgeted expenditures were increased by \$1,251,778 to recognize a County bridge that was replaced with State Aid Road and Bridge Project funds in Fiscal Year 2009.

Actual Revenues were \$36,276 lower than the budgeted revenues. This was attributed to a significant decrease in miscellaneous revenue as interest earnings decreased with the slowing economy.

Actual Expenditures were under budget by \$1,713,985. The Highway department is improving efficiencies with improved equipment and other approaches requiring fewer personnel. Some operational expenses decreased like fuel and materials from lower costs and reduced usage.

The net change in the Gas Tax fund balance for the current fiscal year was a \$1,227,200 increase (97.14%). This fund ended with a fund balance equal to 35.63% of its annual expenditures.

## Public Buildings, Roads and Bridges Fund

Exhibit 11 shows no changes were made to the original Public Buildings, Roads and Bridges Fund budgets for fiscal year ended September 30, 2009.

Actual Revenues were slightly less (\$21,099) than the budgeted revenues. This was attributed to a significant decrease in miscellaneous revenue as interest earnings decreased with the slowing economy.

Actual expenditures were slightly lower (\$10,664) than the final budgeted amounts.

The net change in the Public Buildings, Roads and Bridges fund balance for the current fiscal year was a \$12,967 decrease, which was not anticipated by the final budget. The fund finished the year with a deficit fund balance. The fiscal year 2010 takes into consideration the deficit by transferring fewer funds to the other operational funds. Also, projections for interest earnings are significantly reduced for the fiscal year 2010 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, 2009.

<b>Capital Assets</b>	
Total Capital Assets at October 1, 2008,	\$53,804,586
Additions	6,475,541
Retirements	(240,944)
Annual Depreciation	(3,359,102)
Accumulated Depreciation of Retired Assets	<u>238,273</u>
Total Capital Assets at September 30, 2009	<b>\$56,918,353</b>

The following table shows total assets before and after depreciation.

<b>Governmental Activities</b>	<b>Assets Original Cost</b>	<b>Value at 9/30/09</b>
		<b>After Depreciation</b>
Land	\$2,460,453	2,460,453
Construction in Progress	1,839,840	1,839,840
Infrastructure	17,417,808	13,989,439
Buildings and Improvements	41,980,453	32,509,772
Equipment and Furniture	18,263,385	5,867,991
Equipment Under Capital Leases	<u>618,954</u>	<u>250,857</u>
<b>Total Capital Assets</b>	<b>\$82,580,893</b>	<b>\$56,918,353</b>

## Debt Outstanding

At the end of September 2008 the County's general obligation long-term debt was \$21,436,237. By the end of the current year the general obligation long-term debt had decreased \$1,843,469 (8.60%) to \$19,592,768.

The County did not issue any new general obligation warrants during the year and the pay-down on the existing general obligation warrants was \$1,000,000. The remaining balance for the warrants is \$16,650,000 with maturities through fiscal year 2025.

The County issued general obligation note of \$415,000 with a maturity of three years for financing of new Sheriff's patrol cars (\$170,000) and partial refunding of a capital lease on fifteen dump trucks (\$245,000) for the Highway Department. The remaining general obligation notes total \$1,023,574 with maturities of four years or less.

Capital lease debt decreased \$1,370,828 without any new issuances in this type of debt. The remaining capital lease debt is \$138,500, which is to be paid off in the next fiscal year.

The liability for compensated absences as of the end of the current year was \$1,140,254, which was a \$31,085 increase (2.98%) over last fiscal year's \$1,109,169.

Fiscal Year 2009 is the first year governmental entities of similar size to the Lee County Commission are required to recognize future obligations related to other post employment benefits. The Lee County Commission provides health insurance to retirees under certain conditions as disclosed in the notes to the financial statements. The difference between the annual required contribution as determined by an actuarial valuation and the actual contribution was \$422,698, which has been recognized in the Noncurrent section of the Liabilities on the Statement of Net Assets.

Based on the County's legal limits of debt at 5% of the net assessed value of property as of Oct 1, 2008, Lee County's maximum debt limit was \$71,807,529. With our total chargeable debt against our limit as of the end of the current fiscal year being \$20,529,894, we were at 28.59% of our legal debt limit. At the end of Fiscal Year 2009, our budgeted ongoing debt service is \$2,647,083 or 7.58% 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 census 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 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 revenues started to show significant weakness; however, the largest concern at the time was costs. Fuel and energy prices were peaking 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.

In Fiscal Year 2009 cost pressures subsided especially in fuel and associated materials. While costs remained contained this fiscal year, the more economic sensitive revenues experienced significant decreases. Sources like interest earnings from investments dropped 79.83% (\$573,550) and Mortgage and Deed Tax 13.83% (\$111,465).

As already noted 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 extent of decrease in economic sensitive slowing revenues prevented achieving that goal in fiscal year 2009 in the General Fund; therefore, fund balance decreased to 17.9% of annual expenditures. Despite the use of the fund balances, the county maintained the targeted fund balances and is still in a solid financial position.

We are monitoring and preparing for the effects that 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 2010 is based on an October 1, 2009 assessment established by sales data collected between October 1, 2007 and September 30, 2008. The official national recession began in December 2007. Based on the 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) 745-3660. 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, 2009***

**Governmental  
Activities**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 9,609,767.22
Investments	978,937.50
Accounts Receivable	283,901.17
Interest Receivable	154.12
Due from Other Governments	781,908.24
Property Tax Receivable	14,376,956.74
Inventories	13,270.26
Prepaid Expenses	33,679.53
Total Current Assets	26,078,574.78

**Noncurrent Assets**

Cash with Fiscal Agent	127,181.85
Capital Assets:	
Nondepreciable:	
Land	2,460,452.92
Construction in Progress	1,839,840.29
Depreciable:	
Infrastructure	17,417,807.84
Buildings	41,980,453.08
Equipment and Furniture	18,263,385.13
Equipment Under Capital Lease	618,954.22
Less: Accumulated Depreciation	(25,662,540.59)
Total Noncurrent Assets	57,045,534.74

TOTAL ASSETS 83,124,109.52

**LIABILITIES**

**Current Liabilities**

Accounts Payable	448,001.93
Wages and Fringes Payable	781,822.32
Deferred Revenue	15,124,386.43
Due to Other Governments	1,001.52
Accrued Interest Payable	128,998.56
Long-Term Liabilities:	
Portion Due Within One Year:	
Warrants Payable	1,427,512.78
Add: Premium on Warrants	14,356.68
Capital Lease Contracts Payable	138,500.26
Estimated Liability for Compensated Absences	150,663.39
Total Current Liabilities	\$ 18,215,243.87

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

	<b>Governmental Activities</b>
<b><u>Noncurrent Liabilities</u></b>	
Portion Payable After One Year:	
Warrants Payable	\$ 16,246,060.78
Add: Premium on Warrants	203,385.63
Estimated Liability for Retiree Health Plan	422,698.00
Estimated Liability for Compensated Absences	989,590.11
Total Noncurrent Liabilities	<u>17,861,734.52</u>
 TOTAL LIABILITIES	 <u>36,076,978.39</u>
<b><u>Net Assets</u></b>	
Invested in Capital Assets - Net of Related Debt	38,888,536.76
Restricted for Road Purposes	4,037,153.98
Restricted for Other Purposes	571,256.83
Unrestricted	<u>3,550,183.56</u>
Total Net Assets	<u><u>\$ 47,047,131.13</u></u>

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

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
<b><u>Primary Government</u></b>			
<b><u>Governmental Activities</u></b>			
General Government	\$ 9,552,436.49	\$ 5,376,836.49	\$ 85,957.65
Public Safety	11,879,318.84	1,157,451.55	1,448,530.42
Highways and Roads	5,906,718.94	10,778.81	4,190,195.64
Sanitation	2,726,062.07	2,284,385.72	
Health	236,588.28		406,250.44
Welfare	12,980.48		
Culture and Recreation	24,078.46		
Education	94,841.28		
Interest	784,552.51		
Fiscal Agent Fees	4,451.14		
Total Governmental Activities	<u>\$ 31,222,028.49</u>	<u>\$ 8,829,452.57</u>	<u>\$ 6,130,934.15</u>

**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.

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Primary Government Total Governmental Activities</u>
\$ 858,137.85	\$ (3,231,504.50)
	(9,273,336.87)
1,280,071.80	(425,672.69)
	(441,676.35)
	169,662.16
	(12,980.48)
149,340.50	125,262.04
22,424.67	(72,416.61)
	(784,552.51)
	(4,451.14)
<u>\$ 2,309,974.82</u>	<u>(13,951,666.95)</u>

9,822,536.12
5,581,910.76
966,924.85
527,407.41
119,319.98
612,749.40
<u>17,630,848.52</u>
3,679,181.57
43,367,949.56
<u>\$ 47,047,131.13</u>

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2009***

	<b>General Fund</b>	<b>Gasoline Tax Fund</b>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$ 3,034,422.52	\$ 2,522,816.64
Cash with Fiscal Agent		
Investments	978,937.50	
Accounts Receivable	175,221.64	
Interest Receivable	154.12	
Due from Other Governments	367,842.19	155,486.36
Property Tax Receivable	9,211,628.12	
Inventories	1,672.73	11,597.53
Prepaid Expenses	33,679.53	
<b>TOTAL ASSETS</b>	<b>13,803,558.35</b>	<b>2,689,900.53</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
<b><u>LIABILITIES</u></b>		
Accounts Payable	281,371.29	60,841.06
Wages and Fringes Payable	565,599.23	110,303.54
Deferred Revenue	9,533,839.66	
Due to Other Governments	696.48	
Estimated Liability for Compensated Absences	107,661.41	28,244.54
<b>TOTAL LIABILITIES</b>	<b>10,489,168.07</b>	<b>199,389.14</b>
<b><u>FUND BALANCES</u></b>		
Reserved for Debt Service		
Reserved for Capital Projects		
Reserved for Prepaid Expenses	33,679.53	
Reserved for Encumbrances	142,063.73	2,013.65
Designated Fund Balance		
Unreserved	3,138,647.02	2,488,497.74
<b>TOTAL FUND BALANCES</b>	<b>3,314,390.28</b>	<b>2,490,511.39</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,803,558.35</b>	<b>\$ 2,689,900.53</b>

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
\$ 139,597.92	\$ 3,912,930.14	\$ 9,609,767.22
	127,181.85	127,181.85
		978,937.50
	108,679.53	283,901.17
		154.12
	258,579.69	781,908.24
4,138,276.20	1,027,052.42	14,376,956.74
		13,270.26
		33,679.53
<u>4,277,874.12</u>	<u>5,434,423.63</u>	<u>26,205,756.63</u>
	105,789.58	448,001.93
	105,919.55	781,822.32
4,283,472.23	1,307,074.54	15,124,386.43
	305.04	1,001.52
	14,757.44	150,663.39
<u>4,283,472.23</u>	<u>1,533,846.15</u>	<u>16,505,875.59</u>
	127,181.85	127,181.85
	22,351.90	22,351.90
		33,679.53
	175,215.99	319,293.37
	493,334.95	493,334.95
(5,598.11)	3,082,492.79	8,704,039.44
(5,598.11)	3,900,577.48	9,699,881.04
<u>\$ 4,277,874.12</u>	<u>\$ 5,434,423.63</u>	<u>\$ 26,205,756.63</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Assets  
September 30, 2009***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 9,699,881.04

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	\$ 2,460,452.92	
Infrastructure	17,417,807.84	
Buildings	41,980,453.08	
Equipment and Furniture	18,263,385.13	
Construction in Progress	1,839,840.29	
Equipment under Capital Lease	618,954.22	
Less: Accumulated Depreciation	<u>(25,662,540.59)</u>	
		56,918,352.89

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

	Current Liabilities	Noncurrent Liabilities	
Warrants Payable	\$ 1,427,512.78	16,246,060.78	
Premium on Warrants	14,356.68	203,385.63	
Capital Lease	138,500.26		
Accrued Interest Payable	128,998.56		
Estimated Liability for Retiree Health Insurance		422,698.00	
Estimated Liability for Compensated Absences		<u>989,590.11</u>	
Total Long-Term Liabilities	<u>\$ 1,709,368.28</u>	<u>\$ 17,861,734.52</u>	<u>(19,571,102.80)</u>

Total Net Assets - Governmental Activities (Exhibit 1) \$ 47,047,131.13

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, 2009***

	<b>General Fund</b>	<b>Gasoline Tax Fund</b>
<b><u>Revenues</u></b>		
Taxes	\$ 10,863,657.53	\$
Licenses and Permits	595,663.04	
Intergovernmental	1,849,619.17	3,153,707.07
Charges for Services	4,419,673.10	10,778.81
Miscellaneous	572,910.64	21,015.92
Total Revenues	<u>18,301,523.48</u>	<u>3,185,501.80</u>
<b><u>Expenditures</u></b>		
Current:		
General Government	7,457,223.43	
Public Safety	10,008,802.76	
Highways and Roads		2,847,079.03
Sanitation		
Health	230,038.63	
Welfare	4,672.00	
Culture and Recreation		
Education	90,587.99	
Capital Outlay	515,857.18	2,891,867.18
Debt Service:		
Principal Retirement	202,216.96	1,210,345.80
Interest and Fiscal Charges	9,617.77	40,772.11
Fiscal Agent Fees		
Total Expenditures	<u>18,519,016.72</u>	<u>6,990,064.12</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(217,493.24)</u>	<u>(3,804,562.32)</u>
<b><u>Other Financing Sources (Uses)</u></b>		
Sale from Capital Assets		
Transfer In		4,786,762.00
Debt Issued	170,000.00	245,000.00
Transfer Out	(793,244.20)	
Total Other Financing Sources (Uses)	<u>(623,244.20)</u>	<u>5,031,762.00</u>
Net Change in Fund Balances	(840,737.44)	1,227,199.68
Fund Balances - Beginning of Year	<u>4,155,127.72</u>	<u>1,263,311.71</u>
Fund Balances - End of Year	<u>\$ 3,314,390.28</u>	<u>\$ 2,490,511.39</u>

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

<b>Public Buildings, Roads and Bridges Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 4,402,072.52	\$ 1,105,641.68	\$ 16,371,371.73
	9,866.67	605,529.71
33,293.36	4,903,538.75	9,940,158.35
	2,807,245.85	7,237,697.76
14,785.20	124,447.23	733,158.99
<u>4,450,151.08</u>	<u>8,950,740.18</u>	<u>34,887,916.54</u>
	1,284,008.27	8,741,231.70
	533,822.68	10,542,625.44
	1,801,913.94	4,648,992.97
	2,395,120.25	2,395,120.25
		230,038.63
		4,672.00
	14,272.85	14,272.85
		90,587.99
	3,067,816.21	6,475,540.57
105,519.84	1,179,813.14	2,697,895.74
11,816.61	751,281.04	813,487.53
	4,451.14	4,451.14
<u>117,336.45</u>	<u>11,032,499.52</u>	<u>36,658,916.81</u>
<u>4,332,814.63</u>	<u>(2,081,759.34)</u>	<u>(1,771,000.27)</u>
	1,608.45	1,608.45
	1,847,766.68	6,634,528.68
		415,000.00
(4,345,781.19)	(1,495,503.29)	(6,634,528.68)
<u>(4,345,781.19)</u>	<u>353,871.84</u>	<u>416,608.45</u>
(12,966.56)	(1,727,887.50)	(1,354,391.82)
<u>7,368.45</u>	<u>5,628,464.98</u>	<u>11,054,272.86</u>
<u>\$ (5,598.11)</u>	<u>\$ 3,900,577.48</u>	<u>\$ 9,699,881.04</u>

***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2009***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (1,354,391.82)

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 (\$6,475,540.57) exceeds depreciation (\$3,359,102.51). 3,116,438.06

In the Statement of Activities, only the gain or loss on the sale or disposal 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 or disposed. (2,671.61)

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. 2,697,895.74

Debt issuances provide current financial resources governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. (415,000.00)

Some items reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds. These items consist of:

Net Increase in Long-Term Retiree Health Plan Benefits	\$	(422,698.00)	
Net Decrease in Long-Term Compensated Absences		16,317.50	
Net Decrease in Accrued Interest Payable		28,935.02	(377,445.48)

Amortization of Premium on Bond Issue		14,356.68	

Total Net Assets - Governmental Activities (Exhibit 2) \$ 3,679,181.57

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

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***Statement of Fiduciary Net Assets***  
***September 30, 2009***

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	<b>Private-Purpose Trust Funds</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 2,249,448.67
Due from Other Governments	<u>15,463.47</u>
Total Assets	<u>2,264,912.14</u>
<b><u>Liabilities</u></b>	
Payable to External Parties	<u>1,891,399.69</u>
Total Liabilities	<u>1,891,399.69</u>
<b><u>Net Assets</u></b>	
Held in Trust for Other Purposes	<u>\$ 373,512.45</u>

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

***Statement of Changes in Fiduciary Net Assets  
For the Year Ended September 30, 2009***

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Contributions:	
Probate Court	\$ 2,167,243.13
Charges for Service	258,683.30
Total Additions	<u>2,425,926.43</u>
<b><u>Deductions</u></b>	
Payment to Beneficiaries	2,113,485.10
Administrative Expenses	242,252.84
Total Deductions	<u>2,355,737.94</u>
Changes in Net Assets	70,188.49
Net Assets - Beginning of Year	<u>303,323.96</u>
Net Assets - End of Year	<u><u>\$ 373,512.45</u></u>

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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#### **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 are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the application of these criteria, there 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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#### **Fund Financial Statements**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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#### **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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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**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 fair value.

**2. Receivables**

All ad valorem tax receivables are shown net of an allowance for uncollectibles. Sales tax receivables are based on the amounts collected within 60 days after year-end. The allowance for uncollectibles for ad valorem taxes is based on past collection experience.

Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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**5. Restricted Assets**

Certain general obligation warrants as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable warrant covenants.

**6. Capital Assets**

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

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

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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**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 leave, annual leave, and compensatory leave time.

**Annual Leave**

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

Continuous Years of Service	Per Year
Less than six years	10 days
Six to ten years	12 days
Eleven to fifteen years	15 days
Sixteen years and over	18 days

Earned leave will be for each full month worked. No more than 36 days of annual leave may be accrued and carried forward into the next year. Upon separation from County service, employees may be paid for all unused annual leave at the employee's current rate of pay or required to take his/her leave, at the discretion of the department head and the Lee County Commission.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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#### *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 latter date in the same manner as annual leave. Employees are also paid for all unused compensatory leave time at the employee's current rate of pay or required to take his/her leave, at the discretion of the department head and the Lee County Commission. Non-exempted employees are allowed to accumulate a maximum of 240 hours (earned at time and a half). Public safety employees are allowed to accumulate a maximum of 480 hours (earned at time and a half). Exempted employees are allowed to accumulate a maximum of 160 hours (earned hour for hour).

#### *9. 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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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**

**A. Budgets**

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

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

Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

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

**B. Deficit Fund Balances/Net Assets of Individual Funds**

At September 30, 2009, the following governmental fund had a deficit fund balance:

Public Buildings, Roads and Bridges Fund	\$5,598.11
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The deficit in the Public Buildings, Roads and Bridges Fund which results from deferred revenue will be eliminated in the next fiscal year when revenues are recognized.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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**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 are 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 \$127,181.85 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 Federated Treasury Obligations Funds. This money market fund invests primarily in U. S. Treasury securities maturing in 397 days or less. These investments include repurchase agreements collateralized fully by U. S. Treasury securities. Federated Treasury Obligations Funds are rated AAAM by Standard & Poor's with a dollar-weighted average portfolio maturity of 90 days or less.

**Investments**

The *Code of Alabama 1975*, Section 11-8-11 and Section 11-81-20, authorizes the Commission to invest in obligations of the U. S. Treasury and federal agency securities along with certain pre-refunded public obligation such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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At September 30, 2009, the Commission had the following investments on the government-wide financial statements and on the fund financial statements:

Investments	Maturity	Fair Value
U. S. Treasury Bill	10/29/2009	\$399,988.00

**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, 2009, the fair value of the securities exceed the reported amount, therefore, the Commission’s investments are fully collateralized.

**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, 2009, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Taxes	\$14,202,620.84	\$855,719.33
Grants Received but Unearned at September 30, 2009		66,046.26
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$14,202,620.84</u>	<u>\$921,765.59</u>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2009**

**Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2009, was as follows:

	Balance 10/01/2008	Reclassifications	Additions	Retirements	Balance 09/30/2009
<b>Governmental Activities:</b>					
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 1,917,687.58	\$ 336,458.00	\$ 206,307.34	\$	\$ 2,460,452.92
Construction in Progress	961,028.47	(2,945,875.14)	3,824,686.96		1,839,840.29
Total Capital Assets, Not Being Depreciated	2,878,716.05	(2,609,417.14)	4,030,994.30		4,300,293.21
<b>Capital Assets Being Depreciated:</b>					
Infrastructure	16,387,072.03		1,030,735.81		17,417,807.84
Buildings	39,187,636.31	2,609,417.14	183,399.63		41,980,453.08
Equipment and Furniture	15,409,465.71	1,864,452.97	1,230,410.83	(240,944.38)	18,263,385.13
Equipment Under Capital Lease	2,483,407.19	(1,864,452.97)			618,954.22
Total Capital Assets Being Depreciated	73,467,581.24	2,609,417.14	2,444,546.27	(240,944.38)	78,280,600.27
<b>Less Accumulated Depreciation for:</b>					
Buildings	(8,424,769.64)		(1,045,911.34)		(9,470,680.98)
Infrastructure	(2,995,516.60)		(432,851.99)		(3,428,368.59)
Equipment and Furniture	(10,250,741.45)	(621,090.78)	(1,761,834.73)	238,272.77	(12,395,394.19)
Equipment Under Capital Lease	(870,683.16)	621,090.78	(118,504.45)		(368,096.83)
Total Accumulated Depreciation	(22,541,710.85)		(3,359,102.51)	238,272.77	(25,662,540.59)
Total Capital Assets, Being Depreciated, Net	50,925,870.39	2,609,417.14	(914,556.24)	(2,671.61)	52,618,059.68
Governmental Activities Capital Assets, Net	\$ 53,804,586.44	\$	\$ 3,116,438.06	\$ (2,671.61)	\$ 56,918,352.89

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
General Government	\$ 696,159.97
Public Safety	1,127,544.16
Highway and Roads	1,201,872.31
Sanitation	304,409.49
Health	6,749.20
Welfare	8,308.48
Recreation	9,805.61
Education	4,253.29
Total Depreciation Expense - Governmental Activities	\$3,359,102.51

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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**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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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**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, 2009, was 8.04% based on the actuarial valuation performed as of September 30, 2006.

**C. Annual Pension Cost**

For the year ended September 30, 2009, the Commission's annual pension cost of \$1,077,517 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, 2008, 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, 2008, was 20 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
9/30/2009	\$1,077,517	100%	\$0
9/30/2008	\$ 815,320	100%	\$0
9/30/2007	\$ 681,431	100%	\$0

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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#### **D. Funded Status and Funding Progress**

As of September 30, 2008, the most recent actuarial valuation date, the plan was 79.80 percent funded. The actuarial accrued liability for benefits was \$29,862,034 and the actuarial value of assets was \$23,838,988, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,023,046. The covered payroll (annual payroll of active employees covered by the plan) was \$12,768,983, and the ratio of the UAAL to the covered payroll was 47.20 percent.

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

#### **Note 7 – Other Postemployment Benefits (OPEB)**

##### **A. Plan Description**

The Lee County Commission contributes to the Local Government Health Insurance Program, an agent multiple-employer defined benefit postemployment healthcare plan administered by the State Employees' Insurance Board. The plan provides medical, drug, and dental insurance benefits to eligible retirees and their dependents. The *Code of Alabama 1975*, Section 11-91-1 through 11-91-8, gives authority to the Commission to establish and amend benefit provisions. The plan does not issue a stand-alone financial report. The provisions of GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, were implemented prospectively.

Benefits are provided in accordance with a resolution approved by the Commission on October 12, 1999 (modified on January 1, 2005 and July 27, 2009), 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 and to those County employees eligible to retire with eighteen or more years of service if such employee retires on or before October 1, 2009.

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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#### **B. Funding Policy**

The Commission's contributions were on a pay-as-you-go basis as of September 30, 2009.

The Commission contributes \$331.00 a month towards the costs of current-year premiums of eligible retirees 65 years of age and older and \$666.00 a month towards the cost of current-year premiums for retirees under the age of 65. For fiscal year 2009, the Commission contributed \$75,569.00 to cover twelve participants. Plan members whose dependents were receiving benefits contributed \$3,804.00 for family coverage costs for fiscal year 2009. Plan members who retired without twenty-five years of service for the Lee County Commission who continued the health insurance coverage paid \$45,516.00 including \$9,624.00 for family coverage for fiscal year 2009. Retirees are required to contribute monthly as follows:

	Fiscal Year 2009
Individual Coverage – Non-Medicare Eligible	\$ 0.00
Individual Coverage – Medicare Eligible	\$ 0.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$560.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$317.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$463.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$339.00

#### **C. Annual OPEB Cost**

For the year ended September 30, 2009, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical, drug, and dental insurance was \$498,267. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009, is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2009	\$498,267	15.17%	\$422,698

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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**D. Funded Status and Funding Progress**

The Commission had an actuarial valuation of their health care plan as of September 30, 2008. The funding status of the plan was as follows:

Actuarial Accrued Liability (AAL)	\$5,221,566
Actuarial Value of Plan Assets	\$0.00
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$5,221,566</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Plan Members)	\$12,610,905
UAAL as a Percentage of Covered Payroll	41.4%

The annual required contribution of the plan was as follows:

	Rate as % of Compensation	Annual Amount
Normal Cost	2.66%	\$336,048
Accrued Liability	1.29%	162,219
Total Cost	<u>3.95%</u>	<u>\$498,267</u>

As of September 30, 2009, the liability for retiree health care of \$422,698 was calculated using the annual required contribution total of \$498,267 less the Commission's annual OPEB cost of \$75,569 and is recorded as noncurrent in the governmental activities' Statement of Net Assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funding status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will in future years present multiyear trend information that will show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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**E. Actuarial Methods and Assumptions**

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

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

**Note 8 – Lease Obligations**

**Capital Leases**

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$618,954.22 for governmental activities at September 30, 2009. 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, 2010	\$142,476.63
Total Minimum Lease Payments	142,476.63
Less: Amount Representing Interest	(3,976.37)
Present Value of Net Minimum Lease Payments	<u>\$138,500.26</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2009*

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#### 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 and (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 four 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.

Issued in February 2009, a thirty-six month (3 years) \$415,000 warrant intended for funding the purchase of vehicles (\$170,000) for the Sheriff’s Office and for the partial funding of an early repayment (\$245,000) on a capital lease for Highway Department dump trucks.

	Debt Outstanding 10/01/2008	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2009	Amounts Due Within One Year
Warrants and Notes Payable:					
General Obligation - Series 2004	\$15,975,000.00	\$	\$ 695,000.00	\$15,280,000.00	\$ 715,000.00
General Obligation - Series 1998	1,675,000.00		305,000.00	1,370,000.00	320,000.00
Unamortized Premium	232,098.99		14,356.68	217,742.31	14,356.68
General Obligation Notes	935,640.36	415,000.00	327,066.80	1,023,573.56	392,512.78
Capital Lease Contracts Payable	1,509,329.20		1,370,828.94	138,500.26	138,500.26
Estimated Liability for Retiree Health Insurance		422,698.00		422,698.00	
Estimated Liability for Compensated Absences	1,109,168.93	31,084.57		1,140,253.50	150,663.39
Totals	<u>\$21,436,237.48</u>	<u>\$868,782.57</u>	<u>\$2,712,252.42</u>	<u>\$19,592,767.63</u>	<u>\$1,731,033.11</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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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 Tax 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.

Payments on the February 2009, a thirty-six month (3 years) \$415,000 warrant are made by the General Fund (\$170,000) and the Gasoline Tax Fund (\$245,000).

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

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

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

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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

Fiscal Year Ending	Governmental Activities			
	2004 General Obligation Bonds		1998 General Obligation Bonds	
	Principal	Interest	Principal	Interest
September 30, 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	805,000.00	554,258.00		
2015-2019	4,500,000.00	2,286,305.00		
2020-2024	5,695,000.00	1,094,188.00		
2025	1,300,000.00	57,850.00		
<b>Total</b>	<b>\$15,280,000.00</b>	<b>\$6,446,628.00</b>	<b>\$1,370,000.00</b>	<b>\$158,681.00</b>

**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	(55,033.91)
Balance Premium	232,098.99
Current Amount Amortized	(14,356.68)
Balance Premium	<u>\$217,742.31</u>

**Note 10 – Conduit Debt Obligations**

The Commission has issued Series 2009 Limited Obligation School Warrants to provide financial assistance to the Lee County Board of Education for the construction and improvement of the system's facilities. 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.

As of September 30, 2009, the aggregate principal amount payable for the Series 2009 Limited Obligation School Warrants was \$25,745,000.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

Governmental Activities					
General Obligation		Capital Lease Payable		Totals	
Warrants	Bank Notes				
Principal	Interest	Principal	Interest	Principal	Interest
\$ 392,512.78	\$23,285.98	\$138,500.26	\$3,976.37	\$ 1,566,013.04	\$ 734,128.35
346,116.45	11,961.05			1,411,116.45	684,897.05
210,911.49	4,282.72			1,315,911.49	640,400.72
74,032.84	635.81			1,219,032.84	597,423.81
				805,000.00	554,258.00
				4,500,000.00	2,286,305.00
				5,695,000.00	1,094,188.00
				1,300,000.00	57,850.00
<b>\$1,023,573.56</b>	<b>\$40,165.56</b>	<b>\$138,500.26</b>	<b>\$3,976.37</b>	<b>\$17,812,073.82</b>	<b>\$6,649,450.93</b>

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.

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, 2009, the aggregate principal amount payable for the Series 2003 Limited Obligation School Warrants was \$33,795,000.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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**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 remuneration 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 participate in a plan administered by Blue Cross/Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

The Commission purchases commercial insurance to cover buildings and contents.

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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**Note 12 – Interfund Transactions**

**Interfund Transfers**

The amounts of interfund transfers during the fiscal year ended September 30, 2009, were as follows:

	Transfers Out			Totals
	General Fund	Public Buildings, Roads and Bridges Fund	Other Governmental Funds	
<b>Transfers In:</b>				
Gasoline Tax Fund	\$258,000.00	\$3,743,762.00	\$ 785,000.00	\$4,786,762.00
Other Governmental Funds	535,244.20	602,019.19	710,503.29	1,847,766.68
<b>Totals</b>	<b>\$793,244.20</b>	<b>\$4,345,781.19</b>	<b>\$1,495,503.29</b>	<b>\$6,634,528.68</b>

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

**Note 13 – Subsequent Events**

On November 30, 2009, the Lee County Commission elected to redeem all of the remaining outstanding warrants for the General Obligation Warrants, Series 1998 at one hundred percent of the redemption price on February 1, 2010, and certified such redemption to the paying agent. The 1998 General Obligation Warrants were issued for the purpose of refinancing a 1989 General Obligation Road and Bridge Warrants and to finance an agreement with the Cities of Opelika and Auburn for the transfer of county maintained roads located within the limits of such cities. The issue was originally scheduled to payout in fiscal year 2013.

On April 26, 2010, the Lee County Commission authorized the issuance of Taxable General Obligation Warrants in the amount of \$8,120,000 to make additions and improvements to the County's road and bridge facilities.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2009***

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**Note 14 – Related Organizations**

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

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

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2009***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<b><u>Revenues</u></b>			
Taxes	\$ 11,000,000.00	\$ 11,000,000.00	\$ 10,863,657.53
Licenses and Permits	683,000.00	683,000.00	595,663.04
Intergovernmental	1,625,700.00	1,656,825.00	1,849,619.17
Charges for Services	4,550,000.00	4,550,000.00	4,419,673.10
Miscellaneous	408,000.00	475,500.00	572,910.64
Total Revenues	<u>18,266,700.00</u>	<u>18,365,325.00</u>	<u>18,301,523.48</u>
<b><u>Expenditures</u></b>			
Current:			
General Government	7,669,987.00	8,015,157.00	7,457,223.43
Public Safety	9,749,799.00	10,027,863.00	10,008,802.76
Health	241,912.00	241,912.00	230,038.63
Welfare	4,200.00	4,200.00	4,672.00
Culture and Recreation	58,000.00	8,000.00	
Education	77,381.00	127,381.00	90,587.99
Capital Outlay	485,354.00	454,180.00	515,857.18
Debt Service:			
Principal Retirement	220,000.00	200,000.00	202,216.96
Interest and Fiscal Charges	18,450.00	14,450.00	9,617.77
Total Expenditures	<u>18,525,083.00</u>	<u>19,093,143.00</u>	<u>18,519,016.72</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(258,383.00)</u>	<u>(727,818.00)</u>	<u>(217,493.24)</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfer In			
Debt Issued	174,500.00	174,500.00	170,000.00
Transfer Out	(666,117.00)	(759,142.00)	(793,244.20)
Total Other Financing Sources (Uses)	<u>(491,617.00)</u>	<u>(584,642.00)</u>	<u>(623,244.20)</u>
Net Change in Fund Balances	(750,000.00)	(1,312,460.00)	(840,737.44)
Fund Balances - Beginning of Year	<u>3,877,040.00</u>	<u>3,127,040.00</u>	<u>4,155,127.72</u>
Fund Balances - End of Year	<u>\$ 3,127,040.00</u>	<u>\$ 1,814,580.00</u>	<u>\$ 3,314,390.28</u>

<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
\$	\$ 10,863,657.53
	595,663.04
	1,849,619.17
	4,419,673.10
	572,910.64
	<u>18,301,523.48</u>
	7,457,223.43
	10,008,802.76
	230,038.63
	4,672.00
	90,587.99
	515,857.18
	202,216.96
	9,617.77
	<u>18,519,016.72</u>
	<u>(217,493.24)</u>
	170,000.00
	<u>(793,244.20)</u>
	<u>(623,244.20)</u>
	(840,737.44)
	<u>4,155,127.72</u>
<u>\$</u>	<u>\$ 3,314,390.28</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Gasoline Tax Fund  
For the Year Ended September 30, 2009***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<b><u>Revenues</u></b>			
Intergovernmental	\$ 1,860,000.00	\$ 3,111,778.00	\$ 3,153,707.07
Charges for Services			10,778.81
Miscellaneous	110,000.00	110,000.00	21,015.92
Total Revenues	<u>1,970,000.00</u>	<u>3,221,778.00</u>	<u>3,185,501.80</u>
<b><u>Expenditures</u></b>			
Current:			
Highways and Roads	5,504,126.00	5,387,396.00	2,847,079.03
Capital Outlay	1,023,000.00	2,114,778.00	2,891,867.18
Debt Service:			
Principal Retirement	371,805.00	1,151,535.00	1,210,345.80
Interest and Fiscal Charges	50,339.00	50,339.00	40,772.11
Total Expenditures	<u>6,949,270.00</u>	<u>8,704,048.00</u>	<u>6,990,064.12</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,979,270.00)</u>	<u>(5,482,270.00)</u>	<u>(3,804,562.32)</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfer In	4,447,762.00	4,805,762.00	4,786,762.00
Debt Issued		245,000.00	245,000.00
Total Other Financing Sources (Uses)	<u>4,447,762.00</u>	<u>5,050,762.00</u>	<u>5,031,762.00</u>
Net Change in Fund Balances	(531,508.00)	(431,508.00)	1,227,199.68
Fund Balances - Beginning of Year	<u>863,534.00</u>	<u>863,534.00</u>	<u>1,263,311.71</u>
Fund Balances - End of Year	<u>\$ 332,026.00</u>	<u>\$ 432,026.00</u>	<u>\$ 2,490,511.39</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 3,153,707.07
	10,778.81
	21,015.92
	<u>3,185,501.80</u>
	2,847,079.03
	2,891,867.18
	1,210,345.80
	40,772.11
	<u>6,990,064.12</u>
	<u>(3,804,562.32)</u>
	4,786,762.00
	245,000.00
	<u>5,031,762.00</u>
	1,227,199.68
	<u>1,263,311.71</u>
<u>\$</u>	<u>\$ 2,490,511.39</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Public Buildings, Roads and Bridges Fund  
For the Year Ended September 30, 2009***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<b><u>Revenues</u></b>			
Taxes	\$ 4,383,000.00	\$ 4,383,000.00	\$ 4,402,072.52
Intergovernmental	33,250.00	33,250.00	33,293.36
Miscellaneous	55,000.00	55,000.00	14,785.20
Total Revenues	<u>4,471,250.00</u>	<u>4,471,250.00</u>	<u>4,450,151.08</u>
<b><u>Expenditures</u></b>			
Debt Service:			
Principal Retirement	115,141.00	115,141.00	105,519.84
Interest and Fiscal Charges	12,859.00	12,859.00	11,816.61
Total Expenditures	<u>128,000.00</u>	<u>128,000.00</u>	<u>117,336.45</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,343,250.00</u>	<u>4,343,250.00</u>	<u>4,332,814.63</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfer Out	<u>(4,343,250.00)</u>	<u>(4,343,250.00)</u>	<u>(4,345,781.19)</u>
Total Other Financing Sources (Uses)	<u>(4,343,250.00)</u>	<u>(4,343,250.00)</u>	<u>(4,345,781.19)</u>
Net Change in Fund Balances			(12,966.56)
Fund Balances - Beginning of Year			<u>7,368.45</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ (5,598.11)</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 4,402,072.52
	33,293.36
	14,785.20
	<u>4,450,151.08</u>
	105,519.84
	11,816.61
	<u>117,336.45</u>
	4,332,814.63
	<u>(4,345,781.19)</u>
	<u>(4,345,781.19)</u>
	(12,966.56)
	7,368.45
<u>\$</u>	<u>\$ (5,598.11)</u>

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***Schedule of Funding Progress  
Defined Benefit Pension Plan  
For the Year Ended September 30, 2009***

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]
9/30/2008	\$23,838,988	\$29,862,034	\$6,023,046	79.80%	\$12,768,983	47.20%
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%

\* Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

\*\* Reflects changes in actuarial assumptions.

***Schedule of Funding Progress  
Other Postemployment Benefits  
For the Year Ended September 30, 2009***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/2008	\$0	\$5,221,566	\$5,221,566	0.00%	\$12,610,905	41.40%

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## *Additional Information*

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***Commission Members and Administrative Personnel***  
***October 1, 2008 through September 30, 2009***

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<b>Commission Members</b>			<b>Term Expires</b>
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. Gary D. Long	Member	15665 US Highway 280 E Smiths Station, AL 36877	2012
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	2012

**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

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***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***

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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, 2009, which collectively comprise the Lee County Commission's basic financial statements and have issued our report thereon dated May 26, 2010. 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.

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***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***

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**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, and others within the entity 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

May 26, 2010