LEE COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

LEE COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

Page

Table of Contents ..... i and ii
List of Principal Officials iii

FINANCIAL SECTION
Independent Auditor's Report ..... 1 - 3
Basic Financial Statements:
Government-wide Financial Statements:
Statement of Net Position 4
Statement of Activities ..... 5 and 6
Fund Financial Statements:
Balance Sheet – Governmental Funds 7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 9
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund ..... 10 - 12
Statement of Net Position – Proprietary Funds 13
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds 14
Statement of Cash Flows – Proprietary Funds ..... 15 and 16
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds 17
Notes to Financial Statements ..... 18 - 46
Required Supplementary Information:
Defined Benefit Retirement Plan
Schedule of Changes in the County's Net Pension Liability and Related Ratios 47
Schedule of County Contributions 48
Notes to the Schedule of Employer Contributions 48
Combining and Individual Fund Statements and Schedules:
Combining Balance Sheet – Nonmajor Governmental Funds 49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 50
Combining Balance Sheet – Nonmajor Special Revenue Funds ..... 51 and 52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds ..... 53 and 54
Combining Balance Sheet – Capital Project Funds 55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Capital Project Funds 56

LEE COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS (CONTINUED)

Page

FINANCIAL SECTION (CONTINUED)

Combining and Individual Fund Statements and Schedules (Continued):

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Drug Abuse Treatment and Education Fund **57**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Jail Fund **58**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – District Attorney Forfeiture Fund **59**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Law Library Fund **60**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – E-911 Fund **61**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Special Assessment Fund **62**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Hotel/Motel Tax Fund **63**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Development Authority **64**

Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds ..... **65 - 67**

Project Cost Schedule – Community Development Block Grant **68**

Source and Application of Funds Schedule – Community Development Block Grant **69**

Agency Funds:

Combining Statement of Assets and Liabilities – Agency Funds **70**

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* ..... **71 and 72**

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance ..... **73 and 74**

Schedule of Expenditures of Federal Awards **75**

Notes to Schedule of Expenditures of Federal Awards **76**

Schedule of Findings and Questioned Costs ..... **77 - 82**

Schedule of Prior Year Findings ..... **83 – 86**

Management's Corrective Action Plan **87**

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)

George Walls, 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

MAULDIN & JENKINS
CPAs & ADVISORS

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, 2019, 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 3% of the assets, (35%) of the net position, and 18% of the revenues of the aggregate discretely presented component units, or the Lee County Development Authority which represents 36% of the assets, 37% of the fund balance, and .25% 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, 2019, 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 47), and the Schedule of County Contributions (on page 48), 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, schedules of expenditures of special purpose local option sales tax proceeds, and schedule of expenditures of federal awards 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, schedules of expenditures of special purpose local option sales tax proceeds, and schedule of expenditures of federal awards 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 December 26, 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
December 26, 2019

LEE COUNTY, GEORGIA

STATEMENT OF NET POSITION

JUNE 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Health Department	Utilities Authority
ASSETS					
Cash and cash equivalents	$ 8,335,303	$ 12,749	$ 8,348,052	$ 458,283	$ 1,795,284
Investments	6,894,699	-	6,894,699	-	-
Accounts receivable, net	1,299,837	18,205	1,318,042	-	157,823
Property tax receivable	227,704	-	227,704	-	-
Prepaid expenses	402,316	-	402,316	-	-
Interfund balances	15	(15)	-	-	-
Due from component unit	2,743	-	2,743	-	-
Due from other governments	682,054	-	682,054	103,820	-
Restricted assets					
Cash and cash equivalents	-	-	-	-	332,425
Investments	-	-	-	-	778,320
Capital assets					
Nondepreciable	4,636,912	2,699,452	7,336,364	-	1,470,206
Depreciable	77,656,591	542,713	78,199,304	37,580	17,399,440
Total assets	100,138,174	3,273,104	103,411,278	599,683	21,933,498
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	-	-	-	125,572
Pension items	1,177,885	-	1,177,885	175,096	60,351
OPEB items	-	-	-	111,486	-
Total deferred outflows of resources	1,177,885	-	1,177,885	286,582	185,923
LIABILITIES					
Accounts payable	1,022,100	17,083	1,039,183	23,288	81,798
Outstanding checks in excess of bank balance	-	-	-	-	-
Retainage payable	-	-	-	-	(260)
Due to other governments	70,373	-	70,373	15,672	-
Accrued liabilities	492,309	2,245	494,554	-	262,703
Due to primary government	-	-	-	-	2,743
Unearned revenue	6,000	-	6,000	-	50,000
Customer deposits	-	-	-	-	533,169
Claims payable	317,446	-	317,446	-	-
Notes payable, due within one year	817,395	21,003	838,398	-	-
Notes payable, due in more than one year	-	113,128	113,128	-	682,813
Capital leases payable, due within one year	842,587	-	842,587	-	-
Capital leases payable, due in more than one year	383,460	-	383,460	-	-
Bonds payable, due within one year	-	-	-	-	1,058,681
Bonds payable, due in more than one year	-	-	-	-	17,091,319
Compensated absences, due within one year	193,481	1,784	195,265	6,794	25,918
Compensated absences, due in more than one year	773,922	7,134	781,056	61,147	38,876
Net pension liability	2,567,201	-	2,567,201	716,800	131,537
Net OPEB liability	-	-	-	356,707	-
Closure and post-closure care	-	276,931	276,931	-	-
Total liabilities	7,486,274	439,308	7,925,582	1,180,408	19,959,297
DEFERRED INFLOWS OF RESOURCES					
Pension items	1,097,324	-	1,097,324	38,475	56,224
OPEB items	-	-	-	217,403	-
Total deferred inflows of resources	1,097,324	-	1,097,324	255,878	56,224
NET POSITION					
Net investment in capital assets	80,250,061	3,242,165	83,492,226	37,580	37,093
Restricted for:					
Capital projects	3,656,666	-	3,656,666	-	-
Other uses	1,638,436	-	1,638,436	318,827	-
Unrestricted	7,187,298	(408,369)	6,778,929	(906,428)	2,066,807
Total net position (deficit)	$ 92,732,461	$ 2,833,796	$ 95,566,257	$ (550,021)	$ 2,103,900

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

LEE COUNTY, GEORGIA

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 8,953,049	$ 1,045,222	$ 4,944	$ -
Court system	1,513,499	8,389	-	-
Public safety	12,623,026	1,362,167	8,489	35,517
Public works	5,304,429	3,597,221	-	1,115,756
Health and welfare	498,887	-	-	-
Culture and recreation	1,013,471	790,625	-	39
Housing and development	1,085,475	-	1,516,594	572,755
Interest on long-term debt	58,475	-	-	-
Total governmental activities	31,050,311	6,803,624	1,530,027	1,724,067
Business-type activities:				
Golf and recreation	49,461	8,309	-	-
Solid waste	283,616	188,643	-	-
Total business-type activities	333,077	196,952	-	-
Total primary government	$ 31,383,388	$ 7,000,576	$ 1,530,027	$ 1,724,067
Component units:				
Board of Health	$ 814,563	$ 415,511	$ 603,461	$ -
Utilities Authority	4,144,700	3,981,863	-	487,368
Total component units	$ 4,959,263	$ 4,397,374	$ 603,461	$ 487,368
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					
				Component Units	
Governmental Activities	Business-type Activities	Total	Board of Health	Utilities Authority
$ (7,902,883)	$ -	$ (7,902,883)	$ -	$ -
(1,505,110)	-	(1,505,110)	-	-
(11,216,853)	-	(11,216,853)	-	-
(591,452)	-	(591,452)	-	-
(498,887)	-	(498,887)	-	-
(222,807)	-	(222,807)	-	-
1,003,874	-	1,003,874	-	-
(58,475)	-	(58,475)	-	-
(20,992,593)	-	(20,992,593)	-	-
-	(41,152)	(41,152)		
-	(94,973)	(94,973)	-	-
-	(136,125)	(136,125)	-	-
(20,992,593)	(136,125)	(21,128,718)	-	-
-	-	-	204,409	-
-	-	-	-	324,531
-	-	-	204,409	324,531
15,166,879	-	15,166,879	-	-
6,710,801	-	6,710,801	-	-
2,208,447	-	2,208,447	-	-
82,232	68	82,300	-	19,498
-	-	-	-	5,775
(146,228)	146,228	-	-	-
24,022,131	146,296	24,168,427	-	25,273
3,029,538	10,171	3,039,709	204,409	349,804
89,702,923	2,823,625	92,526,548	(754,430)	1,754,096
$ 92,732,461	$ 2,833,796	$ 95,566,257	$ (550,021)	$ 2,103,900

LEE COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	1% SPLOST VI Capital Projects Fund	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	$ 6,169,464	$ 42,340	$ 1,632,694	$ 7,844,498
Investments	3,416,281	3,109,326	369,092	6,894,699
Accounts receivable, net	1,105,048	-	91,764	1,196,812
Property tax receivable	227,704	-	-	227,704
Due from component unit	2,743	-	-	2,743
Due from other funds	42,565	30,140	-	72,705
Due from other governments	244,389	244,673	192,992	682,054
Prepaid items	402,316	-	-	402,316
Total assets	$ 11,610,510	$ 3,426,479	$ 2,286,542	$ 17,323,531
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 736,076	$ 228,010	$ 58,014	$ 1,022,100
Accrued expenses	459,346	-	18,972	478,318
Due to other funds	30,140	-	42,550	72,690
Due to other governments	-	70,373	-	70,373
Other liabilities	6,000	-	-	6,000
Total liabilities	1,231,562	298,383	119,536	1,649,481
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	$ 165,789	$ -	$ -	$ 165,789
FUND BALANCES				
Nonspendable:				
Prepaid items	402,316	-	-	402,316
Restricted for:				
Judicial	-	-	54,378	54,378
Public safety	-	-	963,261	963,261
Economic development	-	-	620,797	620,797
Capital projects	-	3,128,096	528,570	3,656,666
Unassigned	9,810,843	-	-	9,810,843
Total fund balances	10,213,159	3,128,096	2,167,006	15,508,261
Total liabilities, deferred inflow of resources, and fund balances	$ 11,610,510	$ 3,426,479	$ 2,286,542	

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.	82,293,503
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	165,789
Deferred outflows of resources are not available to pay for period expenditures and, therefore, are not reported in the governmental funds.	1,177,885
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Note payable	(817,395)
Capital leases	(1,226,047)
Accrued interest payable	(13,991)
Compensated absences	(967,403)
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.	276,384
The net pension liability is not due and payable in the current period and, therefore, is not reported in governmental funds.	(2,567,201)
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.	(1,097,324)
Net position of governmental activities	$ 92,732,461

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, 2019

	General Fund	1% SPLOST VI Capital Projects Fund	Nonmajor Governmental Funds	Total
Revenues:				
Property taxes	$ 15,175,047	$ -	$ -	$ 15,175,047
Sales taxes	2,749,786	3,368,232	592,783	6,710,801
Other taxes	2,204,675	-	3,772	2,208,447
Licenses and permits	260,339	-	-	260,339
Charges for services	4,225,517	-	720,990	4,946,507
Fines and forfeitures	745,093	-	58,521	803,614
Investment income	82,232	68,312	6,975	157,519
Intergovernmental	2,100,658	578,149	-	2,678,807
Other revenues	744,110	17	49,037	793,164
Total revenues	28,287,457	4,014,710	1,432,078	33,734,245
Expenditures:				
Current:				
General government	7,948,185	-	20,523	7,968,708
Public safety	11,458,187	-	942,444	12,400,631
Judicial	1,515,811	-	10,679	1,526,490
Public works	2,226,095	-	-	2,226,095
Health and welfare	486,552	-	-	486,552
Culture and recreation	1,108,595	-	-	1,108,595
Housing and development	848,864	-	229,754	1,078,618
Intergovernmental	-	463,308	-	463,308
Capital projects	-	3,446,737	64,780	3,511,517
Debt service:				
Principal	180,802	919,290	230,857	1,330,949
Interest	13,226	29,750	32,055	75,031
Fiscal agent fees	-	2,575	-	2,575
Total expenditures	25,786,317	4,861,660	1,531,092	32,179,069
Excess (deficiency) of revenues over (under) expenditures	2,501,140	(846,950)	(99,014)	1,555,176
Other financing sources (uses):				
Transfers in	30,000	-	691,717	721,717
Transfers out	(837,945)	-	(30,000)	(867,945)
Issuance of capital leases	141,143	-	-	141,143
Total other financing sources (uses)	(666,802)	-	661,717	(5,085)
Net change in fund balances	1,834,338	(846,950)	562,703	1,550,091
Fund balances, beginning of year	8,378,821	3,975,046	1,604,303	13,958,170
Fund balances, end of year	$ 10,213,159	$ 3,128,096	$ 2,167,006	$ 15,508,261

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, 2019

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

Net change in fund balances - total governmental funds	$	1,550,091
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		3,786,172
Total depreciation expense		(3,571,227)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.		174,325
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		1,330,949
Issuance of capital leases		(141,143)
Amortization of bond premium		18,101
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.		(8,168)
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.		96,826
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		(76,642)
Change in accrued interest payable		1,030
Change in net pension liability and related deferred inflows/outflows		(130,776)
Change in net position of governmental activities	$	3,029,538

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, 2019

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Property taxes	$ 14,529,998	$ 14,529,998	$ 15,175,047	$ 645,049
Sales taxes	2,945,750	2,945,750	2,749,786	(195,964)
Other taxes	2,066,418	2,066,418	2,204,675	138,257
Licenses and permits	229,550	229,550	260,339	30,789
Intergovernmental	8,489	8,489	2,100,658	2,092,169
Charges for services	3,960,984	3,960,984	4,225,517	264,533
Fines and forfeitures	753,830	753,830	745,093	(8,737)
Interest income	55,000	55,000	82,232	27,232
Other revenues	105,016	105,016	744,110	639,094
Total revenues	24,655,035	24,655,035	28,287,457	3,632,422
Expenditures:				
Current:				
General government:				
County commissioners	1,154,322	1,077,097	2,233,691	(1,156,594)
County manager	549,706	555,276	532,124	23,152
Elections	202,427	206,685	206,875	(190)
Information technology	528,136	528,310	254,101	274,209
Tax commissioner	402,044	403,337	401,492	1,845
Tax assessor	412,877	423,607	420,817	2,790
Building and grounds	411,523	416,023	1,241,390	(825,367)
Utility billing	2,495,725	2,495,753	2,657,695	(161,942)
Total general government	6,156,760	6,106,088	7,948,185	(1,842,097)
Judicial:				
Superior court	550,532	554,030	526,892	27,138
District attorney	91,386	445,887	91,386	354,501
Magistrate court	442,896	240,135	422,870	(182,735)
Probate court	237,699	60,258	251,782	(191,524)
Juvenile court	60,258	91,386	64,450	26,936
Public defender	238,040	238,040	158,431	79,609
Total judicial	1,620,811	1,629,736	1,515,811	113,925

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, 2019

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Expenditures: (Continued)				
Current: (Continued)				
Public safety:				
Public safety	$ 4,698,011	$ 4,772,831	$ 4,854,415	$ (81,584)
Sheriff's department	3,867,613	4,071,350	4,070,656	694
Jail	2,284,231	2,284,231	2,187,675	96,556
Coroner	36,525	38,656	33,163	5,493
Animal control	281,546	292,322	312,278	(19,956)
Total public safety	11,167,926	11,459,390	11,458,187	1,203
Public works	2,196,299	2,027,344	2,226,095	(198,751)
Health and welfare:				
Department of Family and Children Services	16,000	16,000	16,000	-
Extension service	87,385	89,559	155,088	(65,529)
Health services	312,195	316,792	315,464	1,328
Total health and welfare	415,580	422,351	486,552	(64,201)
Culture and recreation:				
Recreation	454,078	489,500	480,351	9,149
Library	628,249	628,249	628,244	5
Total culture and recreation	1,082,327	1,117,749	1,108,595	9,154
Housing and development:				
Code enforcement	158,075	168,650	172,623	(3,973)
Economic development	6,550	6,550	5,457	1,093
Planning and engineering	310,600	312,020	300,547	11,473
Building inspections	383,721	393,790	370,237	23,553
Total housing and development	858,946	881,010	848,864	32,146
Debt service:				
Principal	188,058	188,058	180,802	7,256
Interest	12,529	12,529	13,226	(697)
Total debt service	200,587	200,587	194,028	6,559
Total expenditures	23,699,236	23,844,255	25,786,317	(1,942,062)
Excess of revenues over expenditures	955,799	810,780	2,501,140	1,690,360

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, 2019

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Other financing sources (uses):				
Appropriation of fund balance	$ -	$ 36,075	$ -	$ (36,075)
Issuance of capital lease	-	-	141,143	141,143
Proceeds from sale of assets	20,000	128,944	-	(128,944)
Transfers in	30,000	30,000	30,000	-
Transfers out	(1,005,799)	(1,005,799)	(837,945)	167,854
Total other financing sources (uses)	(955,799)	(810,780)	(666,802)	143,978
Net change in fund balances	-	-	1,834,338	1,834,338
Fund balance, beginning of year	8,378,821	8,378,821	8,378,821	-
Appropriation of fund balance	-	(36,075)	-	36,075
Fund balance, end of year	$ 8,378,821	$ 8,342,746	$ 10,213,159	$ 1,870,413

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

LEE COUNTY, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activity
	Parks and Recreation Authority	Solid Waste Fund	Total	Internal Service Fund
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 2,054	$ 10,695	$ 12,749	$ 490,805
Accounts receivable, net of allowances	18,091	114	18,205	103,025
Total current assets	20,145	10,809	30,954	593,830
NONCURRENT ASSETS				
Capital assets:				
Nondepreciable	2,536,452	163,000	2,699,452	-
Depreciable, net of accumulated depreciation	542,713	-	542,713	-
Total noncurrent assets	3,079,165	163,000	3,242,165	-
Total assets	3,099,310	173,809	3,273,119	593,830
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	-	17,083	17,083	-
Accrued expenses	-	2,245	2,245	-
Due to other funds	-	15	15	-
Claims payable	-	-	-	317,446
Current portion - compensated absences	-	1,784	1,784	-
Current portion - note payable	21,003	-	21,003	-
Total current liabilities	21,003	21,127	42,130	317,446
LONG-TERM LIABILITIES				
Note payable, net of current portion	113,128	-	113,128	-
Compensated absences, net of current portion	-	7,134	7,134	-
Accrued landfill closure/post-closure care costs	-	276,931	276,931	-
Total long-term liabilities	113,128	284,065	397,193	-
Total liabilities	134,131	305,192	439,323	317,446
NET POSITION				
Net investment in capital assets	2,945,034	163,000	3,108,034	-
Unrestricted (deficit)	20,145	(294,383)	(274,238)	276,384
Total net position	$ 2,965,179	$ (131,383)	$ 2,833,796	$ 276,384

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, 2019

	Business-type Activities - Enterprise Funds			Governmental Activity
	Parks and Recreation Authority	Solid Waste Fund	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services	$ -	$ 188,643	$ 188,643	$ 3,683,622
Miscellaneous	8,309	-	8,309	346,198
Total operating revenues	8,309	188,643	196,952	4,029,820
OPERATING EXPENSES				
Salaries and benefits	-	81,408	81,408	-
Cost of sales and services	-	182,631	182,631	-
Claims	-	-	-	3,170,387
Administration	-	-	-	763,524
Closure/post-closure care costs	-	19,577	19,577	-
Depreciation	45,687	-	45,687	-
Total operating expenses	45,687	283,616	329,303	3,933,911
Operating income (loss)	(37,378)	(94,973)	(132,351)	95,909
NONOPERATING INCOME (EXPENSE)				
Investment income	-	68	68	917
Interest expense	(3,774)	-	(3,774)	-
Total nonoperating income (expense)	(3,774)	68	(3,706)	917
Income (loss) before transfers	(41,152)	(94,905)	(136,057)	96,826
TRANSFERS				
Transfers in	18,257	127,971	146,228	-
Change in net position	(22,895)	33,066	10,171	96,826
NET POSITION (DEFICIT), beginning of year	2,988,074	(164,449)	2,823,625	179,558
NET POSITION (DEFICIT), end of year	$ 2,965,179	$ (131,383)	$ 2,833,796	$ 276,384

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, 2019

	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	$ 8,309	$ 188,514	$ 196,823	$ 4,305,531
Payments to suppliers	(128)	(233,790)	(233,918)	-
Payments for insurance claims	-	-	-	(3,815,906)
Payments to employees	-	(80,578)	(80,578)	-
Net cash provided by (used in) operating activities	8,181	(125,854)	(117,673)	489,625
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	18,257	127,971	146,228	-
Net cash provided by noncapital financing activities	18,257	127,971	146,228	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on long-term debt	(20,610)	-	(20,610)	-
Interest paid on long-term debt	(3,774)	-	(3,774)	-
Net cash used in capital and related financing activities	(24,384)	-	(24,384)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	-	68	68	917
Net cash provided by investing activities	-	68	68	917
Net increase in cash and cash equivalents	2,054	2,185	4,239	490,542
Cash and cash equivalents:				
Beginning of year	-	8,510	8,510	263
End of year	$ 2,054	$ 10,695	$ 12,749	$ 490,805

(Continued)

LEE COUNTY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	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 provided by (used in) operating activities				
Operating income (loss)	$ (37,378)	$ (94,973)	$ (132,351)	$ 95,909
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	45,687	-	45,687	-
Increase in accounts receivable	-	(114)	(114)	(103,025)
Decrease in due from other funds	-	-	-	378,736
Increase in accounts payable	-	3,035	3,035	-
Decrease in outstanding checks in excess of bank balance	(128)	-	(128)	
Increase in accrued expenses	-	253	253	-
Decrease in due to other funds	-	(15)	(15)	-
Increase in claims payable	-	-	-	118,005
Increase in compensated absences	-	577	577	-
Decrease in accrued closure/post-closure costs	-	(34,617)	(34,617)	-
Net cash provided by (used in) operating activities	$ 8,181	$ (125,854)	$ (117,673)	$ 489,625

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

LEE COUNTY, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS

JUNE 30, 2019

	Agency Funds
ASSETS	
Cash	$ 311,378
Taxes receivable	636,030
Total assets	$ 947,408
LIABILITIES	
Due to others	$ 311,378
Uncollected taxes	636,030
Total liabilities	$ 947,408

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

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.

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 Heath 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*.

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 ***Parks and Recreation Fund*** is used to account for the activity of the former Grand Island Golf Club.

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

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.

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.

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, 2019.

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

Asset Category	Years
Primary government	
Buildings	25 - 50
Infrastructure	15 - 50
Improvements other than buildings	10 - 20
Machinery and equipment	5 - 15
Utilities Authority	
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.

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.

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.

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, 2019, the Solid Waste Fund had a deficit net position of $131,383. 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.

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.

NOTE 2. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, expenditures in the following General Fund departments exceeded budget.

Department	Excess
County Commission	$ 1,156,594
Elections	190
Buildings and Grounds	825,367
Utility Billing	161,942
Magistrate Court	182,735
Probate Court	191,524
Public Safety	81,584
Animal Control	19,956
Public Works	198,751
Extension Service	65,529
Code Enforcement	3,973
Debt Service - interest	697

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, 2019, the County held the following investments:

Investments	Maturities	Rating	Fair Value
Georgia Fund 1	10-day weighted average	AAAf	$ 6,894,699

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, 2019, 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, 2018. Bills are payable on or before December 20, 2018. The lien date for unpaid taxes is April 2, 2019. After that date, an interest penalty of 18% applies. The County bills and collects its own property taxes. Property taxes levied for 2018 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended June 30, 2019, and collected by August 31, 2019, are recognized as revenues in the year ended June 30, 2019. Receivables at June 30, 2019, for the County's individual major and nonmajor funds in the aggregate are as follows:

	General	Nonmajor Governmental Funds	Parks and Recreation Authority	Solid Waste Fund
Receivables:				
Taxes	$ 227,704	$ -	$ -	$ -
Accounts	3,237,380	91,764	18,091	114
Gross receivables	3,465,084	91,764	18,091	114
Less allowance for uncollectibles	(2,132,332)	-	-	-
Net receivables	$ 1,332,752	$ 91,764	$ 18,091	$ 114

NOTE 5. CAPITAL ASSETS

A. Primary Government

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land and improvements	$ 3,559,338	$ 701,012	$ -	$ 68,756	$ 4,329,106
Construction in progress	1,160,033	269,847	(30,708)	(1,091,366)	307,806
Total capital assets, not being depreciated	4,719,371	970,859	(30,708)	(1,022,610)	4,636,912
Capital assets, being depreciated:					
Buildings	21,463,062	420,971	-	960,601	22,844,634
Infrastructure	115,649,669	1,827,028	-	491,521	117,968,218
Improvements other than buildings	2,093,845	75,106	-	-	2,168,951
Machinery and equipment	14,269,687	992,208	(162,068)	(4,955,492)	10,144,335
Total capital assets, being depreciated	153,476,263	3,315,313	(162,068)	(3,503,370)	153,126,138
Less accumulated depreciation for:					
Buildings	(8,026,123)	(1,077,447)	-	242,268	(8,861,302)
Infrastructure	(56,242,308)	(1,847,930)	-	(1,745,470)	(59,835,708)
Improvements other than buildings	(1,240,256)	(78,974)	-	98,625	(1,220,605)
Machinery and equipment	(10,782,714)	(566,876)	162,068	5,635,590	(5,551,932)
Total accumulated depreciation	(76,291,401)	(3,571,227)	162,068	4,231,013	(75,469,547)
Total capital assets, being depreciated, net	77,184,862	(255,914)	-	727,643	77,656,591
Governmental activities capital assets, net	$ 81,904,233	$ 714,945	$ (30,708)	$ (294,967)	$ 82,293,503

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

Governmental activities:	
General government	$ 177,709
Judicial	288
Public safety	692,483
Public works	2,553,297
Health and welfare	133,427
Culture and recreation	12,335
Housing and development	1,688
Total depreciation expense - governmental activities	$ 3,571,227

NOTE 5. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	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	-	-	-	-	-
Total	1,183,672	-	-	-	1,183,672
Less accumulated depreciation for:					
Building and improvements	(595,272)	(45,687)	-	-	(640,959)
Machinery and equipment	-	-	-	-	-
Total	(595,272)	(45,687)	-	-	(640,959)
Total capital assets, being depreciated, net	588,400	(45,687)	-	-	542,713
Business-type activities capital assets, net	$ 3,287,852	$ (45,687)	$ -	$ -	$ 3,242,165

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, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Utilities Authority					
Capital assets, not being depreciated:					
Land	$ 430,907	$ -	$ -	$ -	$ 430,907
Construction in progress	728,918	364,987	(54,606)	-	1,039,299
Total capital assets, not being depreciated	1,159,825	364,987	(54,606)	-	1,470,206
Capital assets, being depreciated:					
Infrastructure	35,474,960	259,916	(7,000)	-	35,727,876
Machinery and equipment	873,326	56,862	(84,558)	-	845,630
Total	36,348,286	316,778	(91,558)	-	36,573,506
Less accumulated depreciation for:					
Infrastructure	(17,175,022)	(1,231,845)	-	-	(18,406,867)
Machinery and equipment	(698,793)	(125,903)	57,497	-	(767,199)
Total	(17,873,815)	(1,357,748)	57,497	-	(19,174,066)
Total capital assets, being depreciated, net	18,474,471	(1,040,970)	(34,061)	-	17,399,440
Utilities Authority capital assets, net	$ 19,634,296	$ (675,983)	$ (88,667)	$ -	$ 18,869,646

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, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 595,000	$ -	$ (595,000)	$ -	$ -
Unamortized premium	18,101	-	(18,101)	-	-
Total bonds payable	613,101	-	(613,101)	-	-
Note payable from direct borrowing	1,048,252	-	(230,857)	817,395	817,395
Financed purchase from direct borrowing	972,871	-	(324,290)	648,581	324,290
Capital leases payable	617,125	141,143	(180,802)	577,466	518,297
Net pension liability	1,792,373	1,604,191	(829,364)	2,567,201	-
Compensated absences	890,761	76,642	-	967,403	193,481
Governmental activities long-term liabilities	$ 5,934,483	$ 1,821,976	$ (2,178,414)	$ 5,578,046	$ 1,853,463
Business-type activities:					
Note payable from direct borrowing	$ 154,741	$ -	$ (20,610)	$ 134,131	$ 21,003
Landfill post-closure liability	311,548	-	(34,617)	276,931	-
Compensated absences	8,341	577	-	8,918	1,784
Business-type activities long-term liabilities	$ 474,630	$ 577	$ (55,227)	$ 419,980	$ 22,787

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. These bonds were paid off in the current fiscal year.

NOTE 6. LONG-TERM DEBT (CONTINUED)

Notes Payable from Direct Borrowings

During fiscal year 2013, the Development Authority of Lee County, a blended component unit, entered into an agreement with a local financial institution in the amount of $2,122,617 to finance the acquisition of land. The note was renewed on January 23, 2019. The note is due in annual installments of $224,958 beginning January 23, 2020 and continuing through January 23, 2023. Any principal and interest not encompassed in the foregoing payment schedule will be due at maturity. The note carries an interest rate of 3.90% and is collateralized by land. The outstanding balance at June 30, 2019 was $817,395.

Debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2020	$ 817,395	$ 29,863	$ 847,258

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 balance of $212,541 and an interest rate of 2.75%. The total balance outstanding as of June 30, 2019 was $134,131.

Debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
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	23,442	942	24,384
2025	23,103	289	23,392
	$ 134,131	$ 11,180	$ 145,311

Financed Purchase from Direct Borrowings

During fiscal year 2018, the County entered into an agreement with Motorola in the amount of $301,967 to finance the purchase of radio equipment. The note is due in annual installments of $324,290 beginning June 1, 2018 and continuing through June 1, 2021. The note has an interest rate of 0.00% and is collateralized by the equipment. The outstanding balance at June 30, 2019 is $648,581.

NOTE 6. LONG-TERM DEBT (CONTINUED)

Future payments on the financed equipment as of June 30, 2019 are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2020	$ 324,290	$ -	$ 324,290
2021	324,291	-	324,291
	$ 648,581	$ -	$ 648,581

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 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%.

The cost and related accumulated depreciation of assets under capital leases as of June 30, 2019 is as follows:

Machinery and equipment	$ 962,557
Less: accumulated depreciation	(639,756)
Total	$ 322,801

The County recorded depreciation expense in the amount of $123,729 on its capital leases for the year ended June 30, 2019.

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

Fiscal year ending June 30,	
2020	$ 526,689
2021	59,874
Total minimum lease payments	586,563
Less amount representing interest	(9,097)
	$ 577,466

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 $276,931, 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.

NOTE 6. LONG-TERM DEBT (CONTINUED)

The following is a summary of long-term debt activity for the Utilities Authority (component unit) for the fiscal year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Utilities Authority					
Revenue bonds	$ 19,375,000	$ -	$ (9,890,000)	$ 9,485,000	$ 170,000
Direct placement bonds	-	9,100,000	(435,000)	8,665,000	888,681
Note payable from direct borrowing	619,964	290,302	(227,453)	682,813	-
Net pension liability	91,836	82,196	(42,494)	131,537	-
Compensated absences	59,329	5,465	-	64,794	25,918
Utilities Authority long-term liabilities	$ 20,146,129	$ 9,477,963	$ (10,594,947)	$ 19,029,144	$ 1,084,599

Revenue Bonds – 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.

The Utilities Authority’s debt service requirements to maturity on the revenue bonds payable are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2020	$ 170,000	$ 320,652	$ 490,652
2021	255,000	316,111	571,111
2022	255,000	310,410	565,410
2023	260,000	304,750	564,750
2024	845,000	289,475	1,134,475
2025 - 2029	3,990,000	1,097,425	5,087,425
2030 - 2033	3,710,000	304,600	4,014,600
	$ 9,485,000	$ 2,943,423	$ 12,428,423

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Placement Bonds – Series 2018 Bonds

In July 2018, the Lee County Utilities Authority issued the Lee County Utilities Authority Refunding Revenue Bond, Series 2018 in the amount of $9,100,000 for the purpose of: (1) refunding the Series 2010 Bonds maturing in 2019 and thereafter, and (2) paying the costs of issuing the Series 2018 Bonds. Principal and interest at 2.86% are payable semiannually on February 1 and August 1 of each year, commencing February 1, 2019. Final payment of principal and interest is due August 1, 2032.

The Utilities Authority's debt service requirements to maturity on the direct placement bonds payable are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2020	$ 888,681	$ 241,489	$ 1,130,170
2021	913,863	215,912	1,129,775
2022	939,600	189,594	1,129,194
2023	675,000	162,516	837,516
2024	448,581	147,256	595,837
2025 - 2029	2,688,534	517,583	3,206,117
2030 - 2033	2,110,741	122,386	2,233,127
	$ 8,665,000	$ 1,596,736	$ 10,261,736

Note Payable From Direct Borrowing. In fiscal year 2018, the Lee County Utilities Authority entered into an agreement with the Georgia Environmental Finance Authority (GEFA) to financing the installation of a 350 KW solar photovoltaic system in the amount of $998,000. This loan does not bear interest until the project is complete. At that time, interest on the unpaid project will be at 0.65% per annum. Payments of principle and interest will be due monthly over a 15-year period. Future debt service requirements have not yet been determined as of June 30, 2019 as construction is not yet complete. The outstanding principle balance at June 30, 2019 is $682,813.

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2019, is as follows:

Due to/from other funds and component units:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 42,550
General Fund	Solid Waste Fund	15
General Fund	Utility Authority	2,743
SPLOST VI Fund	General Fund	30,140
		$ 75,448

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

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 In				
Transfers Out	General Fund	Nonmajor Governmental Funds	Solid Waste Fund	Parks and Recreation Authority	Total
General Fund	$ -	$ 691,717	$ 127,971	$ 18,257	$ 837,945
Nonmajor Governmental Funds	30,000	-	-	-	30,000
	$ 30,000	$ 691,717	$ 127,971	$ 18,257	$ 867,945

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.

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.

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Membership

At July 1, 2019, the date of the most recent actuarial valuation, there were 353 participants as follows:

Inactive plan members (or beneficiary) currently receiving benefits	19
Inactive plan members entitled to but not yet receiving benefits	86
Active plan members	248
Total	353

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, 2019, the County's contribution was 6.00% of annual payroll. County contributions to the Plan were $551,592 for the year ended June 30, 2019.

Net Pension Liability of the County

The County's net pension liability was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2018, with update procedures performed by the actuary to roll forward to the total pension liability measured as of December 31, 2018.

Net Pension Liability

Actuarial assumptions. The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.00% per year with an age based scale, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table projected with Scale AA to 2018.

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of a February, 2019 actuarial experience study.

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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
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%
	100%	

* 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 7.00%. 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.

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, 2019, were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	$ 8,915,388	$ 7,031,179	$ 1,884,209
Changes for the year:			
Service Cost	426,394	-	426,394
Interest	642,257	-	642,257
Differences between expected and actual experience	202,821	-	202,821
Assumption changes	(320,266)	-	(320,266)
Contributions - employer	-	551,592	(551,592)
Net investment income	-	(335,226)	335,226
Benefit payments, including refunds of employee contributions	(113,365)	(113,365)	-
Administrative expense	-	(47,679)	47,679
Other changes	-	(32,010)	32,010
Net changes	837,841	23,312	814,529
Balances at June 30, 2019	$ 9,753,229	$ 7,054,491	$ 2,698,738

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 $2,698,738 is allocated to governmental activities of the County and the Lee County Utilities Authority based on their respective share of the liability.

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 7.00%, 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 (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County's Net Pension Liability	$ 4,237,175	$ 2,698,738	$ 1,447,732

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, 2018, 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, 2019, the County recognized pension expense of $689,072. At June 30, 2019, 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	$ 490,220	$ -
Assumption changes	473,281	273,851
Differences between expected and actual experience of economic/demographic (gains)/losses	274,735	879,697
Total	$ 1,238,236	$ 1,153,548

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:		
2020	$	70,938
2021		5,794
2022		(467)
2023		94,703
2024		(79,813)
Thereafter		(6,467)
Total	$	84,688

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.

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:

	2019	2018
Unpaid claims, beginning of year	**$ 199,441**	$ 108,539
Incurred claims and changes in estimates	**3,170,386**	3,577,599
Claim payments	**(3,052,381)**	(3,486,697)
Unpaid claims, end of year	**$ 317,446**	$ 199,441

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, 2019, the County paid $28,460 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, 2019 were $3,772. The funds were expended by the County for tourism as required by O.C.G.A 48-13-51.

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, 2019, the County did not have any such agreements, either entered into by the County or by other governments.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2019	2018	2017	2016	2015
Total Pension Liability - Beginning of Year	**$ 8,915,388**	$ 8,644,381	$ 7,816,878	$ 6,465,814	$ 5,646,475
Service Cost	**426,394**	477,903	446,272	447,004	444,815
Interest on the Total Pension Liability	**642,257**	621,871	584,588	482,064	421,716
Liability Experience (Gain)/Loss	**202,821**	(715,688)	(506,941)	160,036	-
Changes of Assumptions	**(320,266)**	20,644	348,342	338,535	-
Benefit Payments	**(113,365)**	(133,723)	(44,758)	(76,575)	(47,192)
Net Change in Total Pension Liability	**837,841**	271,007	827,503	1,351,064	819,339
Total Pension Liability - End of Year (a)	**9,753,229**	8,915,388	8,644,381	7,816,878	6,465,814
Plan Fiduciary Net Position - Beginning of Year	**7,031,179**	5,698,869	4,848,328	4,325,599	3,687,107
Contributions - Employer	**551,592**	657,635	638,935	657,405	503,835
Net Investment Income	**(335,226)**	912,232	354,482	38,236	273,820
Benefit Payments	**(113,365)**	(133,723)	(44,758)	(76,575)	(47,192)
Administrative Expenses	**(47,679)**	(49,348)	(49,420)	(48,186)	(47,622)
Other Receipts	**(32,010)**	(54,486)	(48,698)	(48,151)	(44,349)
Net Change in Plan Fiduciary Net Position	**23,312**	1,332,310	850,541	522,729	638,492
Plan Fiduciary Net Position - End of Year (b)	**7,054,491**	7,031,179	5,698,869	4,848,328	4,325,599
County's Net Pension Liability (a) - (b)	**2,698,738**	1,884,209	2,945,512	2,968,550	2,140,215
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**72.33%**	78.87%	65.93%	62.02%	66.90%
Covered Payroll	**$ 9,186,873**	$ 10,006,196	$ 9,238,642	$ 9,675,437	$ 9,693,809
Net Pension Liability as a Percentage of the Covered Payroll	**29.4%**	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

	2019	2018	2017	2016	2015
Actuarially Determined Contribution	**$ 550,496**	$ 638,157	$ 605,393	$ 601,121	$ 611,182
Actual Contributions During the Year	**551,592**	657,635	638,935	657,405	503,835
Contribution Deficiency/(Excess)	**$ (1,096)**	$ (19,478)	$ (33,542)	$ (56,284)	$ 107,347
Covered Payroll	**$ 9,186,873**	$ 10,006,196	$ 9,238,642	$ 9,675,437	$ 9,693,809
Contributions as a Percentage of Covered Payroll	**6.00%**	6.57%	6.92%	6.79%	5.20%

NOTES TO THE SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation Date	January 01, 2018
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	2.00 - 4.00%
Investment Rate of Return	7.00%
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, 2019

	Special Revenue Funds	Capital Projects Funds	Total
ASSETS			
Cash and cash equivalents	$ 1,592,135	$ 40,559	$ 1,632,694
Investments	8,440	360,652	369,092
Accounts receivable	91,764	-	91,764
Due from other governments	882	192,110	192,992
Total assets	$ 1,693,221	$ 593,321	$ 2,286,542
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 33,722	$ 24,292	$ 58,014
Accrued expenses	18,972	-	18,972
Due to other funds	2,091	40,459	42,550
Total liabilities	54,785	64,751	119,536
FUND BALANCES			
Restricted for:			
Judicial	54,378	-	54,378
Public safety	963,261	-	963,261
Economic development	620,797	-	620,797
Capital projects	-	528,570	528,570
Total fund balances	1,638,436	528,570	2,167,006
Total liabilities and fund balances	$ 1,693,221	$ 593,321	$ 2,286,542

LEE COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Total
Revenues:			
Sales taxes	$ -	$ 592,783	$ 592,783
Other taxes	3,772	-	3,772
Charges for services	720,990	-	720,990
Fines and forfeitures	58,521	-	58,521
Investment income	6,537	438	6,975
Other revenues	49,037	-	49,037
Total revenues	838,857	593,221	1,432,078
Expenditures:			
Current:			
General government	20,523	-	20,523
Judicial	10,679	-	10,679
Public safety	942,444	-	942,444
Economic development	229,754	-	229,754
Capital outlay	-	64,780	64,780
Debt service:			
Principal	230,857	-	230,857
Interest	32,055	-	32,055
Total expenditures	1,466,312	64,780	1,531,092
Excess (deficiency) of revenues over expenditures	(627,455)	528,441	(99,014)
Other financing sources (uses):			
Transfers in	691,617	100	691,717
Transfers out	(30,000)	-	(30,000)
Total other financing sources, net	661,617	100	661,717
Net change in fund balances	34,162	528,541	562,703
Fund balances, beginning of year	1,604,274	29	1,604,303
Fund balances, end of year	$ 1,638,436	$ 528,570	$ 2,167,006

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	$ 112,571	$ 40,941	$ 9,170	$ 54,535
Investments	8,440	-	-	-
Accounts receivable, net	-	-	-	-
Due from other governments	510	372	-	-
Total assets	$ 121,521	$ 41,313	$ 9,170	$ 54,535
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Accrued expenses	-	-	-	-
Due to other funds	-	-	-	157
Total liabilities	-	-	-	157
FUND BALANCES				
Restricted for:				
Public safety	121,521	41,313	9,170	-
Judicial	-	-	-	54,378
Economic development	-	-	-	-
Total fund balances	121,521	41,313	9,170	54,378
Total liabilities and fund balances	$ 121,521	$ 41,313	$ 9,170	$ 54,535

E-911 Fund	Special Assessment Fund	Hotel/Motel Tax Fund	Development Authority	Community Foundation	Total
$ 3,356	$ 674,522	$ 10,528	$ 610,269	$ 76,243	$ 1,592,135
-	-	-	-	-	8,440
91,764	-	-	-	-	91,764
-	-	-	-	-	882
$ 95,120	$ 674,522	$ 10,528	$ 610,269	$ 76,243	$ 1,693,221
$ 33,722	$ -	$ -	$ -	$ -	$ 33,722
18,972	-	-	-	-	18,972
1,934	-	-	-	-	2,091
54,628	-	-	-	-	54,785
40,492	674,522	-	-	76,243	963,261
-	-	-	-	-	54,378
-	-	10,528	610,269	-	620,797
40,492	674,522	10,528	610,269	76,243	1,638,436
$ 95,120	$ 674,522	$ 10,528	$ 610,269	$ 76,243	$ 1,693,221

LEE COUNTY, GEORGIA

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Drug Abuse Treatment and Education Fund	Jail Fund	District Attorney Forfeiture Fund	Law Library Fund
Revenues:				
Other taxes	$ -	$ -	$ -	$ -
Charges for services	-	-	-	-
Fines and forfeitures	15,015	35,118	-	8,388
Investment income	681	214	47	135
Other revenues	-	-	-	-
Total revenues	15,696	35,332	47	8,523
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	14,036	-	-	-
Judicial	-	-	1,629	9,050
Economic development	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	14,036	-	1,629	9,050
Excess (deficiency) of revenues over (under) expenditures	1,660	35,332	(1,582)	(527)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(30,000)	-	-
Total other financing sources (uses)	-	(30,000)	-	-
Net change in fund balances	1,660	5,332	(1,582)	(527)
Fund balances, beginning of year	119,861	35,981	10,752	54,905
Fund balances, end of year	$ 121,521	$ 41,313	$ 9,170	$ 54,378

E-911 Fund	Special Assessment Fund	Hotel/Motel Tax Fund	Development Authority	Community Foundation	Total
$ -	$ -	$ 3,772	$ -	$ -	$ 3,772
618,535	102,455	-	-	-	720,990
-	-	-	-	-	58,521
284	3,013	39	2,124	-	6,537
-	-	-	-	49,037	49,037
618,819	105,468	3,811	2,124	49,037	838,857
-	-	-	-	20,523	20,523
848,408	80,000	-	-	-	942,444
-	-	-	-	-	10,679
-	-	298	229,456	-	229,754
-	-	-	230,857	-	230,857
-	-	-	32,055	-	32,055
848,408	80,000	298	492,368	20,523	1,466,312
(229,589)	25,468	3,513	(490,244)	28,514	(627,455)
188,789	-	-	502,828	-	691,617
-	-	-	-	-	(30,000)
188,789	-	-	502,828	-	661,617
(40,800)	25,468	3,513	12,584	28,514	34,162
81,292	649,054	7,015	597,685	47,729	1,604,274
$ 40,492	$ 674,522	$ 10,528	$ 610,269	$ 76,243	$ 1,638,436

LEE COUNTY, GEORGIA

COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS

JUNE 30, 2018

	1% SPLOST IV Capital Projects Fund	1% SPLOST V BONY Advance Capital Projects Fund	TSPLOST Capital Projects Fund	Total
ASSETS				
Cash and cash equivalents	$ -	$ -	$ 40,559	$ 40,559
Investments	-	-	360,652	360,652
Due from other governments	-	-	192,110	192,110
Total assets	$ -	$ -	$ 593,321	$ 593,321
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ -	$ -	$ 24,292	$ 24,292
Due to other funds	-	-	40,459	40,459
Total liabilities	-	-	64,751	64,751
FUND BALANCES				
Restricted for:				
Capital projects	-	-	528,570	528,570
Total fund balances	-	-	528,570	528,570
Total liabilities and fund balances	$ -	$ -	$ 593,321	$ 593,321

LEE COUNTY, GEORGIA

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	1% SPLOST IV Capital Projects Fund	1% SPLOST V BONY Advance Capital Projects Fund	TSPLOST Capital Projects Fund	Total
Revenues:				
Sales taxes	$ -	$ -	$ 592,783	$ 592,783
Interest income	-	-	438	438
Total revenues	-	-	593,221	593,221
Expenditures:				
Capital outlay	21	8	64,751	64,780
Total expenditures	21	8	64,751	64,780
Excess (deficiency) of revenues over (under) expenditures	(21)	(8)	528,470	528,441
Other financing sources:				
Transfers in	-	-	100	100
Total other financing sources	-	-	100	100
Net change in fund balances	(21)	(8)	528,570	528,541
Fund balances, beginning of year	21	8	-	29
Fund balances, end of year	$ -	$ -	$ 528,570	$ 528,570

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Fines and forfeitures	$ 13,350	$ 13,350	$ 15,015	$ 1,665
Investment income	686	686	681	(5)
Total revenues	14,036	14,036	15,696	1,660
Expenditures				
Current				
Public safety	14,036	14,036	14,036	-
Total expenditures	14,036	14,036	14,036	-
Net change in fund balance	-	-	1,660	1,660
Fund balance, beginning of year	119,861	119,861	119,861	-
Fund balance, end of year	$ 119,861	$ 119,861	$ 121,521	$ 1,660

LEE COUNTY, GEORGIA

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Fines and forfeitures	$ 31,483	$ 31,483	$ 35,118	$ 3,635
Investment income	225	225	214	(11)
Total revenues	31,708	31,708	35,332	3,624
Expenditures				
Current				
Public Safety	1,708	1,708	-	1,708
Total expenditures	1,708	1,708	-	1,708
Excess of revenues over expenditures	30,000	30,000	35,332	5,332
Other Financing Uses				
Transfers out	(30,000)	(30,000)	(30,000)	-
Net change in fund balance	-	-	5,332	5,332
Fund balance, beginning of year	35,981	35,981	35,981	-
Fund balance, end of year	$ 35,981	$ 35,981	$ 41,313	$ 5,332

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Fines and forfeitures	$ 5,000	$ 5,000	$ -	$ (5,000)
Investment income	40	40	47	7
Total revenues	5,040	5,040	47	(4,993)
Expenditures				
Current				
Judicial	5,040	5,040	1,629	3,411
Total expenditures	5,040	5,040	1,629	3,411
Net change in fund balance	-	-	(1,582)	(1,582)
Fund balance, beginning of year	10,752	10,752	10,752	-
Fund balance, end of year	$ 10,752	$ 10,752	$ 9,170	$ (1,582)

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Fines and forfeitures	$ 9,701	$ 9,701	$ 8,388	$ (1,313)
Investment income	135	135	135	-
Total revenues	9,836	9,836	8,523	(1,313)
Expenditures				
Current				
Judicial	9,836	9,836	9,050	786
Total expenditures	9,836	9,836	9,050	786
Net change in fund balance	-	-	(527)	(527)
Fund balance, beginning of year	54,905	54,905	54,905	-
Fund balance, end of year	$ 54,905	$ 54,905	$ 54,378	$ (527)

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Charges for services	$ 523,420	$ 523,420	$ 618,535	$ 95,115
Investment income	255	255	284	29
Total revenues	523,675	523,675	618,819	95,144
Expenditures				
Current				
Public safety	917,790	917,790	848,408	69,382
Total expenditures	917,790	917,790	848,408	69,382
Deficiency of revenues over expenditures	(394,115)	(394,115)	(229,589)	164,526
Other Financing Sources				
Transfers in	394,115	394,115	188,789	(205,326)
Net change in fund balance	-	-	(40,800)	(40,800)
Fund balance, beginning of year	81,292	81,292	81,292	-
Fund balance, end of year	$ 81,292	$ 81,292	$ 40,492	$ (40,800)

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Charges for services	$ 100,000	$ 100,000	$ 102,455	$ 2,455
Investment income	3,000	3,000	3,013	13
Total revenues	103,000	103,000	105,468	2,468
Expenditures				
Current				
Public safety	103,000	103,000	80,000	23,000
Total expenditures	103,000	103,000	80,000	23,000
Net change in fund balance	-	-	25,468	25,468
Fund balance, beginning of year	649,054	649,054	649,054	-
Fund balance, end of year	$ 649,054	$ 649,054	$ 674,522	$ 25,468

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Other taxes	$ 3,550	$ 3,550	$ 3,772	$ 222
Investment income	22	22	39	17
Total revenues	3,572	3,572	3,811	239
Expenditures				
Current				
Economic development	3,572	3,572	298	3,274
Total expenditures	3,572	3,572	298	3,274
Net change in fund balance	-	-	3,513	3,513
Fund balance, beginning of year	7,015	7,015	7,015	-
Fund balance, end of year	$ 7,015	$ 7,015	$ 10,528	$ 3,513

LEE COUNTY, GEORGIA

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Investment income	$ -	$ -	$ 2,124	$ 2,124
Total revenues	-	-	2,124	2,124
Expenditures				
Current				
Economic development	239,916	239,916	229,456	10,460
Debt service				
Principal	-	-	230,857	(230,857)
Interest	-	-	32,055	(32,055)
Total expenditures	239,916	239,916	492,368	(252,452)
Deficiency of revenues over expenditures	(239,916)	(239,916)	(490,244)	(250,328)
Other Financing Sources				
Appropriation of fund balance	17,500	17,500	-	(17,500)
Transfers in	222,416	222,416	502,828	280,412
Total other financing sources	239,916	239,916	502,828	262,912
Net change in fund balance	-	-	12,584	12,584
Fund balance, beginning of year	597,685	597,685	597,685	-
Fund balance, end of year	$ 597,685	$ 597,685	$ 610,269	$ 12,584

LEE COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Project Description	Original Estimated Costs	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
Sales Tax Referendum SPLOST IV					
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	21	309,504	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	$ 18,000,000	$ 16,665,550	$ 21	$ 16,665,571	

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

LEE COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Project Description	Original Estimated Costs	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
Sales Tax Referendum SPLOST V					
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	2,000,000	10,253	8	10,261	1%
Road, street and bridge construction and improvements in unincorporated areas	6,559,527	5,376,281	-	5,376,281	82%
Renovation of old high school	1,500,000	1,497,396	-	1,497,396	100%
Two (2) fire brush trucks for fire department	100,000	99,982	-	99,982	100%
Upgrade and expansion of Kinchafoonee waste water treatment plant	8,000,000	2,687,846	-	2,687,846	34%
Ambulance for the Smithville fire/EMS station	125,000	111,621	-	111,621	89%
Extension of water lines and systems	1,300,000	1,248,299	-	1,248,299	96%
Storm water improvements	1,000,000	370,960	-	370,960	37%
Palmyra fire/EMS station	650,000	84,000	-	84,000	13%
Renovation and expansion of public works building	270,000	89,280	-	89,280	33%
Construction of a new headquarters library	2,000,000	4,140,312	-	4,140,312	100%
Fire tower, burn building, and driver training course	500,000	40,238	-	40,238	8%
Total expenditures	$ 34,650,000	$ 32,954,309	$ 8	$ 32,954,317	

LEE COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Project Description	Original Estimated Costs	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
Sales Tax Referendum SPLOST VI					
Public Safety capital projects and equipment	$ 3,570,000	$ 4,969,334	$ 731,147	$ 5,700,481	100%
Courthouse - security, renovations, and records	500,000	631,517	37,106	668,623	100%
Water and sewer system projects	2,250,000	1,104,328	1,751	1,106,079	49%
Roads, streets and bridges	10,738,760	5,400,141	1,586,114	6,986,255	65%
Oakland Library project	1,200,000	1,165,891	-	1,165,891	97%
Leesburg/Smithville library projects	465,000	74,134	-	74,134	16%
Stormwater projects	500,000	216,271	469,978	686,249	100%
Public works - renovations and equipment	250,000	134,640	-	134,640	54%
Public facilities - renovations and GIS	250,000	170,703	419,629	590,332	100%
Recreation projects	1,750,000	28,106	201,012	229,118	13%
City of Leesburg	2,650,000	1,641,591	357,919	1,999,510	75%
City of Smithville	779,370	486,485	105,389	591,874	76%
Repayment of issuance of debt	3,350,000	3,678,234	951,615	4,629,849	100%
Total expenditures	$ 28,253,130	$ 19,701,375	$ 4,861,660	$ 24,563,035	

LEE COUNTY, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
PROJECT COST SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Program Activity	CDBG Activity Number	Latest Approved Budget	Accumulated CDBG Expenditures to Date	Accumulated Expenditures to Date Other Funds	Grand Total of Expeditures To Date	Questioned Cost (if applicable)
Engineering - Water/Sewer	**T-03J-00**	$ 39,403	$ 37,492	$ -	$ 37,492	$ -
Contingencies	**C-03J-01**	42,516	-	-	-	-
Water Facilities	**P-03J-01**	328,362	116	-	116	-
Administration	**A-21A-00**	26,176	14,000	-	14,000	-
		$ 436,457	$ 51,608	$ -	$ 51,608	$ -

LEE COUNTY, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
SOURCE AND APPLICATION OF FUNDS SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

I	Total Fiscal Year 18 CDBG Awarded to Recipient	$ 436,457
II	Total Amount Drawndown by Recipient	45,953
III	Less: CDBG Funds Expended by Recipient	45,953
IV	Amount of Fiscal Year 2019 Funds Held by Recipient	-

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, 2019

	Clerk of Superior Court	Probate Court	Tax Commissioner	Magistrate Court	Sheriff	Total Agency Funds
ASSETS						
Cash and cash equivalents	$ 69,421	$ 11,079	$ 69,474	$ 21,304	$ 140,100	$ 311,378
Property tax receivable	-	-	636,030	-	-	636,030
Total assets	$ 69,421	$ 11,079	$ 705,504	$ 21,304	$ 140,100	$ 947,408
LIABILITIES						
Due to others	$ 69,421	$ 11,079	$ 69,474	$ 21,304	$ 140,100	$ 311,378
Uncollected taxes	-	-	636,030	-	-	636,030
Total liabilities	$ 69,421	$ 11,079	$ 705,504	$ 21,304	$ 140,100	$ 947,408

COMPLIANCE SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

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, 2019, 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 December 26, 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 questioned costs, 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 questioned costs as 2019 – 002 through 2019 – 004 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 questioned costs as 2019 – 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 questioned costs. 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.

Mauldin & Jenkins, LLC

Macon, Georgia
December 26, 2019

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
of Lee County, Georgia
Leesburg, Georgia

Report on Compliance for Each Major Federal Program

We have audited Lee County, Georgia's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2019. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 26, 2019

LEE COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Agency/ Pass-through Entity/Program Title	Federal CFDA Number	Agency or Pass-through Grantor's Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through Georgia Department of Community Affairs			
Georgia Community Development Block Grant Program	14.218	18p-y-088-1-6011	$ 51,609
Total U.S. Department of Housing and Urban Development			51,609
U.S. Department of Homeland Security			
Passed-Through Georgia Emergency Management Agency			
Flood Mitigation Assistance	97.029	FMA-PJ-04-GA-2016-001	1,023,175
Assistance Disaster Recovery Efforts	97.036	FEMA-4400-DR-GA	503,078
Emergency Management Performance Grant	97.042	OEM18	8,489
Total U.S. Department of Homeland Security			1,534,742
Total Expenditures of Federal Awards			$ 1,586,351

See Notes to Schedule of Expenditures of Federal Awards.

LEE COUNTY, GEORGIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of Lee County, Georgia (the "County") and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

NOTE 2. MEASUREMENT FOCUS

The determination of when an award is expended is based on when the activity related to the award occurred.

NOTE 3. DE MINIMIS INDIRECT COST RATE

The County did not use the 10% de minimis cost rate for the year ended June 30, 2019.

LEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	__X__ Yes ____ No
Significant deficiencies identified not considered to be material weaknesses?	__X__ Yes ____ None Reported
Noncompliance material to financial statements noted?	_____ Yes __X__ No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	_____Yes __X__ No
Significant deficiencies identified not considered to be material weaknesses?	_____Yes __X__ None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	_____Yes __X__ No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
97.029	Flood Mitigation Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	_____ Yes __X__ No

LEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2019 – 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, 2019, 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.

2019 – 002. Maintenance of Detail Capital Asset Listings and Depreciation Schedules - County

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 the current fiscal year, the County performed a review of its capital asset listing and updated the listing for any items that were no longer in use and for capital assets that had not previously been included on the listing. During the year, any purchases of vehicles and equipment were appropriately added to the capital asset listing and depreciated. However, the County did not maintain detailed subsidiary ledgers for improvement to existing buildings, infrastructure or construction projects. Additionally, donated capital assets were not recorded.

Context: We addressed this matter with County officials and they were able to determine the amounts that should be capitalized and depreciated, as well as construction in progress.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019 – 002. Maintenance of Detail Capital Asset Listings and Depreciation Schedules - County (Continued)

Effect: Additions of approximately $3,254,000 were made to capital assets of governmental activities.

Recommendation: We recommend all expenditures associated with capital outlay be evaluated against the County's capitalization policy to determine if they should be capitalized, included on the County's capital asset listing, and depreciated over their estimated useful life. This includes not only vehicles and equipment, but also buildings, building improvements, land improvements, and infrastructure (roads, streets, bridges, culverts, etc.). A subsidiary ledger should be maintained for each construction project in process and all costs associated with the project recorded. Once the project is complete, it should then be added to the capital asset listing and depreciated. This will ensure that all costs are captured and the use of SPLOST funds and grant funds (if applicable) are appropriate. Any contributions of land or infrastructure by developers, citizens, or other governments should also be included in the County's capital asset listing at fair value on the date contributed.

Views of Responsible Officials and Planned Corrective Action: We concur. We will begin including all additions of buildings, improvements, and infrastructure on our capital asset listing and begin maintaining subsidiary ledgers for all construction in process.

2019 – 003. Maintenance of Detail Capital Asset Listings and Depreciation Schedules – Utilities Authority

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: The Utilities Authority has not yet performed a complete capital asset inventory, including infrastructure, no detail listing of capital assets is being maintained, and no calculation of depreciation is being performed and recorded in the general ledger.

Context: See above condition.

Effect: Because the Utilities Authority has 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.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019 – 003. Maintenance of Detail Capital Asset Listings and Depreciation Schedules – Utilities Authority (Continued)

Recommendation: We recommend the Utilities Authority perform a complete inventory of capital assets as soon as possible. The listing that was maintained by the previous auditor can be used as a starting point 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 (where applicable) are appropriate.

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

2019 – 004. Maintenance of General Ledger and Use of Accrual Basis of Accounting – Utilities Authority

Criteria: The Utilities Authority is considered a proprietary type operation and therefore, in accordance with general accepted accounting principles, its financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, which provide more meaningful financial information. Under the economic resources measurement focus, all assets and liabilities are reported, and under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred.

Condition: The Utilities Authority's financial software maintains subsidiary ledgers for customer accounts receivable and for accounts payable. However, transactions associated with the purchase of capital items and expenses associated with capital projects must be posted to the appropriate capital asset balance she accounts by accounting personnel. Additionally, issuance of debt, payments of principal and interest on debt must be posted to the appropriate long-term debt liability accounts by accounting personnel. Currently activity associated with capital assets and long-term debt is being recorded as an expense, rather than as a change to capital assets and long-term debt on the balance sheet.

Context: See above condition.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019 – 004. Maintenance of General Ledger and Use of Accrual Basis of Accounting – Utilities Authority (Continued)

Effect: During the current year audit, twenty-two adjusting journal entries were made to the books of the Utilities Authority, consisting of the following:

- Various entries to properly record disbursements associated with construction projects as Construction in Progress (capital asset).
- Various entries to properly record drawdowns on GEFA loan.
- Various entries to correct the recording of principal and interest payments associated with bonds payable, as well as adjusting accrued interest payable and amortization of deferred refunding costs.
- Various entries to properly record purchases of vehicles and equipment.
- An entry to record depreciation expense for the fiscal year.
- An entry to record the portion of the GEFA loan that has been forgiven as contributed capital.
- An entry to properly record the sale of trucks.
- Various entries to correct other balance sheet accounts.

Recommendation: We recommend the Utilities Authority implement the use of standard monthly journal entries to record the activity associated with long-term debt, capital assets, and the various accrual entries needed for the general ledger be on the accrual basis of accounting and accurately reflect account balances as of end of each month

Views of Responsible Officials and Planned Corrective Action: We concur. We will update our accounting procedures to ensure the general ledger is maintained on the accrual basis of accounting.

LEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

LEE COUNTY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2018 – 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 2019-001.

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.

Auditee Response/Status: Resolved

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.

Auditee Response/Status: Resolved

LEE COUNTY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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.

Auditee Response/Status: Resolved

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.

Auditee Response/Status: Resolved

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.

Auditee Response/Status: Resolved

LEE COUNTY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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.
- 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.

Auditee Response/Status: Partially resolved. See current year finding 2019-002 and 2019-003

LEE COUNTY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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.

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.

Auditee Response/Status: Partially resolved. See current year finding 2019-004.

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2019 – 001. Segregation of Duties

Name of the Contact Person Responsible for the Corrective Action Plan: Heather Jones, Finance Director

Corrective Action: We will work with staff to segregate duties and apply compensating controls to the extent possible.

2019 – 002. Maintenance of Detail Capital Asset Listings and Depreciation Schedules - County

Name of the Contact Person Responsible for the Corrective Action Plan: Heather Jones, Finance Director

Corrective Action: Beginning in FY2020, we will include all additions of buildings, improvements, and infrastructure on our capital asset listing and begin maintaining subsidiary ledgers for all construction in process.

2019 – 003. Maintenance of Detail Capital Asset Listings and Depreciation Schedules – Utilities Authority

Name of the Contact Person Responsible for the Corrective Action Plan: Tricia Mills, Director of Administrative Operations

Corrective Action: In FY2020 a complete inventory of capital assets will be performed and a detail listing of capital assets and related depreciation will be maintained.

2019 – 004. Maintenance of General Ledger and Use of Accrual Basis of Accounting – Utilities Authority

Name of the Contact Person Responsible for the Corrective Action Plan: Tricia Mills, Director of Administrative Operations

Corrective Action: Beginning in FY2020, we will update our accounting procedures to ensure the general ledger is maintained on the accrual basis of accounting.

Chairman	Vice-Chairman	Commissioner	Commissioner	Commissioner	Co County Manager	Co County Manager	County Attorney
Billy Mathis	Rick Muggridge	John Wheaton	Luke Singletary	George Walls	Mike Sistrunk	Christi Dockery	Jimmy Skipper
District 3	District 4	District 1	District 2	District 5			

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