

LEE COUNTY, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

LEE COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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LEE COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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LIST OF PRINCIPAL OFFICIALS

LEE COUNTY BOARD OF COMMISSIONERS

Billy Mathis, Chairman (District 3)

Rick Muggridge, Vice-Chairman (District 4)

John Wheaton, Commissioner (District 1)

Luke Singletary, Commissioner (District 2)

Bill Williams, Commissioner (District 5)

COUNTY STAFF

Christy Dockery, Co-County Manager & County Clerk

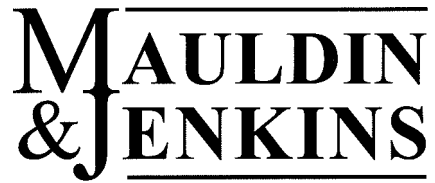
Mike Sistrunk, Co-County Manager & Public Works Director

Heather Jones, Finance Director

COUNTY ATTORNEY

Jimmy Skipper

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**Board of Commissioners
of Lee County, Georgia
Leesburg, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Lee County, Georgia** (the "County"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Lee County, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lee County Board of Health which represent 2% of the assets, (75%) of the net position, and 16% of the revenues of the aggregate discretely presented component units, or the Lee County Development Authority which represents 37% of the assets, 37% of the fund balance, and 4% of the revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lee County Board of Health and the Lee County Development Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lee County, Georgia as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the County's Net Pension Liability and Related Ratios (on page 50), and the Schedule of County Contributions (on page 51), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lee County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedules of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedules of expenditures of special purpose local option sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, and the schedules of expenditures of special purpose local option sales tax proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019 on our consideration of Lee County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lee County, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
March 22, 2019

LEE COUNTY, GEORGIA
STATEMENT OF NET POSITION

JUNE 30, 2018

	Primary Government			Component Units	
	Governmental	Business-type	Total	Health	Utilities
	Activities	Activities		Department	Authority
ASSETS					
Cash and cash equivalents	\$ 7,991,555	\$ 8,510	\$ 8,000,065	\$ 480,894	\$ 1,081,801
Investments	5,912,616	-	5,912,616	-	-
Accounts receivable, net	616,612	18,091	634,703	34,502	191,109
Property tax receivable	196,030	-	196,030	-	-
Prepaid expenses	377,146	-	377,146	-	-
Interfund balances	30	(30)	-	-	-
Due from component unit	3,938	-	3,938	-	-
Due from other governments	560,886	-	560,886	-	-
Restricted assets					
Cash and cash equivalents	-	-	-	-	724,868
Investments	-	-	-	-	1,189,752
Capital assets					
Nondepreciable	4,719,371	2,699,452	7,418,823	-	1,159,825
Depreciable	77,184,862	588,400	77,773,262	40,239	18,474,471
Total assets	<u>97,563,046</u>	<u>3,314,423</u>	<u>100,877,469</u>	<u>555,635</u>	<u>22,821,826</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	-	-	-	135,232
Pension items	625,850	-	625,850	127,206	32,066
OPEB items	-	-	-	81,570	-
Total deferred outflows of resources	<u>625,850</u>	<u>-</u>	<u>625,850</u>	<u>208,776</u>	<u>167,298</u>
LIABILITIES					
Accounts payable	697,373	14,048	711,421	22,479	121,720
Outstanding checks in excess of bank balance	-	128	128	-	-
Retainage payable	-	-	-	-	54,347
Due to other governments	41,903	-	41,903	-	-
Accrued liabilities	417,434	1,992	419,426	-	321,243
Due to primary government	-	-	-	-	3,938
Unearned revenue	6,000	-	6,000	23,708	35,401
Customer deposits	-	-	-	-	491,312
Claims payable	199,441	-	199,441	-	-
Notes payable, due within one year	1,048,252	20,433	1,068,685	-	-
Notes payable, due in more than one year	-	134,308	134,308	-	619,964
Capital leases payable, due within one year	412,423	-	412,423	-	-
Capital leases payable, due in more than one year	1,177,573	-	1,177,573	-	-
Bonds payable, due within one year	613,101	-	613,101	-	965,000
Bonds payable, due in more than one year	-	-	-	-	18,410,000
Compensated absences, due within one year	356,304	3,336	359,640	5,921	23,732
Compensated absences, due in more than one year	534,457	5,005	539,462	53,286	35,597
Net pension liability	1,792,373	-	1,792,373	744,199	91,836
Net OPEB liability	-	-	-	574,804	-
Closure and post-closure care	-	311,548	311,548	-	-
Total liabilities	<u>7,296,634</u>	<u>490,798</u>	<u>7,787,432</u>	<u>1,424,397</u>	<u>21,174,090</u>
DEFERRED INFLOWS OF RESOURCES					
Pension items	1,189,339	-	1,189,339	1,859	60,938
OPEB items	-	-	-	92,585	-
Total deferred inflows of resources	<u>1,189,339</u>	<u>-</u>	<u>1,189,339</u>	<u>94,444</u>	<u>60,938</u>
NET POSITION					
Net investment in capital assets	78,652,884	3,287,852	81,940,736	40,239	(415,015)
Restricted for:					
Capital projects	3,975,075	-	3,975,075	-	-
Other uses	1,602,974	-	1,602,974	325,016	-
Unrestricted	5,471,990	(464,227)	5,007,763	(1,119,685)	2,169,111
Total net position (deficit)	<u>\$ 89,702,923</u>	<u>\$ 2,823,625</u>	<u>\$ 92,526,548</u>	<u>\$ (754,430)</u>	<u>\$ 1,754,096</u>

The accompanying notes are an integral part of these financial statements.

LEE COUNTY, GEORGIA

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,570,560	\$ 795,476	\$ 679	\$ -
Court system	1,540,159	10,970	-	-
Public safety	12,896,001	1,090,452	8,229	23,213
Public works	7,020,941	3,778,576	1,267,763	42,673,842
Health and welfare	477,906	-	-	-
Culture and recreation	1,254,928	852,679	-	25
Housing and development	946,551	-	175,403	2,789
Interest on long-term debt	72,762	-	-	-
Total governmental activities	<u>30,779,808</u>	<u>6,528,153</u>	<u>1,452,074</u>	<u>42,699,869</u>
Business-type activities:				
Golf and recreation	60,553	377	-	-
Solid waste	274,851	165,281	-	-
Total business-type activities	<u>335,404</u>	<u>165,658</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 31,115,212</u>	<u>\$ 6,693,811</u>	<u>\$ 1,452,074</u>	<u>\$ 42,699,869</u>
Component units:				
Board of Health	\$ 868,615	\$ 436,096	\$ 571,896	\$ -
Utilities Authority	3,907,940	4,670,708	-	656,368
Total component units	<u>\$ 4,776,555</u>	<u>\$ 5,106,804</u>	<u>\$ 571,896</u>	<u>\$ 656,368</u>
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Unrestricted investment earnings				
Gain on sale of assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year, as restated				
Net position, end of year				

The accompanying notes are an integral part of these financial statements.

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business-type Activities	Total	Component Units	
			Board of Health	Utilities Authority
\$ (5,774,405)	\$ -	\$ (5,774,405)	\$ -	\$ -
(1,529,189)	-	(1,529,189)	-	-
(11,774,107)	-	(11,774,107)	-	-
40,699,240	-	40,699,240	-	-
(477,906)	-	(477,906)	-	-
(402,224)	-	(402,224)	-	-
(768,359)	-	(768,359)	-	-
(72,762)	-	(72,762)	-	-
<u>19,900,288</u>	<u>-</u>	<u>19,900,288</u>	<u>-</u>	<u>-</u>
-	(60,176)	(60,176)	-	-
-	(109,570)	(109,570)	-	-
-	(169,746)	(169,746)	-	-
<u>19,900,288</u>	<u>(169,746)</u>	<u>19,730,542</u>	<u>-</u>	<u>-</u>
-	-	-	139,377	-
-	-	-	-	1,419,136
-	-	-	<u>139,377</u>	<u>1,419,136</u>
14,692,497	-	14,692,497	-	-
6,478,252	-	6,478,252	-	-
2,056,458	-	2,056,458	-	-
53,337	59	53,396	-	18,325
39,542	(4,803)	34,739	-	-
(161,596)	161,596	-	-	-
<u>23,158,490</u>	<u>156,852</u>	<u>23,315,342</u>	<u>-</u>	<u>18,325</u>
43,058,778	(12,894)	43,045,884	139,377	1,437,461
46,644,145	2,836,519	49,480,664	(893,807)	316,635
<u>\$ 89,702,923</u>	<u>\$ 2,823,625</u>	<u>\$ 92,526,548</u>	<u>\$ (754,430)</u>	<u>\$ 1,754,096</u>

LEE COUNTY, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2018

ASSETS	General Fund	1% SP LOST VI Capital Projects Fund	Nonmajor Governmental Funds	Total
Cash and cash equivalents	\$ 5,630,903	\$ 834,289	\$ 1,526,100	\$ 7,991,292
Investments	2,883,974	3,020,391	8,251	5,912,616
Accounts receivable, net	531,105	-	85,507	616,612
Property tax receivable	196,030	-	-	196,030
Due from component unit	3,938	-	-	3,938
Due from other funds	32,573	-	-	32,573
Due from other governments	255,820	304,531	535	560,886
Prepaid items	377,146	-	-	377,146
Total assets	<u>\$ 9,911,489</u>	<u>\$ 4,159,211</u>	<u>\$ 1,620,393</u>	<u>\$ 15,691,093</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 583,630	\$ 110,404	\$ 3,337	\$ 697,371
Accrued expenses	390,345	-	12,068	402,413
Due to other funds	378,736	31,858	685	411,279
Due to other governments	-	41,903	-	41,903
Other liabilities	6,000	-	-	6,000
Total liabilities	<u>1,358,711</u>	<u>184,165</u>	<u>16,090</u>	<u>1,558,966</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	173,957	-	-	173,957
Total deferred inflow of resources	<u>173,957</u>	<u>-</u>	<u>-</u>	<u>173,957</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	377,146	-	-	377,146
Restricted for:				
Judicial	-	-	54,905	54,905
Public safety	-	-	943,369	943,369
Culture and recreation	-	-	1,300	1,300
Economic development	-	-	604,700	604,700
Capital projects	-	3,975,046	29	3,975,075
Unassigned:	8,001,675	-	-	8,001,675
Total fund balances	<u>8,378,821</u>	<u>3,975,046</u>	<u>1,604,303</u>	<u>13,958,170</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 9,911,489</u>	<u>\$ 4,159,211</u>	<u>\$ 1,620,393</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,190,233
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	173,957
Deferred outflows of resources are not available to pay for period expenditures and, therefore, are not reported in the governmental funds.	625,850
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(613,101)
Note payable	(1,048,252)
Capital leases	(1,589,996)
Accrued interest payable	(15,021)
Compensated absences	(890,761)
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities.	179,558
The net pension liability is not due and payable in the current period and, therefore, is not reported in governmental funds.	(1,792,373)
Deferred inflows of resources related to the net difference between expected and actual experience of economic/demographic (gains)/losses are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(1,189,341)
Net position of governmental activities	<u>\$ 89,702,923</u>

The accompanying notes are an integral part of these financial statements.

LEE COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	1% SPLOST VI Capital Projects Fund	Nonmajor Governmental Funds	Total
Revenues:				
Property taxes	\$ 14,690,140	\$ -	\$ -	\$ 14,690,140
Sales taxes	2,899,086	3,579,166	-	6,478,252
Other taxes	2,053,175	-	3,283	2,056,458
Licenses and permits	305,648	-	-	305,648
Charges for services	4,037,995	-	703,438	4,741,433
Fines and forfeitures	808,990	-	63,829	872,819
Investment income	53,337	43,921	7,062	104,320
Intergovernmental	184,311	1,267,763	-	1,452,074
Other revenues	574,013	-	34,240	608,253
Total revenues	25,606,695	4,890,850	811,852	31,309,397
Expenditures:				
Current:				
General government	6,494,115	-	27,586	6,521,701
Public safety	11,610,399	-	737,763	12,348,162
Judicial	1,512,987	-	8,178	1,521,165
Public works	1,959,673	-	-	1,959,673
Health and welfare	465,325	-	-	465,325
Culture and recreation	1,130,629	-	-	1,130,629
Housing and development	720,207	-	224,721	944,928
Intergovernmental	-	492,667	-	492,667
Capital projects	-	4,674,458	-	4,674,458
Debt service:				
Principal	184,748	904,290	224,552	1,313,590
Interest	-	47,150	36,678	83,828
Fiscal agent fees	11,784	2,700	-	14,484
Total expenditures	24,089,867	6,121,265	1,259,478	31,470,610
Excess (deficiency) of revenues over (under) expenditures	1,516,828	(1,230,415)	(447,626)	(161,213)
Other financing sources (uses):				
Transfers in	81,599	-	726,952	808,551
Transfers out	(888,548)	-	(81,599)	(970,147)
Issuance of capital leases	122,855	1,297,161	-	1,420,016
Proceeds from sale of assets	5,792	-	33,750	39,542
Total other financing sources (uses)	(678,302)	1,297,161	679,103	1,297,962
Net change in fund balances	838,526	66,746	231,477	1,136,749
Fund balances, beginning of year, as restated	7,540,295	3,908,300	1,372,826	12,821,421
Fund balances, end of year	\$ 8,378,821	\$ 3,975,046	\$ 1,604,303	\$ 13,958,170

The accompanying notes are an integral part of these financial statements.

LEE COUNTY, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 1,136,749

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.

Total capital outlay	2,333,686
Total depreciation expense	(3,102,653)

The net effect of the donation of infrastructure from developers is to increase net position. 42,648,886

The issuance of long-term debt provides current financial resources to governmental funds, and thus contributes to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The items that make up these differences in the treatment of long-term det and related items are as follows:

Principal repayments	1,313,598
Issuance of capital leases	(1,420,016)
Amortization of bond premium	21,720

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Unearned revenues decreased by this amount during the year. 2,357

The internal service fund is used by management to charge the cost of workers' compensation insurance and health insurance to individual funds. The net revenue of the internal service fund is reported with governmental activities. 186,575

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

Change in compensated absences	(6,588)
Change in accrued interest payable	3,822
Change in net pension liability and related deferred inflows/outflows	(59,358)

Change in net position of governmental activities \$ 43,058,778

The accompanying notes are an integral part of these financial statements.

LEE COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 14,158,033	\$ 14,253,878	\$ 14,690,140	\$ 436,262
Sales taxes	2,679,700	2,679,700	2,899,086	219,386
Other taxes	1,970,654	2,123,355	2,053,175	(70,180)
Licenses and permits	215,050	240,731	305,648	64,917
Intergovernmental	8,489	8,489	184,311	175,822
Charges for services	3,941,312	3,941,312	4,037,995	96,683
Fines and forfeitures	801,755	801,755	808,990	7,235
Interest income	22,800	30,800	53,337	22,537
Other revenues	103,667	103,667	574,013	470,346
Total revenues	23,901,460	24,183,687	25,606,695	1,423,008
Expenditures:				
Current:				
General government:				
County commissioners	1,072,720	1,086,957	1,554,408	(467,451)
County manager	516,748	545,278	521,343	23,935
Elections	187,187	186,736	187,961	(1,225)
Information technology	269,419	484,370	439,629	44,741
Tax commissioner	394,160	457,910	455,189	2,721
Tax assessor	393,272	392,236	355,316	36,920
Building and grounds	407,063	407,063	475,302	(68,239)
Utility billing	2,513,954	2,484,010	2,504,967	(20,957)
Total general government	5,754,523	6,044,560	6,494,115	(449,555)
Judicial:				
Superior court	528,788	528,695	527,792	903
District attorney	91,386	91,386	90,441	945
Magistrate court	496,544	447,891	426,847	21,044
Probate court	218,276	218,236	235,961	(17,725)
Juvenile court	58,341	60,258	53,184	7,074
Public defender	215,800	215,800	178,762	37,038
Total judicial	1,609,135	1,562,266	1,512,987	49,279

(Continued)

LEE COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Expenditures: (Continued)	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Current: (Continued)				
Public safety:				
Public safety	\$ 5,183,892	\$ 5,531,493	\$ 5,196,209	\$ 335,284
Sheriff's department	3,694,022	3,744,056	3,842,152	(98,096)
Jail	2,213,778	2,208,528	2,274,156	(65,628)
Fire	-	-	2,858	(2,858)
Coroner	29,225	29,282	27,918	1,364
Animal control	270,129	270,129	267,106	3,023
Total public safety	11,391,046	11,783,488	11,610,399	173,089
Public works	1,845,925	1,849,528	1,959,673	(110,145)
Total public works	1,845,925	1,849,528	1,959,673	(110,145)
Health and welfare:				
Department of Family and Children Services	16,000	16,000	16,000	-
Extension service	90,041	90,042	132,933	(42,891)
Health services	317,245	312,595	316,392	(3,797)
Total health and welfare	423,286	418,637	465,325	(46,688)
Culture and recreation:				
Recreation	464,519	464,284	463,818	466
Library	667,701	667,701	666,811	890
Total culture and recreation	1,132,220	1,131,985	1,130,629	1,356
Housing and development:				
Code enforcement	174,105	171,524	162,574	8,950
Economic development	223,328	6,538	6,538	-
Planning and engineering	246,620	227,765	232,460	(4,695)
Building inspections	321,505	340,839	318,635	22,204
Total housing and development	965,558	746,666	720,207	26,459
Debt service:				
Principal	388,630	162,442	184,748	(22,306)
Interest	56,527	21,485	11,784	9,701
Total public works	445,157	183,927	196,532	(12,605)
 Total expenditures	23,566,850	23,721,057	24,089,867	(368,810)
 Excess (deficiency) of revenues over expenditures	334,610	462,630	1,516,828	1,054,198

(Continued)

LEE COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Other financing sources (uses):				
Appropriation of fund balance	\$ -	\$ 350,000	\$ -	\$ (350,000)
Issuance of capital lease	-	-	122,855	122,855
Proceeds from sale of assets	20,000	20,000	5,792	(14,208)
Transfers in	30,000	30,000	81,599	51,599
Transfers out	(384,610)	(862,630)	(888,548)	(25,918)
Total other financing sources (uses)	<u>(334,610)</u>	<u>(462,630)</u>	<u>(678,302)</u>	<u>(215,672)</u>
Net change in fund balances	-	-	838,526	838,526
Fund balance, beginning of year, as restated	7,540,295	7,540,295	7,540,295	-
Appropriation of fund balance	<u>-</u>	<u>(350,000)</u>	<u>-</u>	<u>350,000</u>
Fund balance, end of year	<u>\$ 7,540,295</u>	<u>\$ 7,190,295</u>	<u>\$ 8,378,821</u>	<u>\$ 1,188,526</u>

The accompanying notes are an integral part of these financial statements.

LEE COUNTY, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS

JUNE 30, 2018

ASSETS	Business-type Activities - Enterprise Funds			Governmental Activity
	Parks and Recreation Authority	Solid Waste Fund	Total	Internal Service Fund
CURRENT ASSETS				
Cash and cash equivalents	\$ -	\$ 8,510	\$ 8,510	\$ 263
Accounts receivable, net of allowances	18,091	-	18,091	-
Due from other funds	-	-	-	378,736
Total current assets	18,091	8,510	26,601	378,999
NONCURRENT ASSETS				
Capital assets:				
Nondepreciable	2,536,452	163,000	2,699,452	-
Depreciable, net of accumulated depreciation	588,400	-	588,400	-
Total noncurrent assets	3,124,852	163,000	3,287,852	-
Total assets	3,142,943	171,510	3,314,453	378,999
LIABILITIES				
CURRENT LIABILITIES				
Outstanding checks in excess of bank balance	128	-	128	-
Accounts payable	-	14,048	14,048	-
Accrued expenses	-	1,992	1,992	-
Due to other funds	-	30	30	-
Claims payable	-	-	-	199,441
Current portion - compensated absences	-	3,336	3,336	-
Current portion - note payable	20,433	-	20,433	-
Total current liabilities	20,561	19,406	39,967	199,441
LONG-TERM LIABILITIES				
Note payable, net of current portion	134,308	-	134,308	-
Compensated absences, net of current portion	-	5,005	5,005	-
Accrued landfill closure/post-closure care costs	-	311,548	311,548	-
Total long-term liabilities	134,308	316,553	450,861	-
Total liabilities	154,869	335,959	490,828	199,441
NET POSITION				
Net investment in capital assets	2,970,111	163,000	3,133,111	-
Unrestricted (deficit)	17,963	(327,449)	(309,486)	179,558
Total net position	\$ 2,988,074	\$ (164,449)	\$ 2,823,625	\$ 179,558

The accompanying notes are an integral part of these financial statements.

LEE COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activity
	Parks and Recreation Authority	Solid Waste Fund	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services	\$ -	\$ 153,849	\$ 153,849	\$ 3,669,331
Miscellaneous	377	11,432	11,809	101,416
Total operating revenues	377	165,281	165,658	3,770,747
OPERATING EXPENSES				
Salaries and benefits	2,832	77,696	80,528	-
Cost of sales and services	2,383	151,033	153,416	-
Claims	-	-	-	2,840,884
Administration	-	-	-	743,656
Closure/post-closure care costs	-	46,122	46,122	-
Depreciation	51,132	-	51,132	-
Total operating expenses	56,347	274,851	331,198	3,584,540
Operating income (loss)	(55,970)	(109,570)	(165,540)	186,207
NONOPERATING INCOME (EXPENSE)				
Investment income	2	57	59	369
Interest expense	(4,206)	-	(4,206)	-
Gain (loss) on disposal of assets	141	(4,944)	(4,803)	-
Total nonoperating income (expense)	(4,063)	(4,887)	(8,950)	369
Income (loss) before transfers	(60,033)	(114,457)	(174,490)	186,576
TRANSFERS				
Transfers in	34,207	127,389	161,596	-
Total transfers	34,207	127,389	161,596	-
Change in net position	(25,826)	12,932	(12,894)	186,576
NET POSITION (deficit), beginning of year, as restated	3,013,900	(177,381)	2,836,519	(7,018)
NET POSITION (deficit), end of year	\$ 2,988,074	\$ (164,449)	\$ 2,823,625	\$ 179,558

The accompanying notes are an integral part of these financial statements.

LEE COUNTY, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activity
	Parks and Recreation Authority	Solid Waste Fund	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 377	\$ 165,245	\$ 165,622	\$ 3,392,011
Payments to suppliers	(7,511)	(201,626)	(209,137)	-
Payments for insurance claims	-	-	-	(3,486,697)
Payments to employees	(2,832)	(87,534)	(90,366)	-
Net cash used in operating activities	(9,966)	(123,915)	(133,881)	(94,686)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	34,207	127,389	161,596	-
Net cash provided by noncapital financing activities	34,207	127,389	161,596	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on long-term debt	(20,204)	-	(20,204)	-
Interest paid on long-term debt	(4,180)	-	(4,180)	-
Proceeds from sale of capital assets	141	-	141	-
Net cash used in capital and related financing activities	(24,243)	-	(24,243)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	2	57	59	369
Net cash provided by investing activities	2	57	59	369
Net increase (decrease) in cash and cash equivalents	-	3,531	3,531	(94,317)
Cash and cash equivalents:				
Beginning of year	-	4,979	4,979	94,580
End of year	\$ -	\$ 8,510	\$ 8,510	\$ 263

(Continued)

LEE COUNTY, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activity
	Parks and Recreation Authority	Solid Waste Fund	Total	Internal Service Fund
Reconciliation of operating income (loss) to net cash used in operating activities				
Operating income (loss)	\$ (55,970)	\$ (109,570)	\$ (165,540)	\$ 186,207
Adjustments to reconcile operating income (loss) to net cash used in operating activities				
Depreciation expense	51,132	-	51,132	-
Increase in due from other funds	-	-	-	(378,736)
Decrease in deferred outflows of resources	-	4,465	4,465	-
Increase in accounts payable	-	13,661	13,661	-
Increase in outstanding checks in excess of bank balance	128	-	128	-
Increase (decrease) in accrued expenses	(5,256)	333	(4,923)	-
Decrease in due to other funds	-	(36)	(36)	-
Decrease in deferred inflows	-	(2,132)	(2,132)	-
Increase in claims payable	-	-	-	97,843
Increase in compensated absences	-	1,261	1,261	-
Decrease in net pension liability	-	(13,765)	(13,765)	-
Decrease in accrued closure/post-closure costs	-	(18,132)	(18,132)	-
	<u>\$ (9,966)</u>	<u>\$ (123,915)</u>	<u>\$ (133,881)</u>	<u>\$ (94,686)</u>
Net cash used in operating activities	<u>\$ (9,966)</u>	<u>\$ (123,915)</u>	<u>\$ (133,881)</u>	<u>\$ (94,686)</u>

The accompanying notes are an integral part of these financial statements.

LEE COUNTY, GEORGIA

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS**

JUNE 30, 2018

	Agency Funds
	<u> </u>
ASSETS	
Cash	\$ 374,371
Taxes receivable	<u>524,519</u>
Total assets	<u><u>\$ 898,890</u></u>
LIABILITIES	
Due to others	\$ 374,371
Uncollected taxes	<u>524,519</u>
Total liabilities	<u><u>\$ 898,890</u></u>

The accompanying notes are an integral part of these financial statements.

LEE COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lee County, Georgia (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 County's accounting policies are described below.

A. Reporting Entity

Lee County was incorporated in 1826 under the laws of the State of Georgia. The County operates under a five-member Board of Commissioners, who each serve staggered terms of four years. The Board elects its own chairman.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of Lee County, Georgia (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationship with the County.

Blended Component Units

The Lee County Parks and Recreation Authority (the "Parks and Recreation Authority") is governed by a five-member board appointed by the County Commissioners. The Recreation Authority has a June 30th year-end. The Parks and Recreation Authority is responsible for the operations of the former Grand Island Golf Complex. Because the County is currently responsible for the repayment of the Parks and Recreation Authority's outstanding note payable, the Parks and Recreation Authority is considered a blended component unit and reported as the Parks and Recreation Authority enterprise fund. Separate financial statements are not prepared for the Parks and Recreation Authority.

The Lee County Development Authority (the "Development Authority") is governed by a seven-member board appointed by the County Commissioners. The Authority is responsible for promoting trade, commerce, industry and employment in Lee County. The Development Authority has a June 30th year-end. Because the County is currently responsible for the repayment of the Development Authority's outstanding note payable, the Development Authority is considered a blended component unit and reported as a special revenue fund. Separate financial statements can be obtained at the Development Authority's administrative office at 106 Walnut Ave., N, Leesburg, Georgia 31763.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Units

The Lee County Board of Health (the “Board of Health”) is governed by a seven-member board consisting of four members appointed by the County Commissioners. The Board of Health is responsible for providing healthcare services for the citizens of Lee County. The County has the authority to modify and approve the Board of Health’s budget. The Board of Health has a June 30th year-end. The Board of Health’s financial statements can be obtained by writing to the Lee County Board of Health, P.O. Box 303, Albany, Georgia 31763.

The Lee County Utilities Authority (the “Utilities Authority”) is governed by a seven-member board with all members appointed by the County Commissioners. The Utilities Authority is responsible for the day-to-day operations of the County’s water and wastewater systems, in addition to billing and processing payments for the County’s solid waste bills. The Utilities Authority has a June 30th year-end. Separate financial statements are not prepared for the Utilities Authority.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements, although the agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, intergovernmental income, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **1% SPLOST VI Fund** is a capital projects fund used to account for the receipt and expenditure of the special purpose sales tax which was approved by the voters for a six-year period effective October 1, 2016 through September 30, 2019.

The County reports the following major proprietary fund:

The **Solid Waste Fund** is used to account for the operation, maintenance, and development of the County's inert landfill.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Additionally, the County reports the following fund types:

The ***special revenue funds*** account for specific revenues that are legally restricted to expenditure for particular purposes.

The ***capital projects funds*** account for specific revenues provided for acquisition, construction, or renovation of major capital facilities.

The ***internal service fund*** accounts for the costs of the County's medical benefit plan provided to other departments and agencies of the County.

The ***agency funds*** are used to account for the collection and disbursement of monies by the County on behalf of other governments and individuals, such as cash bonds, traffic fines, support payments and ad valorem, and property taxes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's solid waste function and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services provided.

Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The local government investment pool, "Georgia Fund 1," created by OCGA 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the County's investment in the Georgia Fund 1 is reported at fair value.

D. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. For the most part, the effect of interfund activity has been removed from the government-wide statement of net position.

Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide statement of net position as "internal balances." In the major fund balance sheets, these receivables and payables are classified as "due from other funds" and "due to other funds."

E. 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. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets

Capital assets, which include property, intangible assets, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost which exceeds certain capitalization thresholds and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the County chose to include all such items regardless of their acquisition date or amount. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred.

Major outlays for capital improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets is included as part of the capitalized value of the assets constructed. No interest expense was capitalized during the fiscal year ended June 30, 2018.

Capital assets are depreciated using the straight line method over the following useful lives:

<u>Asset Category</u>	<u>Years</u>
<u>Primary government</u>	
Buildings	25 - 50
Infrastructure	15 - 50
Improvements other than buildings	10 - 20
Machinery and equipment	5 - 15
<u>Utilities Authority</u>	
Water and sewer system	15 - 50

G. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Long-Term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year the debt is issued.

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 and premiums on the issue 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.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the balance sheet and statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item, other than those relating to the County's pension plan which arises only under a modified accrual basis of accounting that qualifies for reporting in this category.

The governmental funds report *unavailable revenues* from property taxes, and this amount is deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

The County also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining lives of plan members.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Outflows/Inflows of Resources (Continued)

Experience gains or losses result from periodic studies by the County's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments as well as assumption changes are also deferred and amortized against pension expense over a five-year period.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash), or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the County Commission through the adoption of a resolution. Only the County Commission may modify or rescind the commitment.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by the County Commission or by any official or body to which the County Commission delegates the authority.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Equity (Continued)

- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The County reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use of expenditures incurred, it is the County's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the County's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the County has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

At June 30, 2018, the Solid Waste Fund had a deficit net position of \$164,449. This deficit will be eliminated through additional charges for services and transfers from the General Fund.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. BUDGETS AND BUDGETARY ACCOUNTING

Budget Process

The annual budget document is the financial plan for the operation of the County. The budget process exists for the purpose of providing a professional management approach to the establishment of priorities and the implementation of work programs while providing an orderly means for control and evaluation of the County's financial position. An annual operating budget is prepared for the General Fund and Special Revenue Funds.

The County follows the following procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to June 30, the County Administrator submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notice of budget and tax proposals is provided in conformance with Georgia law.
3. Public hearings are conducted to obtain taxpayer comments.
4. Prior to June 30, the budget is formally adopted.
5. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The appropriate budgets are prepared by fund, function, and department. Transfers of appropriations between departments require the approval of the County Commissioners. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the department level.

The County does not employ the use of encumbrance accounting in governmental funds and no material purchase orders, contracts, or other commitments existed at the end of the fiscal year which should have been encumbered.

Capital Projects Budget

The construction of certain major capital facilities and improvements, which are accounted for by the County in capital projects funds, are subject to budgetary control on a project basis. The budgets are approved by the Board of Commissioners and are generally subject to specific provisions of voter referendums, State statutes, and/or grant agreements. Appropriations for a specific project do not lapse until completion of the project.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2018, expenditures in the following General Fund departments exceeded budget.

Department	Excess
County Commission	\$ 467,451
Elections	1,225
Buildings and Grounds	68,239
Utility Billing	20,957
Probate Court	17,725
Sheriff	98,096
Jail	65,628
Fire	2,858
Public Works	110,145
Extension Service	42,891
Health Services	3,797
Planning and Engineering	4,695

NOTE 3. DEPOSITS AND INVESTMENTS

Credit risk. State statutes authorize the County to invest in U.S. Government obligations; U.S. Government agency (or other corporation of the U.S. Government) obligations; obligations fully insured or guaranteed by the U.S. Government or a U.S. Government agency; obligations of the State of Georgia or other states; obligations of other counties, municipal corporations and political subdivisions of the State of Georgia; negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America; prime bankers' acceptances; repurchase agreements; and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

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

At June 30, 2018, the County held the following investments:

Investments	Maturities	Rating	Fair Value
Georgia Fund 1	10-day weighted average	AAAf	\$ 5,912,616

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the County does not disclose the investment in the Georgia Fund 1 within the fair value hierarchy.

Custodial Credit Risk – Deposits and Investments. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2018, the deposits of the County and its component units were properly insured and collateralized as defined by GASB pronouncements and the official code of the State of Georgia.

NOTE 4. RECEIVABLES

Property taxes were levied on August 24, 2017. Bills are payable on or before December 20, 2017. The lien date for unpaid taxes is April 2, 2018. After that date, an interest penalty of 18% applies. The County bills and collects its own property taxes. Property taxes levied for 2017 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended June 30, 2018, and collected by August 31, 2018, are recognized as revenues in the year ended June 30, 2018. Receivables at June 30, 2018, for the County's individual major and nonmajor funds in the aggregate are as follows:

	General	Nonmajor Governmental Funds	Parks and Recreation Authority	Total
Receivables:				
Taxes	\$ 196,030	\$ -	\$ -	\$ 196,030
Accounts	2,304,048	85,507	18,091	2,407,646
Gross receivables	2,500,078	85,507	18,091	2,603,676
Less allowance for uncollectibles	(1,772,943)	-	-	(1,772,943)
Net receivables	<u>\$ 727,135</u>	<u>\$ 85,507</u>	<u>\$ 18,091</u>	<u>\$ 830,733</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 3,559,338	\$ -	\$ -	\$ -	\$ 3,559,338
Construction in progress	1,160,033	-	-	-	1,160,033
Total capital assets, not being depreciated	<u>4,719,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,719,371</u>
Capital assets, being depreciated:					
Buildings	21,463,062	-	-	-	21,463,062
Infrastructure	73,000,783	42,648,886	-	-	115,649,669
Improvements other than buildings	2,093,845	-	-	-	2,093,845
Machinery and equipment	12,098,069	2,333,686	(162,068)	-	14,269,687
Total capital assets, being depreciated	<u>108,655,759</u>	<u>44,982,572</u>	<u>(162,068)</u>	<u>-</u>	<u>153,476,263</u>
Less accumulated depreciation for:					
Buildings	(7,586,039)	(440,084)	-	-	(8,026,123)
Infrastructure	(54,262,070)	(1,980,238)	-	-	(56,242,308)
Improvements other than buildings	(1,154,791)	(85,465)	-	-	(1,240,256)
Machinery and equipment	(10,347,916)	(596,866)	162,068	-	(10,782,714)
Total accumulated depreciation	<u>(73,350,816)</u>	<u>(3,102,653)</u>	<u>162,068</u>	<u>-</u>	<u>(76,291,401)</u>
Total capital assets, being depreciated, net	<u>35,304,943</u>	<u>41,879,919</u>	<u>-</u>	<u>-</u>	<u>77,184,862</u>
Governmental activities capital assets, net	<u>\$ 40,024,314</u>	<u>\$ 41,879,919</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,904,233</u>

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

Governmental activities:	
General government	\$ 179,584
Judicial	20,654
Public safety	577,787
Public works	2,177,175
Health and welfare	133,624
Culture and recreation	12,581
Housing and development	1,248
Total depreciation expense - governmental activities	<u>\$ 3,102,653</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

A. Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 2,699,452	\$ -	\$ -	\$ -	\$ 2,699,452
Total capital assets, not being depreciated	2,699,452	-	-	-	2,699,452
Capital assets, being depreciated:					
Building and improvements	1,183,672	-	-	-	1,183,672
Machinery and equipment	30,702	-	(30,702)	-	-
Total	1,214,374	-	(30,702)	-	1,183,672
Less accumulated depreciation for:					
Building and improvements	(544,140)	(51,132)	-	-	(595,272)
Machinery and equipment	(25,758)	-	25,758	-	-
Total	(569,898)	(51,132)	25,758	-	(595,272)
Total capital assets, being depreciated, net	644,476	(51,132)	(4,944)	-	588,400
Business-type activities capital assets, net	\$ 3,343,928	\$ (51,132)	\$ (4,944)	\$ -	\$ 3,287,852

The beginning balances of capital assets and accumulated depreciation have been corrected to accurately reflect balances as of June 30, 2017. See Note 16 for further discussion.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

B. Discretely Presented Component Unit – Utilities Authority

Capital asset activity for the Utilities Authority, a discretely presented component unit, for the fiscal year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Utilities Authority					
Capital assets, not being depreciated:					
Land	\$ 430,907	\$ -	\$ -	\$ -	\$ 430,907
Construction in progress	-	728,918	-	-	728,918
Total capital assets, not being depreciated	<u>430,907</u>	<u>728,918</u>	<u>-</u>	<u>-</u>	<u>1,159,825</u>
Capital assets, being depreciated:					
Infrastructure	34,783,929	691,031	-	-	35,474,960
Machinery and equipment	846,265	27,061	-	-	873,326
Total	<u>35,630,194</u>	<u>718,092</u>	<u>-</u>	<u>-</u>	<u>36,348,286</u>
Less accumulated depreciation for:					
Infrastructure	(16,126,777)	(1,048,245)	-	-	(17,175,022)
Machinery and equipment	(652,893)	(45,900)	-	-	(698,793)
Total	<u>(16,779,670)</u>	<u>(1,094,145)</u>	<u>-</u>	<u>-</u>	<u>(17,873,815)</u>
Total capital assets, being depreciated, net	<u>18,850,524</u>	<u>(376,053)</u>	<u>-</u>	<u>-</u>	<u>18,474,471</u>
Utilities Authority capital assets, net	<u>\$ 19,281,431</u>	<u>\$ 352,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,634,296</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

The following is a summary of long-term debt activity for the County for the fiscal year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 1,175,000	\$ -	\$ (580,000)	\$ 595,000	\$ 595,000
Unamortized premium	39,821	-	(21,720)	18,101	18,101
Total bonds payable	<u>1,214,821</u>	<u>-</u>	<u>(601,720)</u>	<u>613,101</u>	<u>613,101</u>
Note payable	1,272,804	-	(224,552)	1,048,252	1,048,252
Capital leases payable	679,026	1,420,016	(509,046)	1,589,996	412,423
Net pension liability	2,836,566	1,127,084	(2,171,277)	1,792,373	-
Compensated absences	<u>884,173</u>	<u>6,588</u>	<u>-</u>	<u>890,761</u>	<u>356,304</u>
Governmental activities long-term liabilities	<u>\$ 6,887,390</u>	<u>\$ 2,553,688</u>	<u>\$ (3,506,595)</u>	<u>\$ 5,934,483</u>	<u>\$ 2,430,080</u>
Business-type activities:					
Note payable	\$ 174,945	\$ -	\$ (20,204)	\$ 154,741	\$ 20,433
Landfill post-closure liability	329,680	27,990	(46,122)	311,548	-
Compensated absences	<u>7,080</u>	<u>1,261</u>	<u>-</u>	<u>8,341</u>	<u>3,336</u>
Business-type activities long-term liabilities	<u>\$ 511,705</u>	<u>\$ 29,251</u>	<u>\$ (66,326)</u>	<u>\$ 474,630</u>	<u>\$ 23,769</u>

Beginning balances of capital leases payable for governmental activities and the landfill post-closure care liability for business-type activities have been corrected to accurately reflect the outstanding balance at June 30, 2017. See Note 16 for further discussion.

For governmental funds, compensated absences are liquidated by the General Fund and E-911 Fund. For business-type activities, compensated absences are liquidated by the Solid Waste Fund.

General Obligation Bonds. In June 2011, the County issued \$3,350,000 in general obligation sales tax bonds to provide funds for the acquisition and construction of major capital items, with repayment derived from special purpose local option sales tax collections. General obligation bonds are direct obligations and pledge the full faith and credit of the County. Interest is payable semiannually on April 1 and October 1 at varying rates ranging from 2% to 5% beginning October 1, 2011 through 2019. The outstanding balance of general obligation bonds at June 30, 2018 is \$613,101, which includes an unamortized premium of \$18,101.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

General obligation bond debt service requirements to maturity are as follows:

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 595,000	\$ 29,750	\$ 624,750
Unamortized premium	18,101		
	<u>\$ 613,101</u>		

Notes Payable. During fiscal year 2013, the Development Authority of Lee County, a blended component unit, issued a \$2,122,617 note payable for financing the acquisition of land. The note is due in annual installments of \$261,230, through December 2017. The note matures on December 31, 2018 at which time a balloon payment will be due for the remaining principal and all accrued interest. The note carries an interest rate of 2.85%. The outstanding balance at June 30, 2018 is \$1,048,252.

Debt service requirements to maturity are as follows:

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,048,252	\$ 29,863	\$ 1,078,115

The Lee County Parks & Recreation Authority, a blended component unit of the County, refinanced a note payable with a local financial institution to fund renovations at the golf course. The note is dated May 5, 2015 with an original amount of \$212,541 and an interest rate of 2.75%. The total balance outstanding as of June 30, 2018 was \$153,219.

Note payable debt service requirements to maturity are as follows:

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 20,433	\$ 3,950	\$ 24,383
2020	21,003	3,381	24,384
2021	21,587	2,796	24,383
2022	22,189	2,195	24,384
2023	22,807	1,577	24,384
2024	46,722	3,567	50,289
	<u>\$ 154,741</u>	<u>\$ 17,466</u>	<u>\$ 172,207</u>

Capital Leases. The County entered into lease agreements as lessee for financing the acquisition of various equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease term) and have been recorded at the present value of the future minimum lease payments as of the inception date. The interest rate on the leases is 2.08%.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

The cost and related accumulated depreciation of assets under capital leases as of June 30, 2018 is as follows:

Machinery and equipment	\$ 2,118,575
Less: accumulated depreciation	<u>(645,743)</u>
Total	<u><u>\$ 1,472,832</u></u>

The County recorded depreciation expense in the amount of \$229,510 on its capital leases for the year ended June 30, 2018.

The County's total capital lease debt service requirements to maturity are as follows:

Fiscal year ending June 30,	
2019	\$ 425,301
2020	801,787
2021	<u>384,165</u>
Total minimum lease payments	1,611,253
Less amount representing interest	<u>(21,257)</u>
	<u><u>\$ 1,589,996</u></u>

Landfill post-closure care costs. State and federal laws and regulations require that the County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for five years after closure of landfills prior to April 1994 and 30 years for all other landfills. For the County's landfill, which was closed prior to April 1994, the estimated liability for post-closure care costs is \$311,548, which is based on 100% of landfill capacity used to date. Actual costs may be higher due to inflation, deflation, revisions to laws, or regulations, or changes in technology.

The following is a summary of long-term debt activity for the Utilities Authority (component unit) for the fiscal year ended June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Utilities Authority					
Revenue bonds	\$ 20,235,000	\$ -	\$ (860,000)	\$ 19,375,000	\$ 965,000
Note payable	-	619,964	-	619,964	-
Net pension liability	108,946	97,168	(114,278)	91,836	-
Compensated absences	<u>54,776</u>	<u>4,553</u>	<u>-</u>	<u>59,329</u>	<u>23,732</u>
Utilities Authority long-term liabilities	<u><u>\$ 20,398,722</u></u>	<u><u>\$ 721,685</u></u>	<u><u>\$ (974,278)</u></u>	<u><u>\$ 20,146,129</u></u>	<u><u>\$ 988,732</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Revenue Bonds

Series 2010 Bonds

In June 2010, the Lee County Utilities Authority issued \$22,070,000 in revenue bonds (the “Series 2010 Bonds”) for the purpose of: (1) refunding the prior bonds and a loan from the Georgia Environmental Finance Authority (GEFA), (2) acquiring, constructing, installing and equipping the Series 2010 Projects, (3) funding a debt service reserve fund for the Series 2010 Bonds, and (4) paying the costs of issuing the 2010 Series Bonds. Interest is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2011, and the principal paid on August 1 of each year through August 1, 2032. The outstanding balance of the Series 2010 Bonds at June 30, 2018 is \$9,725,000.

Series 2015 Bonds

In April 2015, the Lee County Utilities Authority issued \$9,595,000 in revenue bonds, which consisted of the 2015A Bonds (\$8,805,000) and its Taxable Revenue Bonds, Series 2015B (\$1,180,000) for the purpose of: (1) financing the acquisition, construction, installation and equipping of certain improvements to the System (the “Series 2015 Project”), (2) refunding a portion of the Authority’s outstanding Series 2010 Bonds maturing on August 1, 2022 through August 1, 2032, (the “Refunded Bonds”), (3) prepaying a promissory note executed by the Authority in favor of the Georgia Environmental Finance Authority (the “GEFA Note”), and (4) paying a portion of the costs of issuing the Series 2015A Bonds. Interest is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2015. Principal payments are due August 1 beginning August 1, 2023 for the 2015A bonds and beginning August 1, 2015 for the 2015B bonds.

Revenue bond debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2019	\$ 965,000	\$ 699,400	\$ 1,664,400
2020	990,000	660,650	1,650,650
2021	1,110,000	619,709	1,729,709
2022	1,145,000	581,230	1,726,230
2023	1,180,000	543,323	1,723,323
2024 - 2028	6,400,000	2,114,046	8,514,046
2029 - 2033	7,585,000	802,939	8,387,939
	\$ 19,375,000	\$ 6,021,297	\$ 25,396,297

Note Payable. The Lee County Utilities Authority has incurred debt to the Georgia Environmental Finance Authority (GEFA) for financing the installation of a 350 KW solar photovoltaic system. This \$998,000 loan is still in the drawdown phase, with total draws of \$619,964 at June 30, 2018. Repayment will be determined when construction has been completed and all drawdowns have been made. Therefore, no maturity schedule is presented for this note payable.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2018, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 685
General Fund	SPLOST VI Fund	31,858
General Fund	Solid Waste Fund	30
Internal Service Fund - Workers' Compensation	General Fund	378,736
		\$ 411,309

These balances resulted from the time lag between the dates that: (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

Transfers Out	Transfers In				Total
	General Fund	Nonmajor Governmental Funds	Solid Waste Fund	Parks and Recreation Authority	
General Fund	\$ -	\$ 726,952	\$ 127,389	\$ 34,207	\$ 888,548
Nonmajor Governmental Funds	81,599	-	-	-	81,599
	\$ 81,599	\$ 726,952	\$ 127,389	\$ 34,207	\$ 970,147

Transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLAN

Plan Description

The County, as authorized by the County Commission, has established a non-contributory defined benefit pension plan, the Lee County Defined Benefit Plan (the "Plan"), covering substantially all of the County's employees. The County's pension plan is administered through the Association County Commissioners of Georgia Third Restated Defined Benefit Plan (the "ACCG Plan"), an agent multiple-employer pension plan administered by GEBCorp and affiliated with the Association of County Commissioners of Georgia ("ACCG"). The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. The ACCG, in its role as the Plan sponsor, has the sole authority to establish and amend the benefit provisions and the contribution rates of the County related to the Plan, as provided in Section 19.03 of the ACCG Plan document. The County has the authority to amend the adoption agreement, which defines the specific benefit provisions of the Plan, as provided in Section 19.02 of the ACCG Plan document. The County Commission retains this authority. The ACCG Plan issues a publicly available financial report that includes financial statements and required supplementary information for the pension trust. That report may be obtained at www.gebcorp.com or by writing to Association County Commissioners of Georgia, Retirement Services, 191 Peachtree Street, NE, Atlanta, Georgia 30303 or by calling (800) 736-7166.

Plan Membership

At July 1, 2018, the date of the most recent actuarial valuation, there were 340 participants as follows:

Inactive plan members (or beneficiary) currently receiving benefits	14
Inactive plan members entitled to but not yet receiving benefits	71
Active plan members	255
Total	<u>340</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of ACCG has adopted a recommended actuarial funding policy for the Plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan, as adopted by the County Board of Commissioners, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the actuarially determined rate. For the year ended June 30, 2018, the County's contribution was 6.57% of annual payroll. County contributions to the Plan were \$657,635 for the year ended June 30, 2018.

Net Pension Liability of the County

The County's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2017, with update procedures performed by the actuary to roll forward to the total pension liability measured as of December 31, 2017.

Net Pension Liability

Actuarial assumptions. The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	5.50% per year with an age based scale, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table projected with Scale AA to 2017.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of a February, 2014 actuarial experience study.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

The long-term expected rate of return on pension plan investments was determined through a blend of using a building-block method based on 20-year benchmarks (25%) and 30-year benchmarks (25%), as well as forward-looking capital market assumptions for a moderate asset allocation (50%), as determined by UBS. Expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Fixed income	30%	25 - 35%
Large cap equity	30%	25 - 35%
Mid cap equity	5%	2.5 - 10%
Small cap equity	5%	2.5 - 10%
International equity	15%	10 - 20%
Multi cap	5%	2.5 - 10%
Global allocation	5%	2.5 - 10%
Real estate	5%	2.5 - 10%
	<u>100%</u>	

* Rate shown are net of the 3.00% assumed rate of inflation.

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

Changes in the Net Pension Liability of the County. The changes in the components of the net pension liability of the County for the year ended June 30, 2018, were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 8,644,381	\$ 5,698,869	\$ 2,945,512
Changes for the year:			
Service Cost	477,903	-	477,903
Interest	621,871	-	621,871
Differences between expected and actual experience	(715,688)	-	(715,688)
Assumption changes	20,644	-	20,644
Contributions - employer	-	657,635	(657,635)
Net investment income	-	912,232	(912,232)
Benefit payments, including refunds of employee contributions	(133,723)	(133,723)	-
Administrative expense	-	(49,348)	49,348
Other changes	-	(54,486)	54,486
Net changes	271,007	1,332,310	(1,061,303)
Balances at June 30, 2018	\$ 8,915,388	\$ 7,031,179	\$ 1,884,209

The required schedule of changes in the County's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

The net pension liability of \$1,884,209 is allocated to governmental activities of the County and the Lee County Utilities Authority based on their respective share of the liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the County, calculated using the discount rate of 7.25%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
County's Net Pension Liability	\$ 3,321,916	\$ 1,884,209	\$ 711,472

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2017, and the current sharing pattern of costs between employer and employee.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the County recognized pension expense of \$687,715. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 224,461
Assumption changes	541,926	-
Differences between expected and actual experience of economic/demographic (gains)/losses	115,990	1,025,816
Total	\$ 657,916	\$ 1,250,277

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

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

Year ending June 30:		
2019	\$	(79,405)
2020		(86,561)
2021		(151,701)
2022		(157,962)
2023		(62,792)
Thereafter		(53,940)
Total	\$	<u>(592,361)</u>

NOTE 9. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which, except as described in the following paragraph, the County carries commercial insurance in amounts deemed prudent by County management.

The County participates in the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Association of County Commissioners of Georgia Group Self-Insurance Workers' Compensation Fund, which are public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the County is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The County is also to allow the pools' agents and attorneys to represent the County in investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RISK MANAGEMENT (CONTINUED)

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

There have been no significant reductions of insurance coverage from coverage in the prior year, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The County has an employee benefit plan designed to protect employees covered against catastrophic health expenses. The plan is a self-funded welfare plan consisting of an insured part and a self-funded part. Under the plan, the self-funded part provides medical coverage for employees and their dependents up to a maximum of \$80,000 per participant per plan year. The insured part provides insurance coverage for claims in excess of the coverage provided by the self-funded part, providing the County with protection from risk of loss. The total amount of the County's liability for a contract year, which begins February 1 and ends January 31, is the premium for each employee per month plus the maximum claim liability of \$80,000 per employee per year not to exceed an estimated annual maximum cost of \$3,077,136.

The liability for claims payable is reported in the County's internal service fund. Changes in the balances of claims liabilities for the past two years are as follows:

	2018	2017
Unpaid claims, beginning of year	\$ 108,539	\$ 164,090
Incurred claims and changes in estimates	3,577,599	3,080,085
Claim payments	(3,486,697)	(3,135,636)
Unpaid claims, end of year	<u>\$ 199,441</u>	<u>\$ 108,539</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. COMMITMENTS AND CONTINGENCIES

Litigation

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial position of the County.

Grant Contingencies

The County has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, County management believes such disallowances, if any, will not be significant.

NOTE 11. JOINT VENTURES

Under Georgia law, the County, in conjunction with other cities and counties in the Southwest Georgia area, is a member of the Southwest Georgia Regional Commission (RC) and is required to pay annual dues thereto. During the year ended June 30, 2018, the County paid \$28,318 in such dues. Membership in the RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of regional development commissions in Georgia.

The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a Regional Commission. Separate financial statements may be obtained from Southwest Georgia Regional Commission, 30 West Broad Street, Camilla, Georgia 31730.

NOTE 12. RELATED ORGANIZATIONS

The County Commission is responsible for all of the Board appointments of the Lee County Housing Authority. However, the County has no further accountability for this organization.

NOTE 13. HOTEL/MOTEL TAX

The County imposes a 5% hotel/motel tax on lodging facilities within the County. Revenues collected during the fiscal year ended June 30, 2018 were \$3,283. The funds were expended by the County for tourism as required by O.C.G.A 48-13-51.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. TAX ABATEMENT PROGRAMS

During the year ended June 30, 2017, the County implemented GASB Statement No. 77, *Tax Abatement Disclosures*. This statement requires the County to disclose information for any tax abatement agreements either entered into by the County, or agreements entered into by other governments that reduce the County's tax revenues. As of June 30, 2018, the County did not have any such agreements, either entered into by the County or by other governments.

NOTE 15. SUBSEQUENT EVENT

On July 30, 2018, the Lee County Utilities Authority (a component unit of the County) issued a \$9,100,000 Refunding Revenue Bond, Series 2018. The proceeds from the sale of this bond were used to refund the Utilities Authority's Revenue Bonds Series 2010 maturing 2019 and thereafter, for a debt service reserve surety bond, and to pay the costs of issuing this bond. The interest rate of the bond is 2.86% and matures August 1, 2032.

NOTE 16. PRIOR PERIOD RESTATEMENTS

The County has determined that a restatement to beginning fund balance of the General Fund and the 1% SPLOST Capital Projects Fund is necessary to correct the amounts due from the State for sales tax. Subsequent collections in July and August of each year had been recorded as a receivable at June 30. The amount received in July 2017 was for June 2017 collections; however, the amount received in August 2017 was for July 2017 and should not have been accrued. Additionally, the amount of special purpose sales tax due to other cities at the fiscal year-end has not been accrued in the 1% SPLOST Capital Projects Fund in prior years. Finally, amounts due to other governments for services for the quarter ended June 30 of each year have not been recorded as a liability in prior years.

The County also determined a restatement is necessary to accurately reflect prior year accounts payable in the General Fund. In the previous year, the accounts payable balance per the general ledger at year-end was not reconciled to the subsidiary ledger, resulting in an understatement of accounts payable at June 30, 2017.

A restatement was determined to be necessary in the General Fund to: (1) eliminate the balance due from the Parks and Recreation Authority (\$603,020), as the Parks and Recreation Fund does not have the ability to repay this amount, and (2) eliminate the balance due to the Employee Health Insurance internal service fund (\$618,445), as the County does not have the intent to repay this balance. The net effect of these two amounts is an increase to beginning fund balance of the General Fund of \$15,425.

NOTES TO FINANCIAL STATEMENTS

NOTE 16. PRIOR PERIOD RESTATEMENTS (CONTINUED)

Additionally, the County has determined restatements are necessary in the following funds to eliminate old account balances which should have been zero: General Fund, 1% SPLOST VI Capital Projects Fund, 1% SPLOST V BONY Advance Capital Projects Fund, 1% SPLOST V Tax Proceeds Capital Projects Fund, and Other Governmental Funds (Building Inspection Fund and Special Assessment Fund). For the 1% SPLOST V Tax Proceeds Capital Projects Fund and the Building Inspection Fund, these account balances were the only account balances in the funds and the prior period adjustments resulted in these two funds no longer being reported in the County's financial statements.

The net effect of these restatements is as follows:

	General Fund	1% SPLOST VI Capital Projects Fund	Nonmajor Governmental Funds
Fund balance, June 30, 2017 as previously reported	\$ 8,232,299	\$ 4,234,076	\$ 1,375,221
To correct over accrual of LOST and SPLOST	(243,597)	(300,761)	-
To correct prior year accounts payable	(409,366)	-	-
To write-off uncollectible amounts owed between funds	15,425	-	-
To write-off old accounts	8,134	14,000	(2,395)
To correct amounts due to other governments	(62,600)	(39,015)	-
Fund balance, June 30, 2017 as restated	\$ 7,540,295	\$ 3,908,300	\$ 1,372,826

The County has determined a restatement is necessary to accurately reflect prior year accounts payable in the Employee Medical Insurance Internal Service Fund. In the previous year, the accounts payable balance per the general ledger at year-end was not reconciled to the subsidiary ledger, resulting in an understatement of accounts payable at June 30, 2017.

Additionally, a restatement was determined to be necessary in the Parks and Recreation Authority to eliminate the balance due to the General Fund and due to the Employee Medical Insurance Internal Service Fund, as the Parks and Recreation Authority does not have the ability to repay this amount. A restatement was also necessary in the Employee Medical Insurance Internal Service Fund to record the effect of the previously discussed write-offs of the amounts due from the Parks and Recreation Authority and due from the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 16. PRIOR PERIOD RESTATEMENTS (CONTINUED)

A restatement is necessary in the Solid Waste Fund to correct for the over accrual of the landfill post-closure liability. The liability record in the prior year included an adjustment for the effects of inflation. In accordance with GASB 18, landfill closure and post-closure liabilities should be recorded at current cost.

Additionally, the County has determined restatements are necessary in the following funds to eliminate old account balances: Parks and Recreation Authority, Solid Waste Fund, and Employee Medical Insurance Internal Service Fund.

	Parks and Recreation Authority	Solid Waste Fund	Internal Service Fund
Net position, June 30, 2017 as previously reported	\$ 2,152,505	\$ (314,203)	\$ 867,713
To correct prior year accounts payable	-	-	(64,220)
To correct prior year landfill post-closure liability	-	138,689	-
To write-off uncollectible amounts owed between funds	795,164	-	(810,589)
To write-off old accounts	66,231	(1,867)	78
Net position, June 30, 2017 as restated	\$ 3,013,900	\$ (177,381)	\$ (7,018)

Along with the restatements at the fund level noted above, the County has determined that restatements are necessary to accurately report the following: (1) the beginning balance of capital leases payable of governmental activities; (2) the beginning balance of accrued interest payable of governmental activities; and (3) accumulated depreciation of constructed assets completed in prior years that remained in construction in progress.

Additionally, the Utilities Authority has been reported as a blended component unit of the County in previous years. In accordance with GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39 *Determining Whether Certain Organizations Are Component Units* and GASB Statement 61 *The Financial Reporting Entity Omnibus: an Amendment of GASB Statements 14 and 34*, the County has determined that the Utilities Authority should be reported as a discretely presented component unit. Therefore, a restatement has been made to remove the Utilities Authority from the proprietary fund level statements and from the business-type activities of the government-wide statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 16. PRIOR PERIOD RESTATEMENTS (CONTINUED)

	Governmental	Business-Type	Component Unit
	Activities	Activities	Utilities
	Activities	Activities	Authority
Net position, June 30, 2017 as previously reported	\$ 48,830,622	\$ 2,230,271	\$ -
Prior period adjustments included in governmental funds	(1,020,175)	-	-
Prior period adjustments included in proprietary funds	-	998,217	-
Prior period adjustments of internal service fund	(874,731)	-	-
Change in reporting entity	-	(391,969)	391,969
To correct beginning balances of capital leases payable	151,408	-	-
To correct beginning of year accrued interest payable	(18,843)	-	(75,334)
To record depreciation on completed projects	(435,891)	-	-
Net position, June 30, 2017 as restated	<u>\$ 46,632,390</u>	<u>\$ 2,836,519</u>	<u>\$ 316,635</u>

REQUIRED SUPPLEMENTARY INFORMATION

DEFINED BENEFIT RETIREMENT PLAN SCHEDULE OF CHANGES IN THE COUNTY'S NET PENSION LIABILITY AND RELATED RATIOS

	2018	2017	2016	2015
Total Pension Liability - Beginning of Year	\$ 8,644,381	\$ 7,816,878	\$ 6,465,814	\$ 5,646,475
Service Cost	477,903	446,272	447,004	444,815
Interest on the Total Pension Liability	621,871	584,588	482,064	421,716
Liability Experience (Gain)/Loss	(715,688)	(506,941)	160,036	-
Changes of Assumptions	20,644	348,342	338,535	-
Benefit Payments	(133,723)	(44,758)	(76,575)	(47,192)
Net Change in Total Pension Liability	<u>271,007</u>	<u>827,503</u>	<u>1,351,064</u>	<u>819,339</u>
Total Pension Liability - End of Year (a)	8,915,388	8,644,381	7,816,878	6,465,814
Plan Fiduciary Net Position - Beginning of Year	5,698,869	4,848,328	4,325,599	3,687,107
Contributions - Employer	657,635	638,935	657,405	503,835
Net Investment Income	912,232	354,482	38,236	273,820
Benefit Payments	(133,723)	(44,758)	(76,575)	(47,192)
Administrative Expenses	(49,348)	(49,420)	(48,186)	(47,622)
Other Receipts	(54,486)	(48,698)	(48,151)	(44,349)
Net Change in Plan Fiduciary Net Position	<u>1,332,310</u>	<u>850,541</u>	<u>522,729</u>	<u>638,492</u>
Plan Fiduciary Net Position - End of Year (b)	7,031,179	5,698,869	4,848,328	4,325,599
County's Net Pension Liability (a) - (b)	1,884,209	2,945,512	2,968,550	2,140,215
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.87%	65.93%	62.02%	66.90%
Covered Payroll	\$ 10,006,196	\$ 9,238,642	\$ 9,675,437	\$ 9,693,809
Net Pension Liability as a Percentage of the Covered Payroll	18.8%	31.9%	30.7%	22.1%

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

REQUIRED SUPPLEMENTARY INFORMATION

DEFINED BENEFIT RETIREMENT PLAN SCHEDULE OF COUNTY CONTRIBUTIONS

	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 638,157	\$ 605,393	\$ 601,121	\$ 611,182
Actual Contributions During the Year	657,635	638,935	657,405	503,835
Contribution Deficiency/(Excess)	<u>\$ (19,478)</u>	<u>\$ (33,542)</u>	<u>\$ (56,284)</u>	<u>\$ 107,347</u>
Covered Payroll	\$ 10,006,196	\$ 9,238,642	\$ 9,675,437	\$ 9,693,809
Contributions as a Percentage of Covered Payroll	6.57%	6.92%	6.79%	5.20%

NOTES TO THE SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation Date	January 01, 2017
Actuarial Cost Method	Entry age normal
Actuarial Asset Valuation Method	Smoothed market value, 5 yr. smoothing period
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	None remaining
Projected Salary Increases	3.50 - 6.00%
Investment Rate of Return	7.25%
Mortality Table	RP-2000 projected with Scale AA

**Schedule above is intended to show information for 10 years. Additional years will be displayed as they become available.*

LEE COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total
Revenues:			
Other taxes	\$ 3,283	\$ -	\$ 3,283
Charges for services	703,438	-	703,438
Fines and forfeitures	63,829	-	63,829
Investment income	7,062	-	7,062
Other revenues	34,240	-	34,240
Total revenues	<u>811,852</u>	<u>-</u>	<u>811,852</u>
Expenditures:			
Current:			
General government	27,586	-	27,586
Judicial	8,178	-	8,178
Public safety	737,763	-	737,763
Economic development	224,721	-	224,721
Debt service:			
Principal	224,552	-	224,552
Interest	36,678	-	36,678
Total expenditures	<u>1,259,478</u>	<u>-</u>	<u>1,259,478</u>
Deficiency of revenues over expenditures	<u>(447,626)</u>	<u>-</u>	<u>(447,626)</u>
Other financing sources (uses):			
Proceeds from sale of assets	33,750	-	33,750
Transfers in	726,952	-	726,952
Transfers out	(81,599)	-	(81,599)
Total other financing sources, net	<u>679,103</u>	<u>-</u>	<u>679,103</u>
Net change in fund balances	231,477	-	231,477
Fund balances, beginning of year, as restated	<u>1,372,797</u>	<u>29</u>	<u>1,372,826</u>
Fund balances, end of year	<u>\$ 1,604,274</u>	<u>\$ 29</u>	<u>\$ 1,604,303</u>

LEE COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total
Revenues:			
Other taxes	\$ 3,283	\$ -	\$ 3,283
Charges for services	703,438	-	703,438
Fines and forfeitures	63,829	-	63,829
Investment income	7,062	-	7,062
Other revenues	34,240	-	34,240
Total revenues	811,852	-	811,852
Expenditures:			
Current:			
General government	27,586	-	27,586
Judicial	8,178	-	8,178
Public safety	737,763	-	737,763
Economic development	224,721	-	224,721
Debt service:			
Principal	224,552	-	224,552
Interest	36,678	-	36,678
Total expenditures	1,259,478	-	1,259,478
Deficiency of revenues over expenditures	(447,626)	-	(447,626)
Other financing sources (uses):			
Proceeds from sale of assets	33,750	-	33,750
Transfers in	726,952	-	726,952
Transfers out	(81,599)	-	(81,599)
Total other financing sources, net	679,103	-	679,103
Net change in fund balances	231,477	-	231,477
Fund balances, beginning of year, as restated	1,372,797	29	1,372,826
Fund balances, end of year	\$ 1,604,274	\$ 29	\$ 1,604,303

LEE COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

	Drug Abuse Treatment and Education Fund	Jail Fund	District Attorney Forfeiture Fund	Law Library Fund
ASSETS				
Cash and cash equivalents	\$ 111,330	\$ 35,726	\$ 10,752	\$ 55,590
Investments	8,251	-	-	-
Accounts receivable, net	-	-	-	-
Due from other governments	280	255	-	-
Total assets	\$ 119,861	\$ 35,981	\$ 10,752	\$ 55,590
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-
Due to other funds	-	-	-	685
Total liabilities	-	-	-	685
FUND BALANCES				
Restricted for:				
Public safety	119,861	35,981	10,752	-
Judicial	-	-	-	54,905
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total fund balances	119,861	35,981	10,752	54,905
Total liabilities and fund balances	\$ 119,861	\$ 35,981	\$ 10,752	\$ 55,590

<u>E-911 Fund</u>	<u>Special Assessment Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Development Authority</u>	<u>Community Foundation</u>	<u>Total</u>
\$ 11,190	\$ 649,054	\$ 7,015	\$ 597,685	\$ 47,729	\$ 1,526,071
-	-	-	-	-	8,251
85,507	-	-	-	-	85,507
-	-	-	-	-	535
<u>\$ 96,697</u>	<u>\$ 649,054</u>	<u>\$ 7,015</u>	<u>\$ 597,685</u>	<u>\$ 47,729</u>	<u>\$ 1,620,364</u>
\$ 3,337	\$ -	\$ -	\$ -	\$ -	\$ 3,337
12,068	-	-	-	-	12,068
-	-	-	-	-	685
<u>15,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,090</u>
81,292	649,054	-	-	46,429	943,369
-	-	-	-	-	54,905
-	-	-	-	1,300	1,300
-	-	7,015	597,685	-	604,700
<u>81,292</u>	<u>649,054</u>	<u>7,015</u>	<u>597,685</u>	<u>47,729</u>	<u>1,604,274</u>
<u>\$ 96,697</u>	<u>\$ 649,054</u>	<u>\$ 7,015</u>	<u>\$ 597,685</u>	<u>\$ 47,729</u>	<u>\$ 1,620,364</u>

LEE COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Drug Abuse Treatment and Education Fund	Jail Fund	District Attorney Forfeiture Fund	Law Library Fund
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeitures	16,765	32,894	3,200	10,970
Investment income	618	204	44	134
Other revenues	-	-	1,701	-
Total revenues	17,383	33,098	4,945	11,104
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	3,844	-	-	-
Judicial	-	-	1,000	7,178
Economic development	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	3,844	-	1,000	7,178
Excess (deficiency) of revenues over (under) expenditures	13,539	33,098	3,945	3,926
Other financing sources (uses):				
Proceeds from sale of assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(30,000)	-	-
Total other financing sources (uses)	-	(30,000)	-	-
Net change in fund balances	13,539	3,098	3,945	3,926
Fund balances, beginning of year, as restated	106,322	32,883	6,807	50,979
Fund balances, end of year	\$ 119,861	\$ 35,981	\$ 10,752	\$ 54,905

E-911 Fund	Special Assessment Fund	Hotel/Motel Tax Fund	Development Authority	Community Foundation	Total
\$ -	\$ -	\$ 3,283	\$ -	\$ -	\$ 3,283
426,112	277,326	-	-	-	703,438
-	-	-	-	-	63,829
253	2,995	25	2,789	-	7,062
-	-	-	-	32,539	34,240
<u>426,365</u>	<u>280,321</u>	<u>3,308</u>	<u>2,789</u>	<u>32,539</u>	<u>811,852</u>
-	-	-	-	27,586	27,586
658,093	75,826	-	-	-	737,763
-	-	-	-	-	8,178
-	-	300	224,421	-	224,721
-	-	-	224,552	-	224,552
-	-	-	36,678	-	36,678
<u>658,093</u>	<u>75,826</u>	<u>300</u>	<u>485,651</u>	<u>27,586</u>	<u>1,259,478</u>
<u>(231,728)</u>	<u>204,495</u>	<u>3,008</u>	<u>(482,862)</u>	<u>4,953</u>	<u>(447,626)</u>
-	-	-	33,750	-	33,750
248,894	-	-	478,058	-	726,952
-	-	-	(51,599)	-	(81,599)
<u>248,894</u>	<u>-</u>	<u>-</u>	<u>460,209</u>	<u>-</u>	<u>679,103</u>
17,166	204,495	3,008	(22,653)	4,953	231,477
64,126	444,559	4,007	620,338	42,776	1,372,797
<u>\$ 81,292</u>	<u>\$ 649,054</u>	<u>\$ 7,015</u>	<u>\$ 597,685</u>	<u>\$ 47,729</u>	<u>\$ 1,604,274</u>

LEE COUNTY, GEORGIA

**COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS**

JUNE 30, 2018

	1% SPLOST IV Capital Projects Fund	1% SPLOST V Capital Projects Fund	Total
ASSETS			
Cash and cash equivalents	\$ 21	\$ 8	\$ 29
Total assets	\$ 21	\$ 8	\$ 29
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
FUND BALANCES			
Restricted for:			
Capital projects	21	8	29
Total fund balances	21	8	29
Total liabilities and fund balances	\$ 21	\$ 8	\$ 29

LEE COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	1% SPLOST IV Capital Projects Fund	1% SPLOST V BONY Advance Capital Projects Fund	Total
Revenues:			
Sales taxes	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures:			
Capital outlay	-	-	-
Total expenditures	-	-	-
Net change in fund balances			
Fund balances, beginning of year, as restated	21	8	29
Fund balances, end of year	\$ 21	\$ 8	\$ 29

LEE COUNTY, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - DRUG ABUSE TREATMENT AND EDUCATION FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Fines and forfeitures	\$ 17,187	\$ 17,187	\$ 16,765	\$ (422)
Investment income	483	483	618	135
Total revenues	17,670	17,670	17,383	(287)
Expenditures				
Current				
Public safety	17,670	17,670	3,844	13,826
Total expenditures	17,670	17,670	3,844	13,826
Net change in fund balance	-	-	13,539	13,539
Fund balance, beginning of year	106,322	106,322	106,322	-
Fund balance, end of year	\$ 106,322	\$ 106,322	\$ 119,861	\$ 13,539

LEE COUNTY, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - JAIL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Fines and forfeitures	\$ 31,845	\$ 31,845	\$ 32,894	\$ 1,049
Investment income	115	115	204	89
Total revenues	31,960	31,960	33,098	1,138
Expenditures				
Current				
Public Safety	1,960	1,960	-	1,960
Total expenditures	1,960	1,960	-	1,960
Excess of revenues over expenditures	30,000	30,000	33,098	3,098
Other Financing Uses				
Transfers out	(30,000)	(30,000)	(30,000)	-
Net change in fund balance	-	-	3,098	3,098
Fund balance, beginning of year	32,883	32,883	32,883	-
Fund balance, end of year	\$ 32,883	\$ 32,883	\$ 35,981	\$ 3,098

LEE COUNTY, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - DISTRICT ATTORNEY FORFEITURE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Fines and forfeitures	\$ 10,420	\$ 10,420	\$ 10,970	\$ 550
Investment income	142	142	134	(8)
Total revenues	<u>10,562</u>	<u>10,562</u>	<u>11,104</u>	<u>542</u>
Expenditures				
Current				
Judicial	15,642	15,642	7,178	8,464
Total expenditures	<u>15,642</u>	<u>15,642</u>	<u>7,178</u>	<u>8,464</u>
Excess (deficiency) of revenue over expenditures	(5,080)	(5,080)	3,926	9,006
Other Financing Sources				
Transfers in	<u>5,080</u>	<u>5,080</u>	<u>-</u>	<u>(5,080)</u>
Net change in fund balance	-	-	3,926	3,926
Fund balance, beginning of year	50,979	50,979	50,979	-
Fund balance, end of year	<u>\$ 50,979</u>	<u>\$ 50,979</u>	<u>\$ 54,905</u>	<u>\$ 3,926</u>

LEE COUNTY, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - LAW LIBRARY FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Fines and forfeitures	\$ 10,420	\$ 10,420	\$ 10,970	\$ 550
Investment income	142	142	134	(8)
Total revenues	<u>10,562</u>	<u>10,562</u>	<u>11,104</u>	<u>542</u>
Expenditures				
Current				
Judicial	15,642	15,642	7,178	8,464
Total expenditures	<u>15,642</u>	<u>15,642</u>	<u>7,178</u>	<u>8,464</u>
Excess (deficiency) of revenue over expenditures	(5,080)	(5,080)	3,926	9,006
Other Financing Sources				
Transfers in	<u>5,080</u>	<u>5,080</u>	<u>-</u>	<u>(5,080)</u>
Net change in fund balance	-	-	3,926	3,926
Fund balance, beginning of year	50,979	50,979	50,979	-
Fund balance, end of year	<u>\$ 50,979</u>	<u>\$ 50,979</u>	<u>\$ 54,905</u>	<u>\$ 3,926</u>

LEE COUNTY, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - E-911 FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Charges for services	\$ 391,645	\$ 391,645	\$ 426,112	\$ 34,467
Investment income	255	255	253	(2)
Total revenues	<u>391,900</u>	<u>391,900</u>	<u>426,365</u>	<u>34,465</u>
Expenditures				
Current				
Public safety	648,784	648,784	658,093	(9,309)
Total expenditures	<u>648,784</u>	<u>648,784</u>	<u>658,093</u>	<u>(9,309)</u>
Deficiency of revenues over expenditures	(256,884)	(256,884)	(231,728)	25,156
Other Financing Sources				
Transfers in	<u>256,884</u>	<u>256,884</u>	<u>248,894</u>	<u>(7,990)</u>
Net change in fund balance	-	-	17,166	17,166
Fund balance, beginning of year	64,126	64,126	64,126	-
Fund balance, end of year	<u>\$ 64,126</u>	<u>\$ 64,126</u>	<u>\$ 81,292</u>	<u>\$ 17,166</u>

LEE COUNTY, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - SPECIAL ASSESSMENT FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Charges for services	\$ 76,265	\$ 76,265	\$ 277,326	\$ 201,061
Investment income	2,330	2,330	2,995	665
Total revenues	<u>78,595</u>	<u>78,595</u>	<u>280,321</u>	<u>201,726</u>
Expenditures				
Current				
Public safety	78,595	78,595	75,826	2,769
Total expenditures	<u>78,595</u>	<u>78,595</u>	<u>75,826</u>	<u>2,769</u>
Net change in fund balance	-	-	204,495	204,495
Fund balance, beginning of year, as restated	444,559	444,559	444,559	-
Fund balance, end of year	<u>\$ 444,559</u>	<u>\$ 444,559</u>	<u>\$ 649,054</u>	<u>\$ 204,495</u>

LEE COUNTY, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - HOTEL/MOTEL TAX FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Other taxes	\$ 3,252	\$ 3,252	\$ 3,283	\$ 31
Investment income	-	-	25	25
Total revenues	<u>3,252</u>	<u>3,252</u>	<u>3,308</u>	<u>56</u>
Expenditures				
Current				
Economic development	3,252	3,252	300	2,952
Total expenditures	<u>3,252</u>	<u>3,252</u>	<u>300</u>	<u>2,952</u>
Net change in fund balance	-	-	3,008	3,008
Fund balance, beginning of year	4,007	4,007	4,007	-
Fund balance, end of year	<u>\$ 4,007</u>	<u>\$ 4,007</u>	<u>\$ 7,015</u>	<u>\$ 3,008</u>

LEE COUNTY, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - DEVELOPMENT AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Investment income	\$ -	\$ -	\$ 2,789	\$ 2,789
Total revenues	-	-	2,789	2,789
Expenditures				
Current				
Economic development	216,828	216,828	224,421	(7,593)
Debt service				
Principal	-	-	224,552	(224,552)
Interest	-	-	36,678	(36,678)
Total expenditures	216,828	216,828	485,651	(268,823)
Deficiency of revenues over expenditures	(216,828)	(216,828)	(482,862)	(266,034)
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	-	33,750	33,750
Transfers in	216,828	216,828	478,058	261,230
Transfers out	-	-	(51,599)	(51,599)
Total other financing sources, net	216,828	216,828	460,209	243,381
Net change in fund balance	-	-	(22,653)	(22,653)
Fund balance, beginning of year	620,338	620,338	620,338	-
Fund balance, end of year	\$ 620,338	\$ 620,338	\$ 597,685	\$ (22,653)

LEE COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Project Description	Original Estimated Costs	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
<i>Sales Tax Referendum SPLOST IV</i>					
Road, street and bridge construction unincorporated areas	\$ 5,534,500	\$ 4,769,661	\$ -	\$ 4,769,661	86%
Smithville fire/EMS station and equipment	600,000	690,778	-	690,778	100%
Leesburg fire/EMS and equipment and general obligation debt	650,000	574,793	-	574,793	88%
Redbone fire/EMS and equipment and general obligation debt	650,000	574,793	-	574,793	88%
Palmyra fire/EMS station and equipment	300,000	299,720	-	299,720	100%
General obligation for Lee County criminal justice center	2,500,000	2,911,772	-	2,911,772	100%
Lee County courthouse renovation	500,000	309,483	-	309,483	62%
Lee County elementary school renovation and library renovation of Redbone fire station	1,700,000	1,782,698	-	1,782,698	100%
Recreation facilities construction	1,000,000	1,172,205	-	1,172,205	100%
General obligation debt for waste water treatment plant	2,065,500	856,000	-	856,000	41%
Industrial park	1,000,000	1,016,369	-	1,016,369	100%
Leesburg					
Road, street and bridge construction	50,000	50,000	-	50,000	100%
Water and sewer treatment facilities	700,000	692,816	-	692,816	99%
Smithville					
Road, street and bridge construction	200,000	283,959	-	283,959	100%
Water and sewer treatment facilities	300,000	355,749	-	355,749	100%
Historic facilities renovation	200,000	304,661	-	304,661	100%
Public safety facilities	50,000	20,093	-	20,093	40%
 Total expenditures	 <u>\$ 18,000,000</u>	 <u>\$ 16,665,550</u>	 <u>\$ -</u>	 <u>\$ 16,665,550</u>	

*** Estimated costs are not budgeted by project or in total. Projects are approved according to need at least annually.

(Continued)

LEE COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Project Description	Original Estimated Costs	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
<i>Sales Tax Referendum SPLOST V</i>					
Retirement of previously incurred debt	\$ 3,195,973	\$ 10,384,528	\$ -	\$ 10,384,528	100%
Sheriff's department vehicles	624,500	624,500	-	624,500	100%
Five (5) replacement ambulances for EMS	625,000	487,829	-	487,829	78%
City of Leesburg	5,000,000	5,000,000	-	5,000,000	100%
City of Smithville - road, street, bridges, water and sewer facilities	900,000	687,474	-	687,474	76%
Park Street recreation complex and capital outlay for recreation	300,000	13,510	-	13,510	5%
Courthouse square and Old Smithville Road Road, street and bridge construction and improvements in unincorporated areas	2,000,000	10,253	-	10,253	1%
Renovation of old high school	6,559,527	5,376,281	-	5,376,281	82%
Two (2) fire brush trucks for fire department	1,500,000	1,497,396	-	1,497,396	100%
Upgrade and expansion of Kinchafoonee waste water treatment plant	100,000	99,982	-	99,982	100%
Ambulance for the Smithville fire/EMS station	8,000,000	2,687,846	-	2,687,846	34%
Extension of water lines and systems	125,000	111,621	-	111,621	89%
Storm water improvements	1,300,000	1,248,299	-	1,248,299	96%
Palmyra fire/EMS station	1,000,000	370,960	-	370,960	37%
Renovation and expansion of public works building	650,000	84,000	-	84,000	13%
Construction of a new headquarters library	270,000	89,280	-	89,280	33%
Fire tower, burn building and driver training course	2,000,000	4,140,312	-	4,140,312	100%
	500,000	40,238	-	40,238	8%
Total expenditures	<u>\$ 34,650,000</u>	<u>\$ 32,954,309</u>	<u>\$ -</u>	<u>\$ 32,954,309</u>	

(Continued)

LEE COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Project Description	Original Estimated Costs	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
<i>Sales Tax Referendum SPLOST VI</i>					
Public Safety capital projects and equipment	\$ 3,570,000	\$ 2,986,267	\$ 1,983,067	\$ 4,969,334	100%
Courthouse - security, renovations and records	500,000	399,654	231,863	631,517	100%
Water and sewer system projects	2,250,000	1,049,721	54,607	1,104,328	49%
Roads, streets and bridges	10,738,760	3,117,678	2,282,463	5,400,141	50%
Oakland Library project	1,200,000	1,165,891	-	1,165,891	97%
Leesburg/Smithville library projects	465,000	60,468	13,666	74,134	16%
Stormwater projects	500,000	162,488	53,783	216,271	43%
Public works - renovations and equipment	250,000	134,640	-	134,640	54%
Public facilities - renovations and GIS	250,000	129,325	41,378	170,703	68%
Recreation projects	1,750,000	14,474	13,632	28,106	2%
City of Leesburg	2,650,000	1,260,983	380,608	1,641,591	62%
City of Smithville	779,370	374,427	112,058	486,485	62%
Repayment of issuance of debt	3,350,000	2,724,094	954,140	3,678,234	100%
Total expenditures	<u>\$ 28,253,130</u>	<u>\$ 13,580,110</u>	<u>\$ 6,121,265</u>	<u>\$ 19,701,375</u>	

AGENCY FUNDS

Tax Commissioner – This fund is used to account for all personal property and real property taxes collected and forwarded to the County and other government units.

The following agency funds are used to account for fines, fees and other monies collected by the courts and remitted to other parties in accordance with court orders and state law:

Clerk of Superior Court

Probate Court

Magistrate Court

Sheriff – This fund is used to account for collection of fees, proceeds from judicial sales, and cash bonds, which are disbursed to other agencies, the County, and individuals.

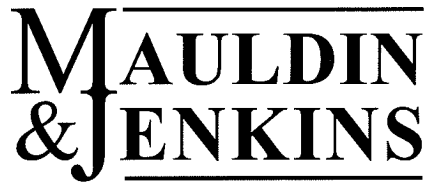
LEE COUNTY, GEORGIA

COMBINING STATEMENT OF ASSETS AND LIABILITIES AGENCY FUNDS

JUNE 30, 2018

	Clerk of Superior Court	Probate Court	Tax Commissioner	Magistrate Court	Sheriff	Total Agency Funds
ASSETS						
Cash and cash equivalents	\$ 52,917	\$ 14,284	\$ 144,378	\$ 31,168	\$ 131,624	\$ 374,371
Property tax receivable	-	-	524,519	-	-	524,519
Total assets	\$ 52,917	\$ 14,284	\$ 668,897	\$ 31,168	\$ 131,624	\$ 898,890
LIABILITIES						
Due to others	\$ 52,917	\$ 14,284	\$ 144,378	\$ 31,168	\$ 131,624	\$ 374,371
Uncollected taxes	-	-	524,519	-	-	524,519
Total liabilities	\$ 52,917	\$ 14,284	\$ 668,897	\$ 31,168	\$ 131,624	\$ 898,890

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S 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***

**Board of Commissioners
of Lee County, Georgia
Leesburg, Georgia**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Lee County, Georgia (the "County") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Lee County, Georgia's basic financial statements and have issued our report thereon dated March 22, 2019. Our report includes a reference to other auditors who audited the financial statements of the Lee County Board of Health and the Lee County Development Authority, as described in our report on Lee County, Georgia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we considered to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as 2018 – 002 through 2018 – 008 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as 2018 – 001 to be a significant deficiency.

Compliance and Other Matters

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

Lee County, Georgia’s Responses to Findings

Lee County, Georgia’s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Lee County, Georgia’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Macon, Georgia
March 22, 2019

LEE COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Federal Awards

There was not an audit of major federal award programs for the fiscal year ended June 30, 2018 due to the total amount of federal awards expended during the year being less than \$750,000.

LEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2018 – 001. Segregation of Duties

Criteria: Internal controls should be in place to provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: For the fiscal year ended June 30, 2018, we noted a lack of proper segregation of duties within several areas of Lee County, Georgia's operations, including the County Finance Department, Clerk of Court, Probate Court, Sheriff's Office, and County Finance Department.

Context: Several instances of overlapping duties were noted during interviews regarding internal control procedures.

Effect: Failure to properly segregate duties between recording, distribution, and reconciliation of accounts can lead to misappropriation of funds that is not detected during the normal course of business.

Recommendation: The duties of recording, distribution, and reconciliation of accounts should be segregated among employees.

Views of Responsible Officials and Planned Corrective Action: We concur. We will work with staff to segregate duties and apply compensating controls to the extent possible.

2018 – 002. Restatement of Prior Year Financial Statements – Internal Balances

Criteria: Generally accepted accounting principles require the consideration of the collectability of receivables of all kinds, whether external or internal to a government.

Condition: Prior to fiscal year 2018, the County reflected balances owed by the Parks and Recreation Authority to the General Fund and Employee Health Insurance Internal Service Fund for which the Parks and Recreation Authority has no means to repay. Additionally, the County's General Fund reflected amounts owed to the Employee Health Insurance Internal Service Fund for which the General Fund does not have the intent to repay.

Context: We addressed this matter with County officials and they were able to determine the amount of the restatement to remove the due to/from balances as of the beginning of the fiscal year.

LEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018 – 002. Restatement of Prior Year Financial Statements – Internal Balances (Continued)

Effect: An adjustment was required to decrease due to other funds and increase net position of the Parks and Recreation Authority in the amount of \$795,164. Additionally, adjustments were made in the General Fund to reduce the amount due from the Parks and Recreation Authority by \$603,020, reduce the amount due to the Employee Health Insurance Fund by \$618,445 and increase fund balance by \$15,425. Finally, an adjustment to reduce due from other funds by \$810,589 and reduce net position by the same amount was required to be recorded in the Employee Health Insurance Fund.

Cause: Review of the internal balances and consideration of collectability is not being performed on a regular basis.

Recommendation: We recommend the County periodically review amounts due between funds to determine whether such amounts will be repaid, or if they should instead be written off as transfers.

Views of Responsible Officials and Planned Corrective Action: We concur. We will establish procedures to reconcile periodically and assess the collectability of amounts due between funds.

2018 – 003. Restatement of Prior Year Financial Statements – Recording of LOST and SPLOST Receivables

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measureable and available to finance expenditures of the current period. As part of these processes, the County should review all revenue transactions to determine reporting in the proper period.

Condition: At June 30, 2017 and 2018, the County recorded a receivable for LOST and SPLOST received in July and August, following each year-end. However, only the amount received in July of each year should have been recorded as a receivable. Sales tax collected by the Georgia Department of Revenue is remitted to local governments in the month following collection; therefore only June collections, remitted in July, are receivable at year-end. Additionally the portion of sales tax receivable that will be remitted to the cities of Leesburg and Smithville should be recorded as a payable at year-end.

Context: We addressed this matter with County officials and they were able to determine the amount of the restatement to correct fund balance at the beginning of the fiscal year as well as adjust sales tax receivable of the current year in the General Fund and sales tax receivable and due to cities in the 1% SPLOST VI Fund.

LEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018 – 003. Restatement of Prior Year Financial Statements – Recording of LOST and SPLOST Receivables (Continued)

Effect: An adjustment was required in the General Fund to decrease fund balance by \$243,597, decrease sales tax receivable by \$242,386, and increase revenue by \$1,231. Additionally, an adjustment was required in the 1% SPLOST IV Fund to decrease fund balance by \$339,776, increase due to cities by \$41,903, decrease sales tax receivable by \$299,235, increase intergovernmental payments of SPLOST by \$2,888, and increase sales tax revenue by \$1,526.

Cause: Review of the revenue transactions subsequent to year-end did not detect that the Georgia Department of Revenue remits sales tax to local governments in the month following collection, rather than in two months following collection.

Recommendation: We recommend the County review all revenue transactions subsequent to year-end to determine reporting in the proper period, as well as record a liability for sales tax receivable amounts to be subsequently paid to Leesburg and Smithville.

Views of Responsible Officials and Planned Corrective Action: We concur. We will strengthen procedures for reviewing transactions subsequent to year-end to determine reporting in the proper period, and record a liability for sales tax receivable amounts to be subsequently paid to Leesburg and Smithville.

2018 – 004. Restatement of Prior Year Financial Statements – Landfill Post-Closure Care Liability

Criteria: Governmental Accounting Standards Board Statement 18 requires the recording of a liability by local governments for landfill closure and post-closure care costs. This liability should be calculated using estimated total *current* costs of closure and post-closure care, with no adjustment for inflation.

Condition: The liability recorded for landfill post-closure care in the County's Solid Waste Fund at June 30, 2017 included an estimated increase of 5% in costs for each year included in the calculation, resulting in an overstatement of the liability.

Context: We addressed this matter with County officials and they were able to determine the appropriate adjustment to correct the landfill post-closure care liability as of June 30, 2017 and to adjust the liability to the correct balance at June 30, 2018.

Effect: An adjustment was required in the Solid Waste Fund to increase fund balance by \$138,689, decrease the post-closure care liability by \$123,854 and increase expenses by \$14,835.

Cause: Incorrect calculation of landfill post-closure care liability

LEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018 – 004. Restatement of Prior Year Financial Statements – Landfill Post-Closure Care Liability (Continued)

Recommendation: We recommend the County calculate and record the liability for landfill post-closure care on an annual basis using current costs.

Views of Responsible Officials and Planned Corrective Action: We concur. We will calculate and record the liability for landfill post-closure care on an annual basis using current costs.

2018 – 005. Restatement of Prior Year Financial Statements – Maintenance of General Ledger

Criteria: Sound internal controls require the reconciliation of balance sheet accounts to subsidiary ledgers or other supporting documentation on a monthly basis.

Condition: During our audit procedures, we noted various account balances of several funds that had remained unchanged for a number of years. Upon further investigation and discussions with County personnel, it was determined that no support existed for these account balances and many were the result of audit adjustments in previous years.

Context: We addressed this matter with County officials and they were able to determine the appropriate adjustments to eliminate account balances that should no longer exist.

Effect: Adjustments were made as follows:

- General Fund – an adjustment to increase fund balance by \$8,134 and decrease retainage payable and accrued interest payable by \$5,000 and \$3,134, respectively.
- SPLOST VI Fund – an adjustment to increase fund balance and decrease accrued interest payable by \$14,000.
- SPLOST V Tax Proceeds Fund – an adjustment to increase fund balance and decrease accrued interest payable by \$9,157, and net due from other funds of \$4,339,286 with due to other funds of (\$4,339,286). These entries resulted in zero balances in all accounts of the fund, thereby eliminating the need to maintain this fund in the County's general ledger.
- SPLOST V Advance Capital Projects Fund – an adjustment to increase fund balance by \$2,598, decrease accounts payable by \$861, and decrease accrued interest payable by \$1,737.
- Special Assessment Fund – an adjustment to decrease fund balance by \$2,571, decrease accounts receivable by \$839, and decrease NSF clearing account by \$1,732.
- Building Inspection Fund – an adjustment to increase fund balance and decrease NSF clearing account by \$176. These entries resulted in zero balances in all accounts of the fund, thereby eliminating the need to maintain this fund in the County's general ledger.

LEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018 – 005. Restatement of Prior Year Financial Statements – Maintenance of General Ledger (Continued)

- Solid Waste Fund – an adjustment to decrease net position by \$1,867, decrease NSF clearing account by \$1,299, and decrease prepaid items by \$568.
- Parks and Recreation Authority – an adjustment to increase net position by \$66,231, decrease accrued vacation payable by \$18,563, decrease the net pension liability and related deferred inflows and outflows by a net of \$47,968, and decrease prepaid items by \$300.
- Employee Medical Insurance Fund – an adjustment to increase net position and decrease prepaid insurance by \$78.

Cause: Not all general ledger account balances reconciled on a monthly basis.

Recommendation: We recommend the County reconcile all general ledger account balances on a monthly basis and make adjustments as necessary.

Views of Responsible Officials and Planned Corrective Action: We concur. We will reconcile all general ledger account balances on a monthly basis and make adjustments as necessary.

2018 – 006. Restatement of Prior Year Financial Statements – Reconciliation and Recording of Accounts Payable and Amounts Due to Other Governments

Criteria: Generally accepted accounting principles require reporting of all current liabilities whose liquidation is expected to require the use of current assets when the goods have been received or services have been performed. Additionally, a reconciliation of accounts payable from the general ledger to the detail subsidiary ledger should be performed on a monthly basis to determine that all additions to, and payments of, accounts payable are correctly recorded.

Condition: The accounts payable subsidiary ledgers of the County and Utilities Authority have not been reconciled to the general ledger in a number of years. Prior year accounts payable of the General Fund was comprised of two accounts – one a credit balance and the other a large debit balance, neither of which agreed to the subsidiary ledger. The accounts payable balance in the Employee Medical Insurance Fund consisted of a credit balance and a debit balance, with the debit balance not having been reconciled or adjusted in several years. Additionally, accounts payable was not recorded in the General Fund in the prior year for an invoice received from Sumter County for services performed for the quarter ended June 30, 2017. Finally, accounts payable of the Utilities Authority did not agree to the detail subsidiary ledger at June 30, 2018.

Context: We addressed this matter with County officials and they were able to determine the appropriate adjustments to record to correct accounts payable in each of these funds.

LEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018 – 006. Restatement of Prior Year Financial Statements – Reconciliation and Recording of Accounts Payable and Amounts Due to Other Governments (Continued)

Effect: An adjustment was required in the General Fund to decrease fund balance by \$471,966, increase accounts payable by \$204,239 and decrease expenditures by \$267,727. Additionally, an adjustment was required in the Employee Medical Insurance Fund to decrease net position by \$64,220 and increase accounts payable by the same amount. Finally, an adjustment of \$36,646 was required to agree the general ledger of the Utilities Authority to its accounts payable subsidiary ledger at June 30, 2018.

Cause: Accounts payable subsidiary ledger was not being reconciled to the general ledger on a monthly basis.

Recommendation: We recommend the County reconcile the accounts payable subsidiary ledger to the general ledger on a monthly basis

Views of Responsible Officials and Planned Corrective Action: We concur. We will establish procedures to reconcile the accounts payable subsidiary ledger to the general ledger on a monthly basis.

2018 – 007. Restatement of Prior Year Financial Statements – Maintenance of Detail Capital Asset Listings and Depreciation Schedules

Criteria: Detailed records of capital assets, including construction in progress, are an important tool in maintaining control over capital assets and ensuring the proper calculation of depreciation.

Condition: During our audit of capital assets of the County and the Utilities Authority, we noted the following:

- In prior years, the external auditors, rather than County and Utilities Authority, personnel, have been responsible for maintaining capital assets and related depreciation, including construction in progress. Audit entries to record depreciation expense were required as follows: \$3,102,653 in the County's government-wide statements; \$51,132 for the Parks and Recreation Authority; and \$1,094,145 for the Utilities Authority.
- Contributions of infrastructure from developers were not included in the County's capital assets. Contributions of infrastructure from developers and from the County were not included as capital assets of the Utilities Authority. An audit adjustment of \$42,615,739 was required to add donated infrastructure (roads of multiple subdivisions) to the County's government-wide statements. Audit adjustments were necessary to record contributions of infrastructure from developers (\$574,700) and contributions of capital assets from the County (\$81,668). An additional entry to record capital expenses of \$29,655 was required in the Utilities Authority.

LEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018 – 007. Restatement of Prior Year Financial Statements – Maintenance of Detail Capital Asset Listings and Depreciation Schedules (Continued)

- A complete inventory of capital assets of the County and Utilities Authority, including land, buildings, improvements, infrastructure, equipment and vehicles has not been performed in several years.
- The detail listing of the County's capital assets at June 30, 2017 included approximately \$5.1 million in construction in progress, the majority of which were projects completed several years ago. Because these projects were not transferred to a capital asset account when completed, depreciation expense has not been calculating. A prior period adjustment of \$435,891 was required to correct accumulated depreciation at June 30, 2017 for these projects completed in prior years but not transferred to capital assets.

Context: See above condition.

Effect: Because the County and Utilities Authority have not been maintaining the detail listing of capital assets, purchases, donations and construction of capital assets are not being recorded as they occur, which can lead to items being accidentally omitted from the listing during the year-end closeout process. Additionally, with no subsidiary ledgers being maintained for construction projects, all costs associated with a project could potentially not be captured. This is especially true with projects that cross fiscal year-ends. Finally, without a periodic inventory of capital assets, loss or unauthorized use of property cannot be identified.

Recommendation: We recommend the County and Utilities Authority perform a complete inventory of capital assets as soon as possible and update the capital asset listings now being maintained in the accounting system. Purchases and donations of assets/infrastructure should be added to the listing when they occur and not during the year-end closeout process. Additionally, a subsidiary ledger should be maintained for each capital project in process and all costs associated with the project recorded. This will ensure that all costs are captured and the use of SPLOST funds and grant funds are appropriate.

Views of Responsible Officials and Planned Corrective Action: We concur. We will update our capital asset processes to incorporate the above recommendations.

2018 – 008. Accounting for Long-term Debt Transactions

Criteria: Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus, capital leases entered into by the County are recorded as other financing sources and as expenditures for the full amount of the leased item. Payments of principal and interest are then recorded as expenditures. Proprietary funds use the economic resources measurement focus and the accrual basis of accounting whereby issuing debt results in a liability and repayment of principal reduces the liability.

LEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018 – 008. Accounting for Long-term Debt Transactions (Continued)

Condition: During our audit of long-term debt of the County, we noted two leases paid out in 2017 still reflected outstanding balances at June 30, 2017 in the County's financial statements. Additionally, we noted several leases for which the June 30, 2017 balances reflected in the financial statements did not agree to confirmations, amortization schedules and documentation of amounts paid. Finally, we noted two new capital leases – one for a tractor and one for Motorola radio equipment – which were not recorded at the fund level as other financing sources and expenditures.

During our audit of long-term debt of the Utilities Authority, we noted that draws on a new Georgia Environmental Facilities Authority (GEFA) loan were recorded as loan proceeds on the income statement rather than as a long-term liability on the balance sheet, and the associated construction costs were recorded as expenses, rather than as construction in progress on the balance sheet. Finally, principal payments on bonds payable were recorded as an expense rather than a reduction of the bonds payable liability.

Context: We addressed these matters with County and Utilities Authority officials and they were able to determine the appropriate adjustments to correct account balances.

Effect: An adjustment was required in the General Fund to increase other financing sources and increase expenditures by \$122,855 to record the capital lease for a tractor. An adjustment of \$1,297,161 was required in the SPLOST VI Fund to increase other financing sources and increase expenditures to record the Motorola radio equipment lease. Finally, a prior period adjustment of \$151,408 was required to decrease long-term debt of governmental activities for the correction of capital lease payable liabilities.

Adjustments were required in the Utilities Authority to increase notes payable by \$620,644, increase construction in progress by \$674,310, reduce loan proceeds (revenue) and solar project expenses by \$547,152, increase accounts payable and accounts receivable – GEFA by \$72,812, increase retainage payable by \$54,347, decrease bonds payable by \$1,015,000 and decrease principle payments (expense) by \$1,015,000. Additionally, a prior period adjustment of \$75,334 was necessary to correct beginning of the year accrued interest payable.

Cause: Recording of transactions on the cash basis.

Recommendation: We recommend the County and Utilities Authority use the proper accounting methods when recording long-term debt transactions.

Views of Responsible Officials and Planned Corrective Action: We concur. We will begin using the proper accounting methods when recording long-term debt transactions.

LEE COUNTY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

2017 – 001. Segregation of Duties

Criteria: Duties should be segregated between employees so that the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different personnel.

Condition: Lee County, Georgia is a small local government and has a limited number of resources and employees. Therefore, the County does not have an adequate number of employees to provide for the proper segregation of duties.

Auditee Response/Status: Unresolved – See current year finding 2018 – 001.