

Report on the

# Limestone County Commission

Limestone County, Alabama

October 1, 2016 through September 30, 2017

Filed: January 4, 2019



## Department of Examiners of Public Accounts

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*Rachel Laurie Riddle, Chief Examiner*





State of Alabama  
Department of  
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Rachel Laurie Riddle  
*Chief Examiner*

Honorable Rachel Laurie Riddle  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Madam:

Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, as added by Act Number 2018-129, I submit this report on the results of the audit of the Limestone County Commission, Limestone County, Alabama, for the period October 1, 2016 through September 30, 2017.

Sworn to and subscribed before me this  
the 12<sup>th</sup> day of December, 2018.

Deborah W. Zee

Notary Public

Respectfully submitted,

April S Purser

April S. Purser  
Examiner of Public Accounts

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My Commission Expires 05/17/2020



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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Limestone County Commission  
October 1, 2016 through September 30, 2017**

The Limestone County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Limestone County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 20. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Limestone County.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12, as added by Act Number 2018-129.

An unmodified opinion was issued on the financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2017.

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

Commission members and administrative personnel, as reflected on Exhibit 20, were invited to discuss the results of this report at an exit conference held at the offices of the County Commission. Individuals in attendance were Commissioners: Mark Yarbrough, Stanley Hill, Steve Turner, Jason Black, and Ben Harrison. Also in attendance were representatives from the Department of Examiners of Public Accounts: Robin V. Lakey, Audit Manager and April Purser, Examiner of Public Accounts.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Limestone County Commission and County Administrator  
Athens, Alabama

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Limestone County Commission, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Limestone County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 11.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Limestone County Commission, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof 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 Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Net Pension Liability, the Schedule of the Employer's Contributions, the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, and the Schedule of Funding Progress – Other Postemployment Benefits (Exhibits 12 through 18), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Limestone County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 19), as required by Title 2 U. S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the Limestone County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Limestone County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Limestone County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

December 12, 2018



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

## **LIMESTONE COUNTY COMMISSION Management's Discussion and Analysis**

This discussion and analysis provides an overview of the financial activities and financial position of the Limestone County Commission for the fiscal year ended September 30, 2017, with comparative data for the fiscal year ended September 30, 2016. Please read it in conjunction with the County's basic financial statements, which follows this section.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the Commission exceeded its liabilities and deferred inflows at the close of the 2017 fiscal year by \$49.1 million.
- The Commission's net position in the governmental activities increased by \$944,547.38 and its' business-type activities increased by \$52,799.80 as a result of the current year's operations.
- Total revenues from all sources were \$33.1 million while total costs of all programs were \$32.1 million.

### **REPORT LAYOUT**

The annual report consists of a series of financial statements. Taken together they provide a comprehensive look at the County. This annual report presents the following components of the financial statements:

- Government-wide financial statements provide information for the County as a whole and present a longer-term view of the County's finances.
- Fund financial statements provide detailed information for the County's significant funds. Governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.
- The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.
- Notes to the financial statements provide additional information that is essential to understanding the County's financial condition.

The report also contains other information that further explains and supports the information in the financial statements.

### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to present a broad overview of the County's financial position in a manner similar to a private-sector business. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The *Statement of Net Position* focuses on resources available for future operations. This statement presents a view of the assets the county owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Over a period of time, increases or decreases in net position may indicate whether the County's financial situation is improving or deteriorating. To assess the overall health of the County you need to consider other nonfinancial factors such as changes in the County's property tax base and the condition of the County's infrastructure, buildings and other facilities.

The *Statement of Activities* focuses on gross and net cost of the County's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

The County's government-wide financial statements are divided into two categories:

- Governmental activities - Most of the County's basic services are reported here, including general government, public safety, highways and street, health and welfare, and culture and recreation. Property taxes, gasoline taxes, license and permits and charges for services finance most of these activities.
- Business-type activities - The County charges fees to customers to help it cover the cost of certain services it provides. The County's campground facility is reported in this category.

### **Fund Financial Statements**

Fund financial statements focus separately on major governmental funds and proprietary funds. The County establishes many funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The fund financial statements provide detailed information about the County's significant funds - not the County as a whole. The County's funds can be divided into three categories- governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds-* The majority of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's operations and the basic services it provides. Governmental funds statements assist the reader in determining the short-term financial resources available to finance future programs. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation to the government-wide financial statements.

*Proprietary funds-* Proprietary fund statements provide the same type of information as the government-wide statements, only in more detail. The County maintains one type of proprietary fund- the enterprise fund. When the County charges customers for services it provides, these services are generally reported in the enterprise fund. The enterprise fund is presented as business-type activities in the government-wide statements.

*Fiduciary funds* - The County is responsible for assets that are held on behalf of other organizations or individuals. The County is responsible to ensure the assets reported in these funds are used for their intended purpose. The fiduciary activities are reported in separate statements of fiduciary assets and changes in fiduciary net position. The County cannot use these assets to finance its operations, therefore, these activities have been excluded from the County's other financial statements.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the financial statements follow the presentation of the exhibits contained in this report.

### **Required Supplementary Information**

Required supplementary information is shown in Exhibits #12 through #18 which provide pension information and budget to actual comparisons of the governmental funds of the County. The comparison schedules are presented to demonstrate compliance with the fund budgets. The Schedule of Funding Progress, Exhibit #18, presents trend information related to the actuarial accrued liability for other post-employment benefits.

### **Supplementary Information**

Supplementary information is shown in Exhibit #19 and contains financial information and notes relative to the federal financial assistance.

## **FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

The following two tables (A-1 and A-2) present condensed information on the County's Net Position and Changes in Net Position for the fiscal year ended September 30, 2017, with comparative data for the fiscal year ended September 30, 2016.

As noted earlier, net position may serve over time as a useful indicator of the County's financial situation. In the County's case, assets and deferred outflows exceeded liabilities and deferred inflows by \$49 million at the close of the most recent fiscal year.

The largest portion of the County's net position reflects its investment in capital assets (e.g. land, buildings, equipment, construction in progress and equipment under capital lease); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources need to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Due to the implementation of GASB 68, the County records its proportionate share of the Employees' Retirement System net pension liability, which has a direct impact on the County's unrestricted net position.

Table A-1  
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$27,680,182	\$27,084,026	\$70,757	\$123,477	\$27,750,939	\$27,207,503
Capital Assets	68,035,715	70,112,289	12,477	10,371	68,048,192	70,122,660
<b>Total Assets</b>	<b>95,715,897</b>	<b>97,196,315</b>	<b>83,234</b>	<b>133,848</b>	<b>95,799,131</b>	<b>97,330,163</b>
<b>Deferred Outflows</b>	<b>2,611,414</b>	<b>3,551,150</b>			<b>2,611,414</b>	<b>3,551,150</b>
Long-term debt outstanding	37,744,472	37,647,184	1,545	1,337	37,746,017	37,648,521
Other Liabilities	1,435,177	2,678,012	2,014	36	1,437,191	2,678,048
<b>Total Liabilities</b>	<b>39,179,649</b>	<b>40,325,196</b>	<b>3,559</b>	<b>1,373</b>	<b>39,183,208</b>	<b>40,326,569</b>
<b>Deferred Inflows</b>	<b>11,030,292</b>	<b>11,360,351</b>			<b>11,030,292</b>	<b>11,360,351</b>
Net Position						
Net Investment in Capital Assets	48,870,349	51,319,857	12,478	10,372	48,882,827	51,330,229
Restricted	5,846,206	5,796,179			5,846,206	5,796,179
Unrestricted	(6,599,185)	(8,054,118)	67,197	122,103	(6,531,988)	(7,932,015)
<b>Total Net Position</b>	<b>\$48,117,370</b>	<b>\$49,061,918</b>	<b>\$79,675</b>	<b>\$132,475</b>	<b>\$48,197,045</b>	<b>\$49,194,393</b>

Table A-2  
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2016-2017
	2016	2017	2016	2017	2016	2017	
<b>Revenues</b>							
Program Revenues:							
Charges for Services	\$4,211,675	\$4,110,574	\$140,398	\$148,507	\$4,352,073	\$4,259,081	(2.14)%
Operating Grants and Contributions	8,751,084	7,817,555	13,000	8,000	8,764,084	7,825,555	(10.71)%
Capital Grants and Contributions		240,366				240,366	100.00%
General Revenues:							
Property Taxes- General Purposes	8,041,958	7,920,417			8,041,958	7,920,417	(1.51)%
Property Taxes- Specific Purposes	4,880,001	4,906,499			4,880,001	4,906,499	.54%
In Lieu of Taxes	3,245,901	3,020,666			3,245,901	3,020,666	(6.94)%
Special Sales Tax	1,029,186	1,024,711			1,029,186	1,024,711	(.43)%
County Gasoline Sales Tax	1,340,776	1,326,173			1,340,776	1,326,173	(1.09)%
Grants and Contributions- not restricted	906,839	1,047,663			906,839	1,047,663	15.53%
Miscellaneous Taxes	1,018,440	954,395			1,018,440	954,395	(6.29)%
Miscellaneous	419,109	572,287	5	16,278	419,114	588,565	40.43%
Transfers	(25,000)	(25,000)	25,000	25,000			
<b>Total Revenues, Special Items and Transfers</b>	<b>33,819,969</b>	<b>32,916,306</b>	<b>178,403</b>	<b>197,785</b>	<b>33,998,372</b>	<b>33,114,091</b>	<b>(2.60)%</b>
<b>Expenses</b>							
General Government	7,290,768	7,644,262			7,290,768	7,644,262	4.85%
Public Safety	12,389,771	13,110,085			12,389,771	13,110,085	5.81%
Highways and Roads	8,675,713	6,412,445			8,675,713	6,412,445	(26.09)%
Sanitation	160,246	175,587			160,246	175,587	9.57%
Health	875,546	894,222			875,546	894,222	2.13%
Welfare	940,993	937,447			940,993	937,447	(.38)%
Culture and Recreation	540,305	402,287	156,047	144,985	696,352	547,272	(21.41)%
Education	157,025	164,870			157,025	164,870	5.00%
Interest and Fiscal Charges	607,652	628,929			607,652	628,929	3.50%
Intergovernmental	1,475,346	1,601,624			1,475,346	1,601,624	8.56%
<b>Total Expenses</b>	<b>33,113,365</b>	<b>31,971,758</b>	<b>156,047</b>	<b>144,985</b>	<b>33,269,412</b>	<b>32,116,743</b>	<b>(3.46)%</b>
<b>Increase (decrease) in net position</b>	<b>706,604</b>	<b>944,548</b>	<b>22,356</b>	<b>52,800</b>	<b>728,960</b>	<b>997,348</b>	<b>36.82%</b>
<b>Net Position – Beginning</b>	47,410,766	48,117,370	57,319	79,675	47,468,085	48,197,045	1.54%
<b>Net Position- Ending</b>	<b>\$48,117,370</b>	<b>\$49,061,918</b>	<b>\$79,675</b>	<b>\$132,475</b>	<b>\$48,197,045</b>	<b>\$49,194,393</b>	<b>2.07%</b>

The County's total revenues were approximately \$33.1 million. Revenues showed a slight decrease from the previous year. A decrease in the number of households being serviced for garbage collection attributed to the reduction in charges for services. Grants and Contributions decreased due to reduction in the number road projects performed during the fiscal year reimbursed by state and federal funds. T.V.A. in lieu of taxes continued to decline slightly. The majority of the increase in miscellaneous revenue resulted from the sale of assets. Approximately 48% of the County's revenue comes from property/ in lieu of taxes, and 58 cents of every dollar comes from some type of tax. Grants and Contributions account for 28%; the major source of revenue in this category is state and federal funds restricted for specific purposes. Another 12% comes from fees charged for services. (See Figure 1)

Expenditures decreased 3.46% from the previous year. The total cost of all programs and services (excluding transfers) were approximately \$32.1 million. A reduction in road projects and routine maintenance attributed to the increase in Highways and Roads expenses. The decrease in sanitation resulted in the reduction of households served. Culture and Recreation also reflected a decrease mainly attributed to a reduction in projects. The County's expenses cover a range of services. The majority of the expenses related to general government (24%), public safety (41%) and highways and roads (20%). (See Figure 2)

Figure 1  
Sources of Revenues for Fiscal Year 2017

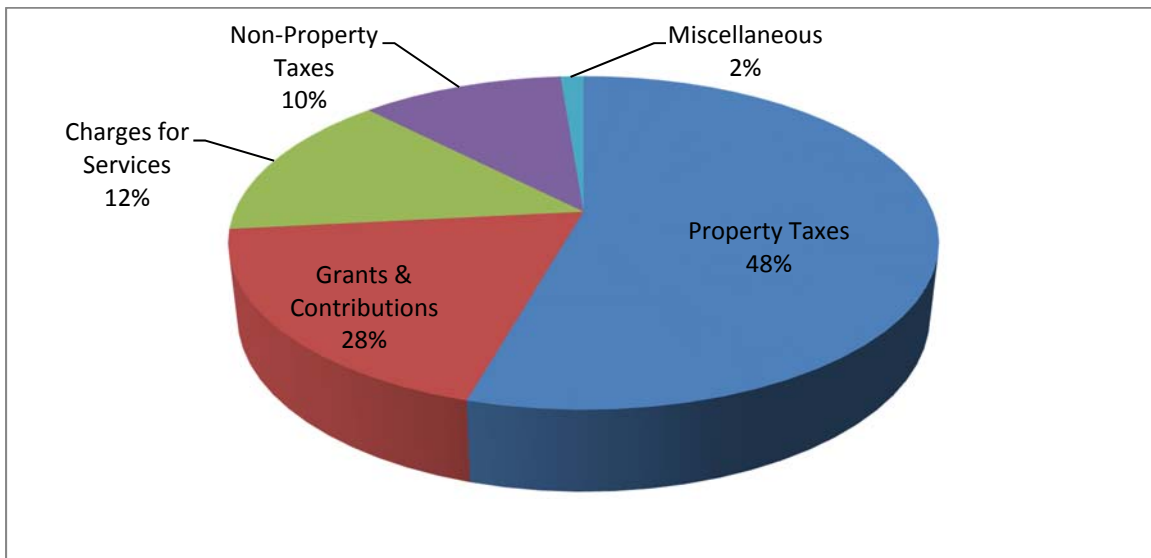
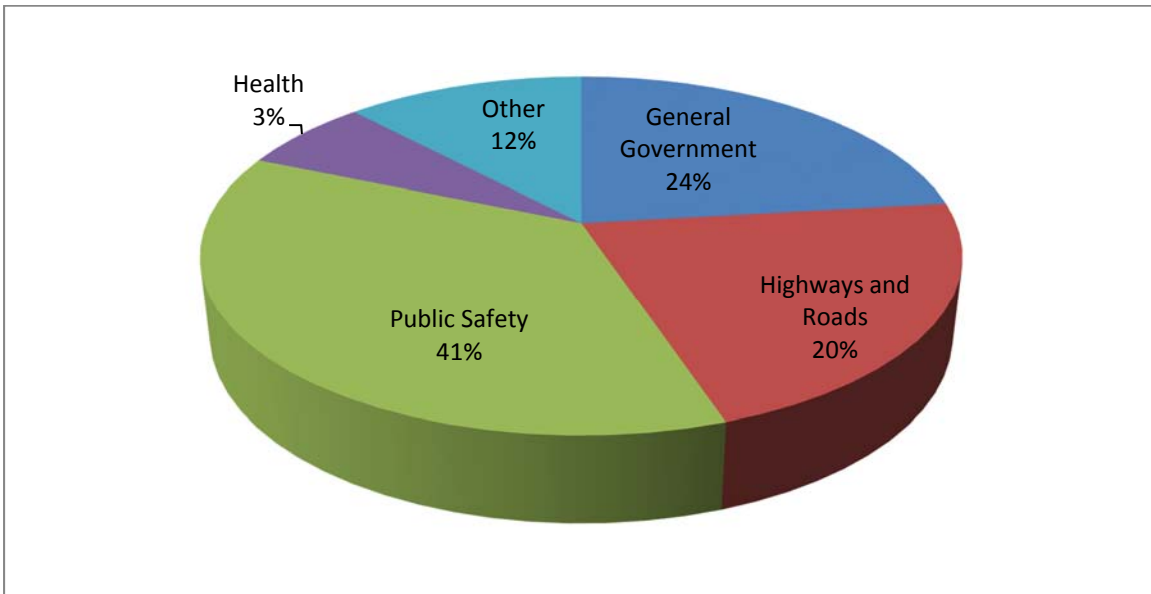


Figure 2  
Functional Expenses for Fiscal Year 2017



Governmental Activities

Table A-3 presents the cost of the County’s programs- as well as each programs net cost (total cost less fees generated by the activities and intergovernmental aid). Each of the County’s three largest programs is identified separately- general government, public safety and highways and roads. The net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions.

The total cost of all governmental activities for the year was \$31.9 million. However, the net cost to taxpayers for these activities was \$19.8 million. Some of the costs were paid by (1) those that directly benefited from the programs (\$4.1 million) or (2) other governments and organizations that subsidized certain programs with grants and contributions (\$8 million). The County paid for the \$19.8 million “public benefit” portion with property taxes, sales taxes, in lieu of taxes, and other miscellaneous revenues.

Table A-3  
GOVERNMENTAL ACTIVITIES

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2016	2017	2016-2017	2016	2017	2016-2017
General Government	\$ 7,290,768	\$ 7,644,262	4.85%	\$ 5,190,952	\$ 5,440,986	4.82%
Public safety	12,389,771	13,110,085	5.81%	9,214,078	10,386,296	12.72%
Highways and Roads	8,675,713	6,412,445	(26.09)%	1,651,478	(81,545)	(104.94)%
Other Programs	4,757,113	4,804,966	1.01%	4,094,098	4,057,527	(.89)%
<b>Total</b>	<b>\$33,113,365</b>	<b>\$31,971,758</b>	<b>(3.45)%</b>	<b>\$20,150,606</b>	<b>\$19,803,264</b>	<b>(1.72)%</b>

### Proprietary Activities

The Limestone County campground facility showed an increase of \$35,437 in operating income compared to the previous fiscal year. The Limestone County Commission contributed \$25,000. Proprietary Funds statements are reflected in Exhibits #7 through #9.

The following (Table A-4) compares the operating revenues and expenses for the business-type activities:

Table A-4

	Campground Fund		Difference
	2016	2017	2016- 2017
<b>Operating Revenues</b>			
Charges for Services	\$122,769	148,507	25,738
Other	17,629	16,267	(1,362)
Total Operating Revenue	140,398	164,774	24,376
<b>Operating Expenses</b>			
Salaries and Benefits	69,534	63,894	(5,640)
Supplies and Materials	9,372	9,867	495
Repair Maintenance	33,143	15,199	(17,944)
Utilities	38,811	50,164	11,353
Communications	2,287	1,981	(306)
Miscellaneous	794	1,775	981
Depreciation	2,105	2,105	
Total Operating Expenses	156,046	144,985	(11,061)
Operating Income (Loss)	\$(15,648)	\$19,789	\$35,437

## **FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS**

At the close of the fiscal year, the Commission's governmental funds reported a *combined* fund balance of \$13,045,661.98 representing a \$2,169,050.17 decrease from the prior year's fund balance of \$15,214,712.15. The majority of the decrease was related to the completion of renovation and expansion projects as well as road projects. Major funds (General, Hospital Tax, Gasoline Tax and RRR Tax) changes in fund balances are reflected in Exhibit #5 and are highlighted as follows:

- The General Fund and Hospital Tax Fund reflected increases of \$206,389.55 and \$7,322.67, respectively; which are considered within normal operating trends.
- The Gasoline Tax Fund and the RRR Gasoline Tax fund reflected decreases of \$1,107,863.57 and \$111,496.85, respectively. These decreases were mainly attributed to cost associated with construction equipment acquisitions and road construction projects.



### General Fund Budgetary Highlights

The County Commission has established an annual budget process whereby all of the departments submit an annual budget request to the Commission for the coming year's operating expenses. The Commission reviews, adjusts as necessary and then adopts an original budget to fund the operating needs of each department. Throughout the year, the original budget is amended to reflect changes in funding needs. The County has established policies and procedures for amending the budget. Over the course of the year, the County revised the budget several times. The budget amendments mainly were made to prevent budget overruns.

The general fund statement reflecting original and final budgets, plus actual compared to final budget amounts is shown on Exhibit #14.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### Capital Assets

As of September 30, 2017, the Limestone County Commission had invested \$70 million (net of accumulated depreciation) in capital assets for its governmental and business-type activities (See Table A-5). This investment in capital assets includes land, land improvements, infrastructure, buildings and improvements, equipment and furniture, and equipment under capital lease.

Table A-5  
CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land	\$5,347,949	\$5,418,805			\$5,347,949	\$5,418,805
Construction in Progress	6,378,708				6,378,708	
Land Improvements	297,638	263,918			297,638	263,918
Infrastructure	30,143,388	32,314,070			30,143,388	32,314,070
Buildings and Improvements	21,617,166	28,044,611			21,617,166	28,044,611
Equipment and Furniture	3,675,219	3,940,615	12,478	10,372	3,687,697	3,950,987
Equipment under Capital Lease	575,647	130,270			575,647	130,270
<b>Total</b>	<b>\$68,035,715</b>	<b>\$70,112,289</b>	<b>\$12,478</b>	<b>\$10,372</b>	<b>\$68,048,193</b>	<b>\$70,122,661</b>

More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### Debt Outstanding

As of September 30, 2017, the County's outstanding debt totaled \$37 million as shown in Table A-6. More detailed information about the County's lease obligations and long-term liabilities is presented in Note 11 and Note 13 to the financial statements.

Table A-6  
OUTSTANDING DEBT

	Governmental Activities	
	2016	2017
General Obligation Warrants	\$19,115,000	\$17,815,000
Notes Payable	66,460	
Landfill Closure		
Compensated Absences	1,497,498	1,606,373
Other Post Employment Benefit Obligation	3,531,763	3,839,480
Net Pension Liability	12,686,780	14,015,396
Capital Leases	596,272	126,791
<b>Total</b>	<b>\$37,493,773</b>	<b>37,403,040</b>

## **ECNONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The County considers various economic factors in preparing the budget. Through the budget, the County Commission sets the direction of the county, allocates resources and establishes priorities.

Limestone County continues to experience population growth as well as commercial property developments. We expect our increasing tax base to provide the additional revenue to fund the increase in demand of services provided to our citizens. Personnel costs and benefits continue to be a factor to future budgets. The 2018 fiscal year budget was approved at \$37 million.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have any questions concerning this report or need further information, contact the Limestone County Commission, 310 West Washington Street, Athens, Alabama 35611.

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# *Basic Financial Statements*

***Statement of Net Position***  
***September 30, 2017***

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash	\$ 13,485,216.92	\$ 123,476.87	\$ 13,608,693.79
Property Taxes Receivable	10,514,787.84		10,514,787.84
Receivables (Note 4)	2,232,158.86		2,232,158.86
Prepaid Items	5,257.38		5,257.38
Inventories	9,086.99		9,086.99
Total Current Assets	26,246,507.99	123,476.87	26,369,984.86
<b><u>Noncurrent Assets</u></b>			
Restricted Cash	837,517.63		837,517.63
Capital Assets (Note 5):			
Nondepreciable	5,418,804.87		5,418,804.87
Depreciable, Net	64,693,484.27	10,371.82	64,703,856.09
Total Noncurrent Assets	70,949,806.77	10,371.82	70,960,178.59
Total Assets	97,196,314.76	133,848.69	97,330,163.45
<b><u>Deferred Outflows of Resources</u></b>			
Employer Pension Contribution	1,195,863.50		1,195,863.50
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	2,355,286.00		2,355,286.00
Total Deferred Outflows of Resources	3,551,149.50		3,551,149.50
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Payables (Note 10)	1,213,837.34	634.33	1,214,471.67
Unearned Revenue	291,261.24		291,261.24
Accrued Wages and Benefits Payable	322,272.77	702.80	322,975.57
Note Payable	850,641.00		850,641.00
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Interest Payable	244,142.16		244,142.16
Warrants Payable	1,330,000.00		1,330,000.00
Capital Leases Payable	27,241.56		27,241.56
Total Current Liabilities	\$ 4,279,396.07	\$ 1,337.13	\$ 4,280,733.20

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

	Governmental Activities	Business-Type Activities	Total
<b><u>Noncurrent Liabilities</u></b>			
Portion Due or Payable After One Year:			
Warrants Payable	\$ 16,485,000.00	\$	\$ 16,485,000.00
Capital Leases Payable	99,549.81		99,549.81
Compensated Absences	1,606,373.59	36.34	1,606,409.93
Other Post Employment Benefit Obligation	3,839,479.79		3,839,479.79
Net Pension Liability	14,015,396.00		14,015,396.00
Total Noncurrent Liabilities	<u>36,045,799.19</u>	<u>36.34</u>	<u>36,045,835.53</u>
Total Liabilities	<u>40,325,195.26</u>	<u>1,373.47</u>	<u>40,326,568.73</u>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable Revenue - Property Taxes	10,514,787.84		10,514,787.84
Revenue Received in Advance - Motor Vehicle Taxes	845,563.45		845,563.45
Total Deferred Inflows of Resources	<u>11,360,351.29</u>		<u>11,360,351.29</u>
<b><u>Net Position</u></b>			
Net Investment in Capital Assets	51,319,856.77	10,371.82	51,330,228.59
Restricted for:			
Debt Service	682,720.51		682,720.51
Road Projects	2,329,781.14		2,329,781.14
Capital Improvement	1,188,795.16		1,188,795.16
Law Enforcement	1,337,490.03		1,337,490.03
Other Purposes	257,392.09		257,392.09
Unrestricted	<u>(8,054,117.99)</u>	<u>122,103.40</u>	<u>(7,932,014.59)</u>
Total Net Position	<u>\$ 49,061,917.71</u>	<u>\$ 132,475.22</u>	<u>\$ 49,194,392.93</u>

**Statement of Activities**  
**For the Year Ended September 30, 2017**

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
General Government	\$ 7,644,262.17	\$ 2,203,275.66	\$ 1,116,179.77
Public Safety	13,110,085.10	1,607,609.41	6,469,641.69
Highway and Roads	6,412,445.15	24,349.00	71,711.00
Sanitation	175,586.59	265,987.00	
Health	894,222.10		
Welfare	937,446.89	9,352.50	153,128.00
Culture and Recreation	402,286.91		6,894.25
Education	164,870.21		
Intergovernmental	1,601,623.67		
Interest and Fiscal Charges	628,929.96		
Total Governmental Activities	31,971,758.75	4,110,573.57	7,817,554.71
<b>Business-Type Activities:</b>			
Cowford Campground	144,985.52	148,507.01	8,000.00
Total Business-Type Activities	144,985.52	148,507.01	8,000.00
Total Primary Government	\$ 32,116,744.27	\$ 4,259,080.58	\$ 7,825,554.71

**General Revenues and Transfers:**

Taxes:  
Property Taxes for General Purposes  
Property Taxes for Specific Purposes  
County Gasoline Sales Taxes  
Special Sales Tax  
Miscellaneous Taxes  
TVA In Lieu of Taxes  
Grants and Contributions Not Restricted  
for Specific Programs  
Miscellaneous  
Transfers  
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

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

<b>Net (Expenses) Revenues and Changes in Net Position</b>			
<b>Primary Government</b>			
<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$	\$ (5,440,986.51)	\$	\$ (5,440,986.51)
	(10,386,295.92)		(10,386,295.92)
	81,545.54		81,545.54
	162,111.41		162,111.41
	(894,222.10)		(894,222.10)
	(774,966.39)		(774,966.39)
240,366.00	(155,026.66)		(155,026.66)
	(164,870.21)		(164,870.21)
	(1,601,623.67)		(1,601,623.67)
	(628,929.96)		(628,929.96)
<u>240,366.00</u>	<u>(19,803,264.47)</u>		<u>(19,803,264.47)</u>
		11,521.49	11,521.49
		<u>11,521.49</u>	<u>11,521.49</u>
<u>\$ 240,366.00</u>	<u>(19,803,264.47)</u>	<u>11,521.49</u>	<u>(19,791,742.98)</u>
	7,920,416.90		7,920,416.90
	4,906,499.47		4,906,499.47
	1,326,172.73		1,326,172.73
	1,024,710.74		1,024,710.74
	954,395.93		954,395.93
	3,020,665.77		3,020,665.77
	1,047,663.01		1,047,663.01
	572,287.30	16,278.31	588,565.61
	(25,000.00)	25,000.00	
	<u>20,747,811.85</u>	<u>41,278.31</u>	<u>20,789,090.16</u>
	944,547.38	52,799.80	997,347.18
	<u>48,117,370.33</u>	<u>79,675.42</u>	<u>48,197,045.75</u>
<u>\$</u>	<u>\$ 49,061,917.71</u>	<u>\$ 132,475.22</u>	<u>\$ 49,194,392.93</u>

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2017***

	<b>General Fund</b>	<b>Hospital Tax Fund</b>
<b><u>Assets</u></b>		
Cash	\$ 5,538,705.15	\$ 758,874.04
Property Taxes Receivable	7,472,458.90	1,964,872.72
Receivables (Note 4)	1,418,574.56	67,738.88
Due From Other Funds	39,406.17	
Prepaid Items	5,257.38	
Inventories	9,086.99	
Total Assets	<u>14,483,489.15</u>	<u>2,791,485.64</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Payables (Note 10)	896,743.61	21,102.40
Due To Other Funds		
Short-Term Note Payable		
Unearned Revenue	138,123.46	
Accrued Wages and Benefits Payable	227,135.17	14,107.08
Total Liabilities	<u>1,262,002.24</u>	<u>35,209.48</u>
<b><u>Deferred Inflows of Resources</u></b>		
Unavailable Revenue - Property Taxes	7,472,458.90	1,964,872.72
Revenue Received in Advance - Motor Vehicle Taxes	660,132.92	185,430.53
Total Deferred Inflows of Resources	<u>8,132,591.82</u>	<u>2,150,303.25</u>
<b><u>Fund Balances</u></b>		
Nonspendable:		
Prepaid Items	5,257.38	
Inventories	9,086.99	
Restricted for:		
Debt Service		
Road Projects		
Law Enforcement		
Capital Improvement		
Other Purposes		
Assigned for:		
Road Projects		
Local Officials		
Other Purposes	501,208.20	605,972.91
Unassigned	4,573,342.52	
Total Fund Balances	<u>5,088,895.09</u>	<u>605,972.91</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,483,489.15</u>	<u>\$ 2,791,485.64</u>

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



<b>Gasoline Tax Fund</b>	<b>RRR Gasoline Tax Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,560,219.51	\$ 2,419,348.54	\$ 4,045,587.31	\$ 14,322,734.55
		1,077,456.22	10,514,787.84
286,449.49	204,967.09	254,428.84	2,232,158.86
			39,406.17
			5,257.38
			9,086.99
<b>1,846,669.00</b>	<b>2,624,315.63</b>	<b>5,377,472.37</b>	<b>27,123,431.79</b>
2,246.71	285,268.52	8,476.10	1,213,837.34
		39,406.17	39,406.17
850,641.00			850,641.00
		153,137.78	291,261.24
42,774.60	9,265.97	28,989.95	322,272.77
<b>895,662.31</b>	<b>294,534.49</b>	<b>230,010.00</b>	<b>2,717,418.52</b>
		1,077,456.22	10,514,787.84
			845,563.45
		<b>1,077,456.22</b>	<b>11,360,351.29</b>
			5,257.38
			9,086.99
		926,862.67	926,862.67
	2,329,781.14		2,329,781.14
		1,337,490.03	1,337,490.03
		1,188,795.16	1,188,795.16
		257,392.09	257,392.09
951,006.69		63,975.23	1,014,981.92
		270,343.26	270,343.26
		25,147.71	1,132,328.82
			4,573,342.52
<b>951,006.69</b>	<b>2,329,781.14</b>	<b>4,070,006.15</b>	<b>13,045,661.98</b>
<b>\$ 1,846,669.00</b>	<b>\$ 2,624,315.63</b>	<b>\$ 5,377,472.37</b>	<b>\$ 27,123,431.79</b>

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***Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position***  
***September 30, 2017***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 13,045,661.98

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. These assets consist of:

Land	\$	5,418,804.87	
Land Improvements		724,416.59	
Infrastructure		37,219,237.30	
Buildings and Improvements		38,107,772.29	
Equipment and Furniture		13,322,014.16	
Equipment Under Capital Lease		140,688.84	
Accumulated Depreciation		<u>(24,820,644.91)</u>	
Total Capital Assets			70,112,289.14

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

	Current Liabilities	Noncurrent Liabilities	
Capital Leases Payable	\$ 27,241.56	\$ 99,549.81	
Warrants Payable	1,330,000.00	16,485,000.00	
Net Pension Liability		14,015,396.00	
Accrued Interest Payable	244,142.16		
Compensated Absences		1,606,373.59	
Total Long-Term Liabilities	<u>\$ 1,601,383.72</u>	<u>\$ 32,206,319.40</u>	(33,807,703.12)

Deferred Outflows of Resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. 3,551,149.50

Other Postemployment Benefits Obligation is not payable in the current period and, therefore, is not recorded as a liability in the funds. (3,839,479.79)

Total Net Position - Governmental Activities (Exhibit 1) \$ 49,061,917.71

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

***Statement of Revenues, Expenditures and Changes in Fund Balances***  
***Governmental Funds***  
***For the Year Ended September 30, 2017***

	<b>General Fund</b>	<b>Hospital Tax Fund</b>
<b><u>Revenues</u></b>		
Taxes	\$ 10,429,464.88	\$ 2,219,855.41
Licenses and Permits	83,237.26	
Intergovernmental	3,833,212.02	474,025.78
Charges for Services	2,565,070.38	
Miscellaneous	159,491.35	7,251.23
Total Revenues	<u>17,070,475.89</u>	<u>2,701,132.42</u>
<b><u>Expenditures</u></b>		
Current:		
General Government	5,468,333.30	186,222.58
Public Safety	8,977,278.41	587,656.62
Highways and Roads	86,604.47	
Sanitation	103,408.25	
Health	4,736.00	873,874.41
Welfare	64,520.13	707,704.14
Culture and Recreation	316,687.42	
Education	154,688.78	
Intergovernmental	726,766.47	313,280.00
Capital Outlay	130,088.48	
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	<u>16,033,111.71</u>	<u>2,668,737.75</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,037,364.18</u>	<u>32,394.67</u>
<b><u>Other Financing Sources (Uses)</u></b>		
Transfers In	475.50	
Sale of Capital Assets	19,410.46	
Debt Issued		
Other Sources/(Uses)	2,275.38	
Transfers Out	(853,135.97)	(25,072.00)
Total Other Financing Sources (Uses)	<u>(830,974.63)</u>	<u>(25,072.00)</u>
Net Change in Fund Balances	206,389.55	7,322.67
Fund Balances - Beginning of Year, as Restated (Note 18)	<u>4,882,505.54</u>	<u>598,650.24</u>
Fund Balances - End of Year	<u>\$ 5,088,895.09</u>	<u>\$ 605,972.91</u>

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

<b>Gasoline Tax Fund</b>	<b>RRR Gasoline Tax Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,326,172.73	\$	\$ 2,156,702.75	\$ 16,132,195.77
			83,237.26
1,739,331.53	4,665,290.78	1,414,389.38	12,126,249.49
7,349.00		1,454,916.93	4,027,336.31
100,585.33	283.69	18,458.29	286,069.89
<u>3,173,438.59</u>	<u>4,665,574.47</u>	<u>5,044,467.35</u>	<u>32,655,088.72</u>
		1,056,641.76	6,711,197.64
		1,964,958.38	11,529,893.41
3,680,985.73	1,701,112.12	4,800.00	5,473,502.32
		66,711.00	170,119.25
			878,610.41
		59,653.89	831,878.16
		61,105.75	377,793.17
			154,688.78
	561,577.20		1,601,623.67
1,579,767.08	2,514,382.00	1,252,733.34	5,476,970.90
		1,904,581.31	1,904,581.31
		635,486.45	635,486.45
<u>5,260,752.81</u>	<u>4,777,071.32</u>	<u>7,006,671.88</u>	<u>35,746,345.47</u>
(2,087,314.22)	(111,496.85)	(1,962,204.53)	(3,091,256.75)
600,000.00		1,737,795.75	2,338,271.25
852,951.24			872,361.70
68,640.10			68,640.10
3,929.40			6,204.78
(546,070.09)		(938,993.19)	(2,363,271.25)
<u>979,450.65</u>		<u>798,802.56</u>	<u>922,206.58</u>
(1,107,863.57)	(111,496.85)	(1,163,401.97)	(2,169,050.17)
<u>2,058,870.26</u>	<u>2,441,277.99</u>	<u>5,233,408.12</u>	<u>15,214,712.15</u>
\$ 951,006.69	\$ 2,329,781.14	\$ 4,070,006.15	\$ 13,045,661.98

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***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2017***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)	\$ (2,169,050.17)
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:	
Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$5,476,970.90) exceeded depreciation (\$2,808,048.38) in the current period.	2,668,922.52
In the Statement of Activities, only the gain (\$280,012.63) on the sale of capital assets is reported whereas, in the governmental funds, the proceeds (\$872,361.70) from the sale increase financial resources. Thus the change in net position differs from the change in fund balance by the net cost of the capital assets sold.	(592,349.07)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	1,904,581.31
Proceeds from issuance of debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(68,640.10)
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consist of:	
Net Increase in Compensated Absences	\$ (108,875.76)
Net Increase in Other Post Employment Benefits	(307,717.02)
Net Increase in Pension Expense	(388,880.82)
Net Decrease in Accrued Interest Payable	6,556.49
Total Additional Expenditures	<u>(798,917.11)</u>
Change in Net Position of Governmental Activities (Exhibit 2)	<u>\$ 944,547.38</u>

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

***Statement of Net Position***  
***Proprietary Fund***  
***September 30, 2017***

	<u>Enterprise Fund</u> <u>Cowford Fund</u>	<u>Total</u>
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash	\$ 123,476.87	\$ 123,476.87
Total Current Assets	<u>123,476.87</u>	<u>123,476.87</u>
<b><u>Noncurrent Assets</u></b>		
Capital Assets Being Depreciated, Net (Note 5)	10,371.82	10,371.82
Total Noncurrent Assets	<u>10,371.82</u>	<u>10,371.82</u>
Total Assets	<u>133,848.69</u>	<u>133,848.69</u>
<b><u>Liabilities</u></b>		
<b><u>Current Liabilities</u></b>		
Payables (Note 10)	634.33	634.33
Accrued Wages Payable	702.80	702.80
Total Current Liabilities	<u>1,337.13</u>	<u>1,337.13</u>
<b><u>Noncurrent Liabilities</u></b>		
Compensated Absences	36.34	36.34
Total Noncurrent Liabilities	<u>36.34</u>	<u>36.34</u>
Total Liabilities	<u>1,373.47</u>	<u>1,373.47</u>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	10,371.82	10,371.82
Unrestricted	<u>122,103.40</u>	<u>122,103.40</u>
Total Net Position	<u>\$ 132,475.22</u>	<u>\$ 132,475.22</u>

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



***Statement of Revenues, Expenses and Changes in Fund Net Position***  
***Proprietary Fund***  
***For the Year Ended September 30, 2017***

	<u>Enterprise Fund</u> <u>Cowford Fund</u>	<u>Total</u>
<b><u>Operating Revenues</u></b>		
Charges for Services	\$ 148,507.01	\$ 148,507.01
Other	16,267.77	16,267.77
Total Operating Revenues	<u>164,774.78</u>	<u>164,774.78</u>
<b><u>Operating Expenses</u></b>		
Salaries and Benefits	63,893.75	63,893.75
Supplies and Materials	9,867.36	9,867.36
Repair and Maintenance	15,198.39	15,198.39
Utilities	50,164.37	50,164.37
Communications	1,980.43	1,980.43
Miscellaneous	1,775.28	1,775.28
Depreciation	2,105.94	2,105.94
Total Operating Expenses	<u>144,985.52</u>	<u>144,985.52</u>
Operating Income (Loss)	<u>19,789.26</u>	<u>19,789.26</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>		
Interest Earned	10.54	10.54
City of Athens	8,000.00	8,000.00
Total Nonoperating Revenues (Expenses)	<u>8,010.54</u>	<u>8,010.54</u>
Income (Loss) Before Transfers	<u>27,799.80</u>	<u>27,799.80</u>
<b><u>Operating Transfers</u></b>		
Transfers In	<u>25,000.00</u>	<u>25,000.00</u>
Change in Net Position (Deficit)	52,799.80	52,799.80
Total Net Position - Beginning of Year	<u>79,675.42</u>	<u>79,675.42</u>
Total Net Position - End of Year	<u>\$ 132,475.22</u>	<u>\$ 132,475.22</u>

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

***Statement of Cash Flows***  
***Proprietary Fund***  
***For the Year Ended September 30, 2017***

	<u>Enterprise Fund</u> <u>Cowford Fund</u>
<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from Customers	\$ 164,774.78
Payments to Suppliers	(79,851.73)
Payments to Employees	(65,213.77)
Net Cash Provided/(Used) by Operating Activities	<u>19,709.28</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Operating Transfer In	25,000.00
City of Athens	8,000.00
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>33,000.00</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Interest Received	10.54
Net Cash Provided/(Used) by Investing Activities	<u>10.54</u>
Net Increase/(Decrease) in Cash	52,719.82
Cash - Beginning of Year	<u>70,757.05</u>
Cash - End of Year	<u><u>123,476.87</u></u>
<b><u>Reconciliation of Operating Income (Loss) to</u></b> <b><u>Net Cash Provided by Operating Activities:</u></b>	
Operating Income (Loss)	19,789.26
<b><u>Adjustment to Reconcile Operating Income to</u></b> <b><u>Net Cash Provided by Operating Activities:</u></b>	
Depreciation Expense	2,105.94
Change in Assets and Liabilities:	
Accounts and Other Payables	(2,185.92)
Total Adjustments	<u>(79.98)</u>
Net Cash Provided by Operating Activities	<u>\$ 19,709.28</u>

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

***Statement of Fiduciary Net Position***  
***September 30, 2017***

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b><u>Assets</u></b>		
Cash	\$ 430,461.28	\$ 146,338.93
Due From Other Governments		526,869.30
Total Assets	<u>430,461.28</u>	<u>673,208.23</u>
<b><u>Liabilities</u></b>		
Payables (Note 10)	351,896.16	673,208.23
Total Liabilities	<u>351,896.16</u>	<u>\$ 673,208.23</u>
<b><u>Net Position</u></b>		
Held in Trust for Individuals, Organizations and Other Governments	<u>\$ 78,565.12</u>	

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

***Statement of Changes in Fiduciary Net Position  
For the Year Ended September 30, 2017***

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Local Fees	\$ 465,891.09
City Appropriation	6,000.00
County Appropriation	6,000.00
Total Additions	<u>477,891.09</u>
<b><u>Deductions</u></b>	
Administrative Expenses	520,757.87
Total Deductions	<u>520,757.87</u>
Change in Net Position	(42,866.78)
Net Position - Beginning of Year	<u>121,431.90</u>
Net Position - End of Year	<u><u>\$ 78,565.12</u></u>

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of the Limestone County Commission (the “Commission”), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

#### **A. Reporting Entity**

The Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of the above criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

#### **B. Government-Wide and Fund Financial Statements**

##### **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

#### **Fund Financial Statements**

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, this fund is used to account for the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges.
- ◆ **Hospital Tax Fund** – This fund is used to account for the expenditures of special county property taxes for public health purposes.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of seven-cent State gasoline tax revenue for construction, improvement, maintenance, and supervision of highways, bridges and streets, and for the retirement of bonds for which gasoline tax revenues have been pledged.
- ◆ **RRR Gasoline Tax Fund** – This fund accounts for revenues from the State 4-cent and 5-cent gasoline taxes. Expenditures account for resurfacing, restoration and rehabilitation of county roads and bridges, bridge replacements or as match on federal aid projects.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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The Commission reports the following governmental fund types in the Other Governmental Funds' column:

#### **Governmental Fund Types**

- ◆ **Special Revenue Funds** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- ◆ **Capital Projects Funds** – These funds are used to account for financial resources that are restricted, committed or assigned to capital outlay, including the acquisition or construction of certain capital improvements of the county.
- ◆ **Debt Service Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for the accumulation of resources for principal and interest payments maturing in future years.

The Commission reports the following Proprietary Fund Type:

#### **Proprietary Fund Type**

- ◆ **Enterprise Fund** – Enterprise funds report the activities for which fees are charged to external users for goods and services. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees. The Commission reports only one nonmajor enterprise fund, the Cowford Fund. This fund accounts for revenues from campsite recreational facilities to the public.

The Commission reports the following fiduciary fund types:

#### **Fiduciary Fund Types**

- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.
- ◆ **Agency Funds** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

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 Commission's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise 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.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances**

**1. Deposits**

Cash includes cash on hand and demand deposits.

**2. Receivables**

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

Millage rates for property taxes are levied at the first regular meeting of the Commission in February of each year. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations. Property tax revenue deferred is reported as a deferred inflow of resources.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects.

**3. Inventories**

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**4. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**5. Restricted Assets**

Certain resources, use of which is limited by the applicable debt covenant, are set aside for the repayment of general obligation warrants.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**6. Capital Assets**

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

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

	Capitalization Threshold	Estimated Useful Life
Buildings and Improvements	\$ 50,000	20 – 50 Years
Equipment and Furniture	\$ 5,000	5 – 10 Years
Roads	\$250,000	20 Years
Bridges	\$ 50,000	40 Years

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

**7. Deferred Outflows of Resources**

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

**8. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the 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. Warrants payable are reported at gross.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**9. Compensated Absences**

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

**Annual Leave**

Annual leave is earned at the following rates:

	Days Per Year
Less than 1 year of continuous service	5
1-10 years of continuous service	10
11 years of continuous service	11
12 years of continuous service	12
13 years of continuous service	13
14 years of continuous service	14
15 years of continuous service	15
16 years of continuous service	16
17 years of continuous service	17
18 years of continuous service	18
19 years of continuous service	19
20 years of continuous service	20

The maximum number of annual leave days that may be carried forward into the next employment year is the number of hours or days earned in the previous year of employment. Upon separation from county service, classified employees will be paid for all unused annual leave.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **Sick Leave**

Sick leave is earned at the rate of 1 day per month. Unused sick leave may be carried over from year to year at the maximum amount of 240 days. If the employee is vested with the Retirement Systems of Alabama upon retirement, the employee may be paid for ½ of his or her unused sick leave up to 65 days maximum or convert unused sick leave to receive retirement credit.

#### **Compensatory Leave**

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. Compensatory leave is calculated at one and one-half times the regular hours. The maximum number of hours an employee may accrue for compensatory time is 80 hours. Overtime shall be paid for hours worked after the maximum is reached.

The Commission uses the vesting method to accrue its sick leave liability.

**Vesting Method** – Under this method an accrual for the sick leave liability is based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

#### **10. Deferred Inflows of Resources**

Deferred inflows of resources are reported in the government-wide and governmental fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

#### **11. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Employees' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### 12. Net Position/Fund Balances

Net position is reported on the government-wide and proprietary fund financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

- ◆ **Net Investment in Capital Assets** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction and improvement of those assets should be included in this component. Any significant unspent related debt proceeds, or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restriction components of net position. Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

Fund balance is reported in governmental funds in the fund financial statements under the following five categories:

- ◆ **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. Examples of non-spendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- ◆ **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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- ◆ **Committed** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year, and that require the same level of formal action to remove or modify the constraint.
  
- ◆ **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission authorized the Commission Chairman or County Administrator to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, or uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
  
- ◆ **Unassigned** – Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

In circumstances where an expenditure is to be made for a purpose for which amounts are available for multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, and lastly assigned fund balance.

#### **Note 2 – Stewardship, Compliance, and Accountability**

##### **A. Budgets**

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### Note 3 – Deposits and Investments

##### Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

#### Note 4 – Receivables

On September 30, 2017, receivables for the Commission's individual major funds and other governmental funds in the aggregate are as follows:

Governmental Funds	General Fund	Hospital Tax Fund	Gasoline Tax Fund	RRR Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
<u>Receivables:</u>						
Accounts Receivable	\$	\$	\$111,920.26	\$	\$	\$ 111,920.26
Due From Other Governments	627,942.71	67,738.88	174,529.23	204,967.09	254,428.84	1,329,606.75
Sales Tax	788,631.85					788,631.85
Receivable from External Parties	2,000.00					2,000.00
Total Receivables	<u>\$1,418,574.56</u>	<u>\$67,738.88</u>	<u>\$286,449.49</u>	<u>\$204,967.09</u>	<u>\$254,428.84</u>	<u>\$2,232,158.86</u>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance 10/01/2016	Additions (*)	Deletions (*)	Balance 09/30/2017
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 5,347,948.87	\$ 70,856.00	\$	\$ 5,418,804.87
Construction in Progress	6,378,708.71		(6,378,708.71)	
<b>Total Capital Assets Not Being Depreciated</b>	<b>11,726,657.58</b>	<b>70,856.00</b>	<b>(6,378,708.71)</b>	<b>5,418,804.87</b>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements – Exhaustible	724,416.59			724,416.59
Infrastructure	34,775,711.30	2,443,526.00		37,219,237.30
Buildings	30,795,617.61	7,390,566.10	(78,411.42)	38,107,772.29
Equipment and Furniture	12,112,653.24	1,882,091.41	(672,730.49)	13,322,014.16
Equipment Under Capital Lease	596,272.74	68,640.10	(524,224.00)	140,688.84
<b>Total Capital Assets Being Depreciated</b>	<b>79,004,671.48</b>	<b>11,784,823.61</b>	<b>(1,275,365.91)</b>	<b>89,514,129.18</b>
<b>Less Accumulated Depreciation for:</b>				
Land Improvements – Exhaustible	(426,778.37)	(33,720.83)		(460,499.20)
Infrastructure	(4,632,323.00)	(272,844.00)		(4,905,167.00)
Buildings	(9,178,452.10)	(947,884.56)	63,175.65	(10,063,161.01)
Equipment and Furniture	(8,437,434.50)	(1,520,885.02)	576,920.35	(9,381,399.17)
Equipment Under Capital Lease	(20,625.40)	(32,713.97)	42,920.84	(10,418.53)
<b>Total Accumulated Depreciation</b>	<b>(22,695,613.37)</b>	<b>(2,808,048.38)</b>	<b>683,016.84</b>	<b>(24,820,644.91)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>56,309,058.11</b>	<b>8,976,775.23</b>	<b>(592,349.07)</b>	<b>64,693,484.27</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 68,035,715.69</b>	<b>\$ 9,047,631.23</b>	<b>\$(6,971,057.78)</b>	<b>\$ 70,112,289.14</b>
(*) The additions and retirements columns includes \$6,378,708.71 reclassified from Construction in Progress to Buildings.				

	Balance 10/01/2016	Additions	Deletions	Balance 09/30/2017
<b>Business-Type Activities:</b>				
<b>Capital Assets Being Depreciated:</b>				
Equipment and Furniture	\$ 65,566.50	\$	\$	\$ 65,566.50
<b>Total Capital Assets Being Depreciated</b>	<b>65,566.50</b>			<b>65,566.50</b>
<b>Less Accumulated Depreciation for:</b>				
Equipment and Furniture	(53,088.74)	(2,105.94)		(55,194.68)
<b>Total Accumulated Depreciation</b>	<b>(53,088.74)</b>	<b>(2,105.94)</b>		<b>(55,194.68)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>12,477.76</b>	<b>(2,105.94)</b>		<b>10,371.82</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 12,477.76</b>	<b>\$(2,105.94)</b>	<b>\$</b>	<b>\$ 10,371.82</b>



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 718,022.10
Public Safety	1,226,205.56
Highways and Roads	735,096.15
Sanitation	5,128.33
Health	15,611.69
Welfare	85,448.06
Culture and Recreation	14,109.31
Education	8,427.18
Total Depreciation Expense – Governmental Activities	<u>\$2,808,048.38</u>

	Current Year Depreciation Expense
<u>Business-Type Activities:</u>	
Cowford	\$2,105.94
Total Depreciation Expense – Business-Type Activities	<u>\$2,105.94</u>

**Note 6 – Defined Benefit Pension Plan**

**A. General Information about the Pension Plan**

**Plan Description**

The Employees’ Retirement System of Alabama (ERS), an agency multiple-employer plan (the “Plan”), was established October 1, 1945 under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex-officio.
- 2) The State Treasurer, ex-officio.
- 3) The State Personnel Director, ex-officio.
- 4) The State Director of Finance, ex-officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex-officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
  - b. Two vested active state employees.
  - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.

#### **Benefits Provided**

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. The ERS membership includes approximately 85,874 participants. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,007
Terminated employees entitled to but not yet receiving benefits	1,155
Terminated employees not entitled to a benefit	6,654
Active Members	<u>55,058</u>
Total	<u><u>85,874</u></u>

**Contributions**

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2017, the Commission's active employee contribution rate was 5.41 percent of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 10.55 percent of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2017 was 11.08% of pensionable pay for Tier 1 employees, and 8.26% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$1,195,863.50 for the year ended September 30, 2017.

#### **B. Net Pension Liability**

The Commission's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward		
	Expected	Actual – 2015 Valuation Assumptions	Actual – 2016 Valuation Assumptions
(a) Total Pension Liability as of September 30, 2015	\$36,183,182	\$36,868,082	\$38,134,420
(b) Discount Rate	8.00%	8.00%	7.75%
(c) Entry Age Normal Cost for October 1, 2015 - September 30, 2016	882,707	882,707	868,584
(d) Transfers Among Employers		79,612	79,612
(e) Actual Benefit Payments and Refunds for October 1, 2015 - September 30, 2016	(1,921,105)	(1,921,105)	(1,921,105)
(f) Total Pension Liability as of September 30, 2016 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$37,962,594</u>	<u>\$38,814,298</u>	<u>\$40,042,486</u>
(g) Difference Between Expected and Actual		\$ 851,704	
(h) Less Liability Transferred for Immediate Recognition		<u>79,612</u>	
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ 772,092</u>	
(j) Difference Between Actual (2015 Assumptions) and Actual (2016 Assumptions): Assumptions Change (Gain)/Loss			<u>\$ 1,228,188</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**Actuarial Assumptions**

The total pension liability as of September 30, 2016, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2015. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary Increases	3.25%-5.00%
Investment Rate of Return (*)	7.75%
(*) Net of pension plan investment expense	

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2015 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real 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. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	100.00%	

(\*) Includes assumed rate of inflation of 2.50%.

**Discount Rate**

The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. 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 the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were 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 periods of projected benefit payments to determine the total pension liability.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**C. Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2015	\$36,183,182	\$23,496,402	\$12,686,780
Changes for the Year:			
Service Cost	882,707		882,707
Interest	2,817,810		2,817,810
Changes in Assumptions	1,228,188		1,228,188
Differences Between Expected and Actual Experience	772,092		772,092
Contributions – Employer		1,223,969	(1,223,969)
Contributions – Employee		748,631	(748,631)
Net Investment Income		2,399,581	(2,399,581)
Benefit Payments, including Refunds of Employee Contributions	(1,921,105)	(1,921,105)	
Transfers among Employers	79,612	79,612	
Net Changes	3,859,304	2,530,688	1,328,616
Balances at September 30, 2016	\$40,042,486	\$26,027,090	\$14,015,396

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the Commission’s net pension liability calculated using the discount rate of 7.75%, as well as what the Commission’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
Commission’s net pension liability	\$18,671,354	\$14,015,396	\$10,100,245

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2016. The auditor’s report dated September 18, 2017, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2017, the Commission recognized pension expense of \$1,541,505. At September 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$1,115,350.00
Changes of assumptions	1,036,284.00
Net difference between projected and actual earnings on pension plan investments	203,652.00
Employer contributions subsequent to the measurement date	1,195,863.50
Total	<u>\$3,551,149.50</u>

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

Year Ending:	
September 30, 2018	\$474,575
2019	\$474,573
2020	\$642,983
2021	\$325,590
2022	\$312,543
Thereafter	\$125,022



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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

**A. Plan Description**

The Commission contributes to the Local Government Health Insurance Program, an agent multiple-employer defined benefit postemployment healthcare plan administered by the State Insurance Board. The plan provides medical and dental insurance benefits to eligible retirees and their spouses. The *Code of Alabama 1975*, Section 11-91-1 through 11-91-8, gives authority to the Commission to establish and amend benefit provisions. The plan does not issue a stand-alone financial report.

**B. Funding Policy**

The Commission’s contributions were on a pay-as-you-go basis as of September 30, 2017. The Commission does not plan to set up a trust fund to fund its postemployment medical insurance plans.

The Commission contributes 100% of the cost of current-year premiums for eligible retirees’ medical insurance premiums. For fiscal year 2017, the Commission contributed \$385,774.98 to cover approximately 55 participants. Plan members receiving benefits contribute 100% for family coverage cost and 0% for single coverage costs. For fiscal year 2017, total retired member contributions were \$53,697.00.

**C. Annual OPEB Cost**

For fiscal year 2017, the Commission’s annual other postemployment benefit (OPEB) cost (expense) for medical insurance was \$693,492.00. The Commission’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2017	\$693,492.00	55.63%	\$3,839,479.79
09/30/2016	\$693,492.00	53.76%	\$3,531,762.77
09/30/2015	\$693,492.00	50.74%	\$3,211,112.22

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**D. Funded Status and Funding Progress**

The funding status of the plan as of September 30, 2015, was as follows:

Actuarial Accrued Liability (AAL)	\$ 7,903,258
Actuarial Value of Plan Assets	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 7,903,258
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$10,427,664
UAAL as a Percentage of Covered Payroll	75.79%

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

**E. Actuarial Methods and Assumptions**

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

The actuarial cost method used was the projected unit credit method. The actuarial assumptions included a 4.00 percent investment return assumption (or discount rate) and an annual healthcare cost trend rate of 7.75 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2022. It was assumed that 100 percent of future retirees would elect medical insurance coverage and 100 percent of retirees electing coverage who have spouses would elect spousal coverage. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open period. The unfunded actuarial accrued liability (UAAL) is being amortized over 30 years.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**Note 8 – Construction and Other Significant Commitments**

The Commission entered into a project agreement with Carpenter Technology Corporation for capital expenses incurred in developing a facility in Limestone County totaling \$1,000,000.00, payable over a three-year period, and each installment would be contingent upon Carpenter Technology Corporation meeting specified employment targets. As of September 30, 2017, the remaining balance of the commitment totaled \$333,334.00.

The Commission entered into an agreement with Polaris Industries Inc. in the total of \$1,000,000.00 to reimburse the company for costs incurred to locate a facility in Limestone County. The payments will be made in five installments aggregating up to \$200,000.00 each with the first such installment to be made on the date upon which Polaris commences operations at the project site with each payment thereafter to be made on the annual anniversary thereof. As of September 30, 2017, the remaining balance of the commitment totaled \$600,000.00.

The Commission entered into a project development agreement totaling \$400,000.00 with Bocar US, Inc. in consideration for the company to acquire real property and locate to a project site within the county, make capital commitments and employ personnel. The payments will be made in four installments contingent upon Bocar US, Inc. commencing and completing construction, as well as meeting specified employment targets.

**Note 9 – Contingent Liabilities**

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The Limestone County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total contribution which at September 30, 2017, amounted to \$120,485.23.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

**Note 10 – Payables**

On September 30, 2017, payables for the Commission’s individual major funds and other governmental funds, enterprise fund and fiduciary funds in the aggregate are as follows:

	Vendors	Due To Other Governments	Due to Individuals	Due to External Parties	Total Payables
<b><u>Governmental Activities:</u></b>					
General Fund	\$ 63,735.87	\$833,007.74	\$	\$	\$ 896,743.61
Hospital Tax Fund	21,102.40				21,102.40
Gasoline Tax	179.90	2,066.81			2,246.71
RRR Gasoline Tax Fund	285,268.52				285,268.52
Other Governmental Funds	8,476.10				8,476.10
Total – Governmental Activities	<u>378,762.79</u>	<u>835,074.55</u>			<u>1,213,837.34</u>
<b><u>Business-Type Activities:</u></b>					
Cowford Fund	<u>634.33</u>				<u>634.33</u>
<b><u>Fiduciary Funds:</u></b>					
Private-Purpose Trust Funds			144,482.66	207,413.50	351,896.16
Agency Funds				673,208.23	673,208.23
Total Fiduciary Funds	<u>\$</u>	<u>\$</u>	<u>\$144,482.66</u>	<u>\$880,621.73</u>	<u>\$1,025,104.39</u>

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

**Note 11 – Lease Obligations**

**Capital Leases**

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$140,688.84 for governmental activities at September 30, 2017. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days' written notice and payment of a pro rata share of the current year's lease payments. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

Fiscal Year Ending	Governmental Activities
September 30, 2018	\$ 29,920.87
2019	29,920.87
2020	29,920.87
2021	29,920.87
2022	14,719.32
Total Minimum Lease Payments	134,402.80
Less: Amount Representing Interest	7,611.43
Present Value of Net Minimum Lease Payments	<u>\$126,791.37</u>

**Note 12 – Short-Term Debt**

The Commission issued a promissory note for the purchase of six dump trucks. Short-term debt activity for the year ended September 30, 2017, was as follows:

	Debt Outstanding 10/01/2016	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2017	Amounts Due within One Year
Notes Payable:					
Dump Trucks	\$	\$850,641.00	\$	\$850,641.00	\$850,641.00

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**Note 13 – Long-Term Debt**

The Commission issues General Obligation Warrants to provide funds for the acquisition and construction of major capital facilities. In December 2009, General Obligation Warrants, with stated interest rates ranging from 2% to 4.15%, were issued to provide funds for the costs of acquisition and installation of certain energy efficient improvements to various facilities of the Commission. Stated maturities for the warrants range from \$20,000 to \$185,000 with the final maturity to occur in the year 2029.

In April 2010, General Obligation Refunding Warrants, with variable interest rates of 2 to 4 percent, were issued to provide funds to refund Series 2001 warrants that had been used to construct an annex to the courthouse and a detention center. The final maturity occurs in the year 2025.

In December 2011, the Commission entered into a joint development agreement with the City of Athens to purchase real estate for the purpose of industrial projects. The City and County jointly acquired property in May 2012 with the purchase obligation be divided equally. A note payable was executed by the Commission for \$475,000.00 with a 5 year term at an annual interest rate of 2.25%.

In September 2013, General Obligation Warrants were issued in the aggregate principal amount of \$3,140,000, with stated interest rates ranging from 0.850% to 4.20%. The Commission intends to use the proceeds of the Warrants to pay the costs of acquisition, construction and installation of the Commission's jail facilities. Stated maturities for the warrants range from \$180,000 to \$260,000 with the final maturity to occur in the year 2028.

In December 2014, General Obligation Warrants, with stated interest rates ranging from 2% to 3.5%, were issued to provide funds for the renovation costs of acquisition and installation of courthouse facilities of the Commission. Stated maturities for the warrants range from \$205,000 to \$355,000 with the final maturity to occur in the year 2034.

In September 2016, the Commission issued General Obligation Warrants in the aggregate principal amount of \$1,600,000, with a fixed rate of 2.850%. The Commission plans to utilize these funds to complete various renovation projects. The final maturity occurs in the year 2026.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2017:

	Debt Outstanding 10/01/2016	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2017	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Warrants Payable:					
General Obligation Warrants, Series 2009	\$ 1,610,000.00	\$	\$ (60,000.00)	\$ 1,550,000.00	\$ 65,000.00
General Obligation Warrants, Series 2010	8,160,000.00		(685,000.00)	7,475,000.00	705,000.00
General Obligation Warrants, Series 2013	2,775,000.00		(185,000.00)	2,590,000.00	185,000.00
General Obligation Warrants, Series 2014	4,970,000.00		(210,000.00)	4,760,000.00	215,000.00
General Obligation Warrants, Series 2016	1,600,000.00		(160,000.00)	1,440,000.00	160,000.00
Total Warrants Payable	19,115,000.00		(1,300,000.00)	17,815,000.00	1,330,000.00
Notes Payable:					
Killen Property	66,459.84		(66,459.84)		
Total Notes Payable	66,459.84		(66,459.84)		
Other Liabilities:					
Compensated Absences	1,497,497.83	108,875.76		1,606,373.59	
Other Postemployment Benefit Obligation	3,531,762.77	307,717.02		3,839,479.79	
Net Pension Liability	12,686,780.00	1,328,616.00		14,015,396.00	
Capital Leases	596,272.74	68,640.10	(538,121.47)	126,791.37	27,241.56
Total Other Liabilities	18,312,313.34	1,813,848.88	(538,121.47)	19,588,040.75	27,241.56
Total Long-Term Liabilities	\$37,493,773.18	\$1,813,848.88	\$(1,904,581.31)	\$37,403,040.75	\$1,357,241.56

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the Debt Service Funds. Notes payable payments related to an industrial development project are made by the General Fund. The capital lease liability will be liquidated by the Gasoline Tax Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. The majority of the liability will be liquidated by the General Fund and the Gasoline Tax Fund. The remainder will be liquidated by other governmental and enterprise funds.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

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

Fiscal Year Ending	Governmental Activities					
	General Obligation Warrants, Series 2009		General Obligation Warrants, Series 2010		General Obligation Warrants, Series 2013	
	Principal	Interest	Principal	Interest	Principal	Interest
September 30, 2018	\$ 65,000.00	\$ 57,945.00	\$ 705,000.00	\$ 281,375.00	\$ 185,000.00	\$ 76,843.76
2019	75,000.00	55,635.00	735,000.00	256,100.00	190,000.00	74,031.26
2020	80,000.00	53,077.50	760,000.00	226,200.00	195,000.00	70,656.26
2021	90,000.00	50,182.50	795,000.00	195,100.00	195,000.00	66,390.63
2022	95,000.00	46,945.00	825,000.00	162,700.00	200,000.00	61,325.00
2023-2027	625,000.00	171,266.26	3,655,000.00	299,700.00	1,115,000.00	205,307.50
2028-2032	520,000.00	33,156.25			510,000.00	21,380.00
2033-2037						
Total	\$1,550,000.00	\$468,207.51	\$7,475,000.00	\$1,421,175.00	\$2,590,000.00	\$575,934.41

**Note 14 – Landfill Closure and Postclosure Care Costs**

The Commission participates with the City of Athens in the funding of the Athens-Limestone County landfill. The City operates the landfill. The landfill stopped accepting waste on October 8, 1997, and closure and postclosure costs have been recorded in the landfill financial statements. The financial statements of the landfill reflected a capital balance of \$86,210.69 as of September 30, 2017. The landfill has accumulated funds to finance closure and postclosure costs. If sufficient assets have not been accumulated for closure and postclosure costs, the Commission will be responsible for one-half of the costs. Audited financial statements for the landfill are available from the City of Athens.

**Note 15 – Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$1,000,000 per claim for a maximum total coverage of \$3,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to \$1,000,000 per incident with a \$5,000 deductible and unlimited defense costs.



**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

Governmental Activities							Totals
General Obligation Warrants, Series 2014		General Obligation Warrants, Series 2016		Capital Leases			
Principal	Interest	Principal	Interest	Principal	Interest		
\$ 215,000.00	\$ 129,652.50	\$ 160,000.00	\$ 41,610.00	\$ 27,241.56	\$2,679.31	\$ 1,947,347.13	
220,000.00	125,302.50	160,000.00	36,986.66	27,807.95	2,112.92	1,957,976.29	
225,000.00	120,852.50	160,000.00	32,452.00	28,386.33	1,534.54	1,953,159.13	
225,000.00	116,352.50	160,000.00	27,740.00	28,976.98	943.89	1,950,686.50	
230,000.00	111,515.00	160,000.00	23,116.66	14,378.55	340.77	1,930,320.98	
1,235,000.00	475,545.00	640,000.00	46,271.34			8,468,090.10	
1,435,000.00	282,403.75					2,801,940.00	
975,000.00	51,085.00					1,026,085.00	
<b>\$4,760,000.00</b>	<b>\$1,412,708.75</b>	<b>\$1,440,000.00</b>	<b>\$208,176.66</b>	<b>\$126,791.37</b>	<b>\$7,611.43</b>	<b>\$22,035,605.13</b>	

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. Premiums are based a rate per \$100 of remuneration for each class of employee which is adjusted by an experience modifier for the individual county. At year-end, pool participants are eligible to receive refunds of unused premiums and related investment earnings. The Commission may qualify for additional discounts based on losses and premium size.

The Commission purchases commercial insurance for its other risks of loss, including property and casualty insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Commission has employee health coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). Employees may choose between two options. They may choose to participate in a plan administered by Blue Cross/Blue Shield which functions as a public risk entity pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

**Note 16 – Interfund Transactions**

**Due To/From Other Funds**

The amounts due to/from other funds at September 30, 2017, were as follows:

	Due From Other Funds
	General Fund
<b>Due To Other Funds:</b>	
Other Governmental Funds	\$39,406.17

**Interfund Transfers**

The amounts of interfund transfers during the fiscal year ending September 30, 2017, were as follows:

	Transfers Out				
	General Fund	Hospital Tax Fund	Gasoline Tax Fund	Other Governmental Funds	
<b>Transfers In:</b>					
General Fund	\$	\$	\$	\$ 475.50	\$ 475.50
Gasoline Tax Fund	600,000.00				600,000.00
Other Governmental Funds	228,135.97	25,072.00	546,070.09	938,517.69	1,737,795.75
Cowford Fund	25,000.00				25,000.00
<b>Totals</b>	\$853,135.97	\$25,072.00	\$546,070.09	\$938,993.19	\$2,363,271.25

The Commission typically used transfers to fund ongoing operating subsidies and to transfer the portion from the General Fund and Gasoline Tax Fund to the debt service funds to service current-year debt requirements.

**Note 17 – Related Organizations**

The Commission is responsible for appointing board members of other organizations. The Commission’s accountability for these organizations does not extend beyond making appointments; therefore, these organizations are considered to be related organizations of the Commission. The Commission appoints board members for the Limestone County E-911 Board, the Health Care Authority of Athens-Limestone County, the Limestone County Industrial Development Board, the Limestone County Water and Sewer Authority and the Limestone County Parks and Recreation Board.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**Note 18 – Restatements**

The Limestone County Commission re-evaluated fund roll-ups according to GASB Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions, for fiscal year ended September 30, 2017. This resulted in a change in the format and method of reporting fund balance in the basic financial statements.

The impact of the restatements on the fund balances as previously reported is as follows:

	General Fund	Hospital Tax Fund
Fund Balance, September 30, 2016	\$4,882,505.54	\$570,073.73
Effect of Change – Substantial Portion		28,576.51
Fund Balance, September 30, 2016, as Restated	<u>\$4,882,505.54</u>	<u>\$598,650.24</u>

**Note 19 – Tax Abatements**

**Tax Abatements**

Limestone County offers attractive tax incentives for qualifying projects that consist of industrial, warehousing, or research activities as described in the 2012 North American Industry Classification System, data processing centers and several other authorized activities. The law governing these types of abatements is generally found in the *Code of Alabama 1975*, Sections 40-9B-1, and others. In addition, the *Code of Alabama 1975*, Sections 40-9D-1 through 40-9D-4, provides for abatement of taxes for very large projects which shall generate a substantial number of jobs and economic growth. Also, the *Code of Alabama 1975*, Section 9G, authorizes the abatement of certain taxes for companies undertaking projects such as reopening of a closed facility, refurbishing an existing facility and/or purchasing replacement equipment.

The abatement of taxes is very similar under these sections of the Code of Alabama. Noneducational ad valorem taxes, mortgage and recordation taxes, construction related transaction taxes, as well as state and local sales and use taxes (except those used for education) can be abated. The governing body of a municipality, a county or a public industrial authority may grant abatements of all of the taxes allowed to be abated with respect to private use industrial property. The abatement process also requires that the private user will provide good faith projections of the amount to be invested, the number of individuals to be employed initially, and in the succeeding three years and the payroll.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

Gasoline Tax Fund	RRR Gasoline Tax Fund	Appraisal Fund	Other Governmental Funds	Total
\$2,058,870.26	\$2,441,277.99	\$ 160.00	\$5,261,824.63	\$15,214,712.15
		(160.00)	(28,416.51)	
\$2,058,870.26	\$2,441,277.99	\$	\$5,233,408.12	\$15,214,712.15

One of the fastest growing counties in Alabama, Limestone County is situated at the crossroads of technology and innovation. It is included in the Huntsville Metropolitan Statistical Area, a world leader in the aerospace and missile defense industries. As a result of the abatement law, Limestone County has experienced industry growth in multiple sectors, including aerospace, advanced manufacturing, automotive, biotechnology, robotics and many others.

County property tax revenues were reduced by \$1,635,298.74 under agreements that were in effect for the fiscal year ended September 30, 2017, as granted by the following entities:

Limestone County Commission	\$1,282,178.97
City of Athens	178,004.79
Town of Elkmont	19,122.48
Industrial Development Board – City of Athens	16,265.61
Industrial Development Board – Town of Elkmont	600.21
Industrial Development Board – City of Huntsville	139,126.68
Total	<u>\$1,635,298.74</u>

County sales and use taxes are levied for educational purposes; therefore, sales tax revenues were not reduced under the abatement agreements.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**Tax Increment Financing Districts (Code of Alabama 1975, Section 11-99)**

In 2013, the State of Alabama passed the Major 21st Century Manufacturing Zone Act. The legislation broadens the use of Tax Increment Financing in an effort to help counties and municipalities attract large manufacturing projects. The statute requires the presence of blight for TIF district creation, but this requirement is not applicable to potential manufacturing projects. The law allows counties and municipalities to create manufacturing TIF zones for a range of industries, including: automotive, aviation, medical, pharmaceutical, semiconductor, computer, electronics, energy conservation, cyber technology, and biomedical if at least \$100 million is invested on a site larger than 250 contiguous acres.

The Limestone County Commission has not created any Tax Increment Financing (TIF) Districts; however, the City of Huntsville, Alabama, which has annexed portions of corporate limits within Limestone County, has created a TIF district within our borders. Under this TIF agreement, the County's property tax revenues were reduced by \$81,067.74 for the year ended September 30, 2017.

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*Required Supplementary Information*

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***Schedule of Changes in the Net Pension Liability***  
***For the Year Ended September 30, 2017***

	2017	2016	2015
<b><u>Total pension liability</u></b>			
Service cost	\$ 882,707	\$ 799,083	\$ 763,061
Interest	2,817,810	2,637,761	2,525,184
Differences between expected and actual experience	772,092	695,847	
Changes in assumptions	1,228,188		
Benefit payments, including refunds of employee contributions	(1,921,105)	(1,843,044)	(1,919,032)
Transfers among employees	79,612.00		
Net change in total pension liability	3,859,304	2,289,647	1,369,213
Total pension liability - beginning	36,183,182	33,893,535	32,524,322
Total pension liability - ending (a)	<u>\$ 40,042,486</u>	<u>\$ 36,183,182</u>	<u>\$ 33,893,535</u>
<b><u>Plan fiduciary net position</u></b>			
Contributions - employer	\$ 1,223,969	\$ 1,083,153	\$ 1,005,307
Contributions - employee	748,631	565,550	514,612
Net investment income	2,399,581	276,319	2,526,751
Benefit payments, including refunds of employee contributions	(1,921,105)	(1,843,044)	(1,919,032)
Transfers among employees	79,612	52,594	(48,205)
Net change in plan fiduciary net position	2,530,688	134,572	2,079,433
Plan fiduciary net positions - beginning	23,496,402	23,361,830	21,282,397
Plan fiduciary net positions - ending (b)	<u>\$ 26,027,090</u>	<u>\$ 23,496,402</u>	<u>\$ 23,361,830</u>
Commission's net pension liability - ending (a) - (b)	\$ 14,015,396	\$ 12,686,780	\$ 10,531,705
Plan fiduciary net position as a percentage of the total pension liability	65.00%	64.94%	68.93%
Covered payroll	\$ 11,685,667	\$ 10,566,766	\$ 9,708,027
Commission's net pension liability as a percentage of covered payroll	119.94%	120.06%	108.48%

(\*) Employer's covered payroll during the measurement period is the total covered payroll.  
For fiscal year 2017, the measurement period is October 1, 2015 - September 30, 2016.  
GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll  
for fiscal year 2017.

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

***Schedule of the Employer's Contributions  
For the Year Ended September 30, 2017***

	<b>2017</b>	<b>2016</b>
Actuarially determined contribution (*)	\$ 1,195,863	\$ 1,267,208
Contributions in relation to the actuarially determined contribution	<u>1,195,863</u>	<u>1,267,208</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
Covered payroll (**)	\$ 11,332,473	\$ 11,685,667
Contributions as a percentage of covered-employee payroll	10.55%	10.84%

(\*) The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of the Employer's Contributions is based on the 12 month period of the underlying financial statement.

(\*\*) Employer's covered payroll for fiscal year 2017 is the total covered payroll for the 12 month period of the underlying financial statement.

**Notes to Schedule**

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2017 were based on the September 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	29 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

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



<b>2015</b>		<b>2014</b>	
\$	1,119,671	\$	1,040,075
	1,119,671		1,040,075
<hr/>		<hr/>	
\$		\$	
\$	10,566,766	\$	9,708,027
	10.60%		10.71%

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2017***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Taxes	\$ 8,018,931.00	\$ 8,041,390.00	\$ 7,839,090.73
Licenses and Permits	80,200.00	80,200.00	83,237.26
Intergovernmental	1,923,500.00	2,154,109.32	2,174,373.94
Charges for Services	1,914,500.00	2,013,054.89	2,299,083.38
Miscellaneous	26,666.00	30,275.54	143,078.98
Total Revenues	<u>11,963,797.00</u>	<u>12,319,029.75</u>	<u>12,538,864.29</u>
<b>Expenditures</b>			
Current:			
General Government	5,098,158.00	5,293,836.76	4,893,453.49
Public Safety	9,156,909.00	9,205,694.23	8,058,845.22
Highways and Roads	86,200.00	86,200.00	33,695.73
Sanitation	5,750.00	5,750.00	425.00
Health	4,525.00	5,083.00	4,736.00
Welfare	53,500.00	57,109.54	54,208.55
Culture and Recreation	250,689.00	249,342.08	226,768.08
Education	155,685.00	161,388.21	154,688.78
Capital Outlay	108,000.00	158,251.12	130,088.48
Intergovernmental	122,440.00	152,440.00	150,940.00
Total Expenditures	<u>15,041,856.00</u>	<u>15,375,094.94</u>	<u>13,707,849.33</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,078,059.00)</u>	<u>(3,056,065.19)</u>	<u>(1,168,985.04)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	2,280,000.00	2,280,000.00	1,830,475.50
Sale of Capital Assets			
Other Sources		2,275.38	2,275.38
Transfers Out	(732,827.00)	(778,793.74)	(735,449.24)
Total Other Financing Sources (Uses)	<u>1,547,173.00</u>	<u>1,503,481.64</u>	<u>1,097,301.64</u>
Net Change in Fund Balances	(1,530,886.00)	(1,552,583.55)	(71,683.40)
Fund Balances - Beginning of Year	<u>1,530,886.00</u>	<u>1,620,993.64</u>	<u>(273,919.11)</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$ 68,410.09</u>	<u>\$ (345,602.51)</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
(1)	\$ 2,590,374.15	\$ 10,429,464.88
		83,237.26
(1)	1,658,838.08	3,833,212.02
(1)	265,987.00	2,565,070.38
(1)	16,412.37	159,491.35
	4,531,611.60	17,070,475.89
(2)	574,879.81	5,468,333.30
(2)	918,433.19	8,977,278.41
(2)	52,908.74	86,604.47
(2)	102,983.25	103,408.25
		4,736.00
(2)	10,311.58	64,520.13
(2)	89,919.34	316,687.42
		154,688.78
		130,088.48
(2)	575,826.47	726,766.47
	2,325,262.38	16,033,111.71
	2,206,349.22	1,037,364.18
(3)	(1,830,000.00)	475.50
(3)	19,410.46	19,410.46
		2,275.38
(3)	(117,686.73)	(853,135.97)
	(1,928,276.27)	(830,974.63)
	278,072.95	206,389.55
(4)	5,156,424.65	4,882,505.54
	\$ 5,434,497.60	\$ 5,088,895.09

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2017***

**Explanation of differences:**

Some amounts are combined with the General Fund for reporting purposes, but are budgeted separately.

(1) Revenues		
Landfill Fund	\$	270,987.00
School Resource Officer Fund		441,094.74
Legislative Delegation Fund		447,678.04
Public Roads, Buildings and Bridges Fund		3,308,322.94
EMA Fund		<u>63,528.88</u>
(2) Expenditures		
Landfill Fund	\$	220,243.24
School Resource Officer Fund		651,896.04
Legislative Delegation Fund		447,678.04
Public Roads, Buildings and Bridges Fund		777,352.92
EMA Fund		<u>228,092.14</u>
(3) Other Financing Sources/(Uses), Net		
Landfill Fund	\$	934.25
School Resource Officer Fund		294,053.27
Public Roads, Buildings and Bridges Fund		(2,411,800.00)
EMA Fund		<u>188,536.21</u>

Net Increase in Fund Balance - Budget to GAAP

- (4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the effect of transactions such as those described above.

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\$ 4,531,611.60

(2,325,262.38)

(1,928,276.27)

\$ 278,072.95

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Hospital Tax Fund  
For the Year Ended September 30, 2017***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Taxes	\$ 2,180,000.00	\$ 2,202,000.00	\$ 2,219,855.41
Intergovernmental	375,000.00	375,000.00	347,995.78
Miscellaneous	3,500.00	4,500.00	7,246.49
Total Revenues	<u>2,558,500.00</u>	<u>2,581,500.00</u>	<u>2,575,097.68</u>
<b>Expenditures</b>			
Current:			
General Government	207,502.00	207,502.00	186,222.58
Public Safety	515,000.00	588,000.00	587,656.62
Health	881,665.00	881,665.00	873,874.41
Welfare	348,830.00	366,034.46	279,897.46
Intergovernmental	331,880.00	331,880.00	313,280.00
Total Expenditures	<u>2,284,877.00</u>	<u>2,375,081.46</u>	<u>2,240,931.07</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>273,623.00</u>	<u>206,418.54</u>	<u>334,166.61</u>
<b>Other Financing Sources (Uses)</b>			
Transfers Out	<u>(333,342.00)</u>	<u>(333,342.00)</u>	<u>(333,342.00)</u>
Total Other Financing Sources (Uses)	<u>(333,342.00)</u>	<u>(333,342.00)</u>	<u>(333,342.00)</u>
Net Change in Fund Balances	(59,719.00)	(126,923.46)	824.61
Fund Balances - Beginning of Year	<u>59,719.00</u>	<u>126,923.46</u>	<u>570,073.73</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 570,898.34</u>



	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
	\$	\$ 2,219,855.41
(1)	126,030.00	474,025.78
(1)	4.74	7,251.23
	<u>126,034.74</u>	<u>2,701,132.42</u>
		186,222.58
		587,656.62
		873,874.41
(2)	427,806.68	707,704.14
		<u>313,280.00</u>
	<u>427,806.68</u>	<u>2,668,737.75</u>
	<u>(301,771.94)</u>	<u>32,394.67</u>
(3)	<u>308,270.00</u>	<u>(25,072.00)</u>
	<u>308,270.00</u>	<u>(25,072.00)</u>
	6,498.06	7,322.67
(4)	<u>28,576.51</u>	<u>598,650.24</u>
	<u>\$ 35,074.57</u>	<u>\$ 605,972.91</u>

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Hospital Tax Fund  
For the Year Ended September 30, 2017***

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**Explanation of differences:**

Some amounts are combined with the Hospital Fund for reporting purposes, but are budgeted separately.

(1) Revenues  
    Council on Aging Fund

(2) Expenditures  
    Council on Aging Fund

(3) Other Financing Sources/(Uses), Net  
    Council on Aging Fund

Net Increase in Fund Balance - Budget to GAAP

(4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the effect of transactions such as those described above.

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\$ 126,034.74

(427,806.68)

308,270.00

\$ 6,498.06

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Gasoline Tax Fund  
For the Year Ended September 30, 2017***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Taxes	\$ 1,260,000.00	\$ 1,260,000.00	\$ 1,326,172.73
Intergovernmental	1,395,920.00	1,526,485.57	1,739,331.53
Charges for Services	1,000.00	1,000.00	7,349.00
Miscellaneous	32,000.00	58,204.00	100,585.33
Total Revenues	<u>2,688,920.00</u>	<u>2,845,689.57</u>	<u>3,173,438.59</u>
<b>Expenditures</b>			
Current:			
Highways and Roads	3,701,286.00	3,988,541.86	3,680,985.73
Capital Outlay	32,500.00	1,598,445.10	1,579,767.08
Total Expenditures	<u>3,733,786.00</u>	<u>5,586,986.96</u>	<u>5,260,752.81</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,044,866.00)</u>	<u>(2,741,297.39)</u>	<u>(2,087,314.22)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	600,000.00	600,000.00	600,000.00
Sale of Capital Assets	480,000.00	810,875.00	852,951.24
Debt Issued		919,281.10	68,640.10
Other Sources			3,929.40
Transfers Out	(546,242.00)	(546,242.00)	(546,070.09)
Total Other Financing Sources (Uses)	<u>533,758.00</u>	<u>1,783,914.10</u>	<u>979,450.65</u>
Net Change in Fund Balances	(511,108.00)	(957,383.29)	(1,107,863.57)
Fund Balances - Beginning of Year	<u>511,108.00</u>	<u>957,383.29</u>	<u>2,058,870.26</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 951,006.69</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,326,172.73
	1,739,331.53
	7,349.00
	100,585.33
	<u>3,173,438.59</u>
	3,680,985.73
	<u>1,579,767.08</u>
	<u>5,260,752.81</u>
	(2,087,314.22)
	600,000.00
	852,951.24
	68,640.10
	3,929.40
	<u>(546,070.09)</u>
	<u>979,450.65</u>
	(1,107,863.57)
	<u>2,058,870.26</u>
<u>\$</u>	<u>\$ 951,006.69</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - RRR Gasoline Tax Fund  
For the Year Ended September 30, 2017***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Intergovernmental	\$ 1,156,000.00	\$ 3,823,351.72	\$ 4,338,705.64
Miscellaneous			233.84
Total Revenues	1,156,000.00	3,823,351.72	4,338,939.48
<b>Expenditures</b>			
Current:			
Highways and Roads	924,360.00	1,980,812.81	1,701,112.12
Capital Outlay		1,892,471.00	2,514,382.00
Intergovernmental	618,050.00	753,466.67	561,577.20
Total Expenditures	1,542,410.00	4,626,750.48	4,777,071.32
Excess (Deficiency) of Revenues Over Expenditures	(386,410.00)	(803,398.76)	(438,131.84)
<b>Other Financing Sources (Uses)</b>			
Transfers In	300,000.00	300,000.00	300,000.00
Total Other Financing Sources (Uses)	300,000.00	300,000.00	300,000.00
Net Change in Fund Balances	(86,410.00)	(503,398.76)	(138,131.84)
Fund Balances - Beginning of Year	86,410.00	503,398.76	2,155,011.58
Fund Balances - End of Year	\$	\$	\$ 2,016,879.74

**Explanation of differences:**

Some amounts are combined with the RRR Gasoline Tax Fund for reporting purposes, but are budgeted separately.

- (1) Revenues  
Secondary Road Fund
- (2) Other Financing Sources/(Uses), Net  
Secondary Road Fund  
  
Net Increase in Fund Balance - Budget to GAAP
- (3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the effect of transactions such as those described above.

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
(1)	\$ 326,585.14	\$ 4,665,290.78
(1)	49.85	283.69
	<u>326,634.99</u>	<u>4,665,574.47</u>
		1,701,112.12
		2,514,382.00
		<u>561,577.20</u>
		<u>4,777,071.32</u>
	<u>326,634.99</u>	<u>(111,496.85)</u>
(2)	<u>(300,000.00)</u>	
	<u>(300,000.00)</u>	
	26,634.99	(111,496.85)
(3)	<u>286,266.41</u>	<u>2,441,277.99</u>
	<u>\$ 312,901.40</u>	<u>\$ 2,329,781.14</u>
	\$ 326,634.99	
	<u>(300,000.00)</u>	
	<u>\$ 26,634.99</u>	

***Schedule of Funding Progress  
Other Postemployment Benefits  
For the Year Ended September 30, 2017***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2011	\$0	\$6,530,468	\$6,530,468	0%	\$ 8,684,154	75.2%
09/30/2013	\$0	\$6,661,114	\$6,661,114	0%	\$ 9,221,111	72.2%
09/30/2015	\$0	\$7,903,258	\$7,903,258	0%	\$10,427,664	75.8%



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*Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2017***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Identifying Number</b>	<b>Total Federal Expenditures</b>
<b><u>U. S. Department of the Interior</u></b>			
<b><u>Direct Program</u></b>			
National Wildlife Refuge Fund	15.659	N/A	\$ 9,346.00
<b><u>U. S. Department of Justice</u></b>			
<b><u>Direct Program</u></b>			
Bulletproof Vest Partnership Program	16.607	N/A	2,082.50
<b><u>U. S. Department of Transportation</u></b>			
<b><u>Passed Through Alabama Department of Transportation</u></b>			
Highway Planning and Construction (M)	20.205	TAPAA-TA13(903)	221,365.62
<b><u>Passed Through the Franklin County Commission</u></b>			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	17-SP-PT-003	773.56
National Priority Safety Programs	20.616	17-HD-M5-003	601.06
Total Highway Safety Cluster			<u>1,374.62</u>
Total U. S. Department of Transportation			<u>222,740.24</u>
<b><u>General Services Administration</u></b>			
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>			
Donation of Federal Surplus Property (N)	39.003	N/A	130,890.58
<b><u>National Archives and Records Administration</u></b>			
<b><u>Passed Through Alabama Department of Archives and History</u></b>			
National Historical Publications and Records Grants	89.003	N/A	<u>1,894.25</u>
Sub-Total Forward			\$ 366,953.57

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2017***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Identifying Number</b>	<b>Total Federal Expenditures</b>
Sub-Total Brought Forward			\$ 366,953.57
<b><u>U. S. Department of Health and Human Services Passed Through Top of Alabama Regional Council on Governments</u></b>			
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	N/A	692.00
Aging Cluster:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	N/A	75,362.00
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	N/A	49,976.00
Sub-Total Aging Cluster			<u>125,338.00</u>
State Health Insurance Assistance Program	93.324	16-SHIP-Lim-3	3,750.00
State Health Insurance Assistance Program	93.324	18-SHIP-Lim-3	2,500.00
Sub-Total State Health Insurance Assistance Programs			<u>6,250.00</u>
Total U. S. Department of Health and Human Services			<u>132,280.00</u>
<b><u>U. S. Department of Homeland Security Passed Through Alabama Emergency Management Agency</u></b>			
Emergency Management Performance Grants	97.042	17EMF	41,676.00
<b><u>Other Federal Assistance Tennessee Valley Authority Passed Through Alabama Emergency Management Agency</u></b>			
Radiological Emergency Plans (M)	N/A	99997953	<u>213,044.52</u>
Total Expenditures of Federal Awards			<u>\$ 753,954.09</u>

(M) = Major Program  
(N) = Non-Cash Assistance  
N/A = Not Available or Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2017***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Limestone County Commission and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Limestone County Commission, it is not intended to and does not present the financial position, changes in net position or cash flows of the Limestone County Commission.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* and OMB Circular A-133, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Limestone County Commission has elected not to use the 10-percent de minimis indirect cost rate as allowed by the *Uniform Guidance*.

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## *Additional Information*

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***Commission Members and Administrative Personnel***  
***October 1, 2016 through September 30, 2017***

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**Commission Members**

**Term Expires**

Hon. Mark Yarbrough	Chairman	November 2018
Hon. Stanley Hill	Member	November 2018
Hon. Jason Black	Member	November 2018
Hon. Steve Turner	Member	November 2020
Hon. Ben Harrison	Member	November 2020

**Administrative Personnel**

Ms. Pam Ball	Administrator	Indefinite
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***Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
Government Auditing Standards***

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**Independent Auditor's Report**

Members of the Limestone County Commission and County Administrator  
Athens, Alabama

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, each major fund, and the aggregate remaining fund information of the Limestone County Commission, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Limestone County Commission's basic financial statements and have issued our report thereon dated December 12, 2018.

**Internal Control Over Financial Reporting**

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

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

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

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***Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
Government Auditing Standards***

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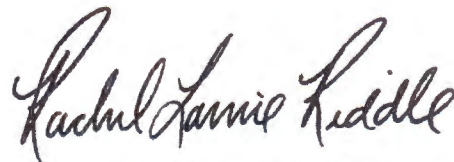
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**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

December 12, 2018



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

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***Independent Auditor's Report***

Members of the Limestone County Commission and County Administrator  
Athens, Alabama

***Report on Compliance for Each Major Federal Program***

We have audited the Limestone County Commission's 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 Limestone County Commission's major federal programs for the year ended September 30, 2017. The Limestone County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

***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 Limestone County Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and 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)*** and OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and the ***Uniform Guidance*** and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Limestone County Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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***Opinion on Each Major Federal Program***

In our opinion, the Limestone County Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

***Report on Internal Control Over Compliance***

Management of the Limestone County Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Limestone County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance* and OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Limestone County Commission's internal control over compliance.

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

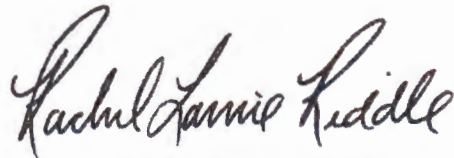
Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify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

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

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



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

December 12, 2018

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2017***

**Section I – Summary of Examiner's Results**

**Financial Statements**

Type of opinion issued: Unmodified  
 Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_ Yes     X  No  
 Significant deficiency(ies) identified? \_\_\_\_\_ Yes     X  None reported  
 Noncompliance material to financial statements noted? \_\_\_\_\_ Yes     X  No

**Federal Awards**

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ Yes     X  No  
 Significant deficiency(ies) identified? \_\_\_\_\_ Yes     X  None reported  
 Type of auditor's report issued on compliance for major programs: Unmodified  
 Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance* or Section 510(a) of OMB Circular A-133? \_\_\_\_\_ Yes     X  No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
N/A 20.205	Radiological Emergency Plans Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00  
 Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes     X  No

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2017***

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**Section II – Financial Statement Findings (GAGAS)**

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

**Section III – Federal Awards Findings and Questioned Costs**

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