

Report on the

# Elmore County Commission

Elmore County, Alabama

October 1, 2015 through September 30, 2016

Filed: February 8, 2019



## Department of Examiners of Public Accounts

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*Rachel Laurie Riddle, Chief Examiner*





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

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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, we submit this report on the results of the audit of the Elmore County Commission, Elmore County, Alabama, for the period October 1, 2015 through September 30, 2016.

Sworn to and subscribed before me this  
the 16<sup>th</sup> day of January, 2019.

Hacey S. Roberts  
Notary Public

Sworn to and subscribed before me this  
the 18 day of January, 2019.

Frances Hughes  
Notary Public

Respectfully submitted,

Dixie Broadwater

Dixie Broadwater  
Examiner of Public Accounts

Jana White

Jana White  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Elmore County Commission  
October 1, 2015 through September 30, 2016**

The Elmore County Commission (the "Commission") is governed by a five-member body elected by the citizens of Elmore County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 14. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Elmore County.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-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, 2016.

Findings are numbered and reported by the fiscal year in which the finding originally occurred.

An instance of noncompliance with state and local laws and regulations and other matters was found during the audit as shown on the Schedule of State and Local Compliance and Other Findings and is summarized below.

**AUDIT FINDING**

- ◆ 2016-001 relates to the Commission's failure to comply with certain aspects of the *Code of Alabama 1975*, Section 41-16-50 and Section 41-16-54(e), commonly referred to as Alabama Competitive Bid Law.

Commission members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference. The following individuals attended the exit conference, held at the offices of the County Commission: Richie Beyer, current Chief Engineer and Operations Officer. Also in attendance were representatives of the Department of Examiners of Public Accounts: Teresa Dekle, Audit Manager; and Dixie Broadwater and Jana White, Examiners.

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*Schedule of State and Local  
Compliance and Other Findings*

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***Schedule of State and Local Compliance and Other Findings***  
***For the Year Ended September 30, 2016***

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Ref. No.	Finding/Noncompliance
2016-001	<p><b><u>Finding:</u></b>  The <i>Code of Alabama 1975</i>, Section 41-16-50, requires all expenditure of funds of whatever nature for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving \$15,000 or more made by or on behalf of a county commission shall be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder. Additionally, the <i>Code of Alabama 1975</i>, Section 41-16-54(e), provides that all original bids, together with all documents pertaining to the award of the contract, shall be retained in accordance with a retention period of at least seven years established by the Local Government Records Commission and shall be open to public inspection. The following problems were noted:</p> <ul style="list-style-type: none"> <li>✓ The Commission paid \$57,416.43 for printing services during the audit period without competitively bidding the services.</li> <li>✓ The Commission expended \$458,062.18 on various products and services during the audit period without bidding the items. Upon inquiry, the Commission indicated these products and services were purchased utilizing the State bid list; however, the Commission did not retain documentation to this effect, and did not provide documentation to support their claim.</li> </ul> <p>The Commission did not have procedures in place to ensure expenditures which met the competitive bid law threshold requirements were properly bid, and that all documentation of the awarding of contracts was retained in accordance with statute. As a result, the Commission could not ensure a fair and competitive purchasing process was followed in the awarding of contracts.</p> <p><b><u>Recommendation:</u></b>  The Commission should ensure compliance with the <i>Code of Alabama 1975</i>, Section 41-16-50 and Section 41-16-54(e) relating to the Alabama Competitive Bid Law.</p>

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Elmore County Commission and County Administrator  
Wetumpka, Alabama

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elmore County Commission, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Elmore County Commission's basic financial statements, listed in the table of contents as Exhibits 1 through 8.

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

The management of the Elmore 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 Elmore County Commission'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, each major fund, and the aggregate remaining fund information of the Elmore County Commission, as of September 30, 2016, and the respective changes in financial position 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), Schedule of Changes in the Net Pension Liability, Schedule of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 12), 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 Elmore County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 13), 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)*, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying 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 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 accompanying Schedules of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2019, on our consideration of the Elmore 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 Elmore 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 Elmore County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

January 16, 2019

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

Elmore County Commission  
Management's Discussion and Analysis  
Fiscal Year October 1, 2015 through September 30, 2016

The Elmore County Commission's discussion and analysis is a narrative overview that is designed to assist the reader in reviewing significant financial issues and activities of the Commission. The reader should also be able to identify the changes in the County's financial position and analyze the ability of the Commission to meet future challenges.

The Management's Discussion and Analysis (MD&A) focuses on the activities of the Elmore County Commission for the fiscal year ended September 30, 2016. Please consider the information contained in this MD&A in conjunction with the County's financial statements for the same period. The MD&A is part of the reporting model adopted by the Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued June 1999.

**Financial Highlights**

- ◆ The Elmore County Commission's assets exceeded its liabilities at the close of the fiscal year ended September 30, 2016, by \$23,797,890.
- ◆ The Commission's total net position decreased by \$1,597,763. This was caused by expenditures for infrastructure and capital outlay.
- ◆ The General Fund Balance increased by \$3,640,544. The fund balance retained is the equivalent of 57% of the annual general fund revenues. Since the Commission receives the majority of its property tax revenue in December, this cushion assures that the Commission has funds to operate through the collection period.
- ◆ Overall fund balance increased by \$3,368,051. Unrestricted net position increased from \$4,595,691 to \$5,054,738 or an increase of 9.98%. The Commission maintains a sufficient cushion to ensure excellent borrowing capability should the need arise. Restricted fund balances represent amounts legally restricted for specific purposes and therefore are not available for the general purposes of the Commission. Restricted net position balances increased by \$2,789,487; {\$5,194,877 (fiscal year 2015); \$7,984,364 (fiscal year 2016)}.

**Overview of the Financial Statements**

This Management's Discussion and Analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are made up of the following components:

- ◆ Government-wide financial statements
- ◆ Governmental Funds financial statements
- ◆ Fiduciary funds statements
- ◆ Notes to the financial statements

This report also contains additional information that is relevant to the Commission's financial position.

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with an overview of the Commission's finances, in a manner similar to those used by the private-sector businesses. The Statement of Net Position includes all of the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long term debt. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating. To properly evaluate the overall health of the Commission you may need to consider other non-financial factors such as changes in the property tax base and the condition of the infrastructure, buildings and other facilities.

The Statement of Activities presents information focused on both gross and net costs and shows how the Commission's net position changed during the current fiscal year. This statement is intended to summarize and simplify the reader's analysis of cost of various governmental services and/or subsidy to various business-type activities. The governmental activities include most of the Commission's basic services including general government, public safety, highways and roads, sanitation, health and welfare, cultural and recreational, and education. The funding of these activities comes primarily from property taxes, charges for services, state shared revenues (i.e. gasoline taxes) and other miscellaneous revenues.

## **Fund Financial Statements**

Traditional users of governmental financial statements will find the Governmental Fund Financial Statements more familiar. Fund financial statements provide more detailed information about the Commission's funds, focusing on its Major funds rather than the Commission as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Elmore County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental, proprietary, and fiduciary are the three categories of fund types used to keep track of specific sources of funding and spending on particular County programs. Elmore County does not have any proprietary funds. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. In doing so readers may better understand the long-term impact of the Commission's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to aide in this comparison between governmental funds and governmental activities.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the Commission's basic services are included in governmental funds. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows, outflows and balances of spendable resources. The governmental fund statements provide a detailed short-term view of the Commission's operations and the basic services it provides. Governmental funds statements assist the reader in determining the short-term financial resources available to finance future programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in Exhibits 4 and 6 to reconcile the differences between them.

The Elmore County Commission maintains many funds that are governmental funds. Separate information is presented in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General and Reappraisal Funds. These funds are deemed to be major funds. Data from the remaining funds are combined into a single aggregated presentation.

### **Fiduciary Funds Statements**

Fiduciary funds are funds in which the Commission is the trustee, or fiduciary, of assets that belong to others. The Commission is responsible for ensuring that these assets are used only for their intended purposes and are reported and presented correctly in these funds. All the Commission's fiduciary activities are reported in a separate Statement of Fiduciary Net Position (Exhibits 7 and 8). The activities of these funds are excluded from the government-wide financial statements because their assets are not available for use by the Commission to finance its operations.

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

Notes to the financial statements, provided in this report, offer additional essential information to achieve a full understanding of the data provided in the government-wide and fund financial statements. The notes follow the exhibits contained in this report.

### **Required Supplementary Information**

Required supplementary information is expressed in Exhibits 9 and 10 which show changes related to pension liability in the year and Exhibits 11 and 12 which are Budget to Actual comparisons of the governmental major funds of the Commission. The Elmore County Commission adopts an annual appropriated budget for its General and Reappraisal Funds. The comparison schedules are presented to demonstrate compliance with the fund budgets.

### **Supplementary Information**

Supplementary information is expressed in Exhibit 13 which shows the federal financial assistance received during the fiscal year. Also, the Notes to the Federal Awards are included here.

### **Additional Information**

Pursuant to Government Accounting Standards Board (GASB) Statement Number 34, the Commission reports and depreciates general capital assets. The Commission has elected to depreciate these assets over their estimated useful life using the straight-line method of depreciation. The infrastructure portion related to general governmental activities as stated in GASB Statement Number 34 requires that these assets (infrastructure – roads and bridges) be valued and reported within the Governmental column of the Government-wide Statement. All infrastructure assets have been added retroactively to the Commission's general capital assets in compliance with GASB Statement Number 34.

### **Government-Wide Financial Analysis**

The Commission's net position decreased by \$1,597,763 during the current fiscal year. Management monitors net position because the variance is a useful indicator of the Commission's financial position. The Elmore County Commission's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$23,797,890, as of the fiscal year ending September 30, 2016.

The following table shows the condensed Statement of Net Position:

	<b>Governmental Activities 2015</b>	<b>Governmental Activities 2016</b>
<b>Assets</b>		
Current Assets	\$21,955,640.42	\$25,138,321.13
Capital Assets, Net	26,864,847.73	27,883,626.26
<b>Total Assets</b>	48,820,488.15	53,021,947.39
<b>Deferred Outflows of Resources</b>	537,717.46	1,635,592.92
<b>Liabilities</b>		
Current Liabilities	2,423,840.03	2,296,405.26
Long-Term Liabilities	13,433,767.10	20,496,993.92
<b>Total Liabilities</b>	15,857,607.13	22,793,399.18
<b>Deferred Inflows of Resources</b>	8,104,943.96	8,066,250.37
<b>Net Position:</b>		
Net Investment in Capital Assets	15,605,085.74	10,758,788.19
Restricted	5,194,877.36	7,984,364.52
Unrestricted	4,595,691.42	5,054,738.05
<b>Total Net Position</b>	\$25,395,654.52	\$23,797,890.76

At September 30, 2016, the largest portion of the Elmore County Commission's net position (45%) is in its capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. The County uses these capital assets to provide services to citizens. While the Commission's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay for or liquidate these liabilities. The remaining balance of unrestricted net position in the amount of \$5,054,738 may be used to meet the government's ongoing obligations to citizens and creditors, and \$7,984,364 restricted net position may be used to meet specific obligations to citizens and creditors.

## Statement of Activities

The following schedule compares the revenues and expenditures for fiscal year 2015 and 2016, respectively.

	<b>Governmental Activities 2015</b>	<b>Governmental Activities 2016</b>
<b>Revenues</b>		
<u>Program Revenues</u>		
Charges for Services	\$ 3,630,862.90	\$ 3,437,170.59
Operating Grants and Contributions	5,266,114.25	5,875,062.47
Capital Grants and Contributions	633,140.78	516,711.80
<u>General Revenues</u>		
Property Taxes for General Purposes	4,352,751.09	4,277,650.34
Property Taxes for Specific Purposes	3,162,112.46	3,248,771.70
General Sales Tax	1,332,807.97	1,365,264.78
Special Sales Tax	716,806.48	969,850.07
Miscellaneous Taxes	980,348.61	972,614.76
Grants and Contributions Not Restricted for Specific Programs	743,594.92	747,246.48
Investment Earnings	36,887.72	34,908.74
Miscellaneous	1,339,654.10	1,404,384.01
<b>Total Revenues</b>	<b>22,195,081.28</b>	<b>22,849,635.74</b>
<b>Expenditures</b>		
<u>Program Activities</u>		
General Government	5,654,034.20	7,456,327.88
Public Safety	8,337,206.07	8,797,720.34
Highways and Roads	10,691,833.03	7,179,817.47
Sanitation		
Health	137,849.02	111,926.64
Welfare	79,678.19	169,952.29
Culture and Recreation	18,200.57	29,048.21
Education	79,630.02	85,004.73
Interest and Fiscal Charges	160,712.27	617,601.94
<b>Total Expenditures</b>	<b>25,159,143.37</b>	<b>24,447,399.50</b>
<b>Increase(Decrease) in Net Position</b>	<b>(2,964,062.09)</b>	<b>(1,597,763.76)</b>
<b>Net Position – Beginning</b>	<b>28,359,716.61</b>	<b>25,395,654.52</b>
<b>Net Position – Ending</b>	<b>\$25,395,654.52</b>	<b>\$23,797,890.76</b>

In fiscal year 2016, expenditures for all services of the Commission were \$24,447,399.50. Of this amount 30% was spent for general government, 35% for public safety, 29% for highways and roads, 6% on the remaining categories listed above.

## Net Cost of Services

The net cost of services is a comparison of the total cost for government functions and programs and the net cost remaining after reducing that total by the revenue generated from the specific function or program. For the current year, the total cost of governmental services was \$24,447,399.50 and the combined charges for services plus operating and capital grants received were \$9,828,944.86 leaving a net cost to the County of \$14,618,454.64.

Charges for services amounted to \$3,437,170.59 and combined grants and contributions totaled \$6,391,774.27. The charges for services are payments made by those that received the services while grants and contributions are monies that were received from other governments and organizations that subsidized the functions or programs.

Function/Programs	2015		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Governmental Funds:</b>				
General Government	\$ 5,654,034.20	\$ 2,284,500.69	\$ 7,456,327.88	\$ 4,293,413.15
Public Safety	8,337,206.07	6,775,997.40	8,797,720.34	7,277,862.84
Highway and Roads	10,691,833.03	6,161,817.06	7,179,817.47	2,187,117.67
Health	137,849.02	137,849.02	111,926.64	111,926.64
Welfare	79,678.19	73,721.51	169,952.29	163,995.61
Culture and Recreation	18,200.57	(45,202.53)	29,048.21	(118,467.94)
Education	79,630.02	79,630.02	85,004.73	85,004.73
Interest	160,712.27	160,712.27	617,601.94	617,601.94
<b>Total Governmental Funds</b>	<b>\$25,159,143.37</b>	<b>\$15,629,025.44</b>	<b>\$24,447,399.50</b>	<b>\$14,618,454.64</b>

**Financial Analysis of Fund**

The financial performance of the Commission as a whole is reflected in its governmental funds. The total governmental funds balances at the end of the fiscal year increased by \$3,368,052 from \$12,206,853 to \$15,574,905.

The following table provides a summary of the changes in fund balances of the Commission’s major funds as well as the combined Other Governmental Funds (After Budget to GAAP adjustments):

Fund	Beginning Fund Balance	Net Increase (Decrease)	Ending Fund Balance
General Fund	\$ 7,011,976.21	\$3,640,544.44	\$10,652,520.65
Other Governmental Funds	5,194,877.36	(272,492.78)	4,922,384.58
<b>Totals</b>	<b>\$12,206,853.57</b>	<b>\$3,368,051.66</b>	<b>\$15,574,905.23</b>

\*\*The Reappraisal Fund does not carry a fund balance unless specific approval is given from the State to accumulate funds for a specific project. Any unexpended funds are returned and re-appropriated.

The overall Governmental fund balances are at 43% of annual expenditures providing the county with reserves and some flexibility in addressing certain capital needs. In addition, the budget cushion gives the Commission an excellent credit rating if the need for financing arises.

## **Budgetary Highlights – Major Funds**

### **General Fund**

Exhibit 11 shows changes made in the original General Fund budgets for fiscal year ended September 30, 2016. Budgeted revenues increased by \$237,458 and expenditures increased by \$161,958. Actual revenues were \$227,644 lower than the final budgeted revenues and actual expenditures were \$338,656 lower than final budgeted amounts. The net change in the general fund balance on a budgetary basis for the current fiscal year was a \$260,867 decrease. After audit Budget to GAAP adjustments the change was a \$3,640,544 increase.

### **Reappraisal Fund**

Exhibit 12 shows that no changes were made from original to final budgeted revenues and expenditures.

Actual revenues were \$46,655 less than final budgeted revenues and actual expenditures were \$40,630 less than final budgeted expenditures.

### **Capital Assets**

Capital Assets – Depreciation of assets other than land and construction in progress projects is now recorded on an annual basis using the straight-line method of depreciation.

The following table shows a reconciliation of capital assets for the year ended September 30, 2016:

	Balance 10/01/2015	Additions/ Reclassifications (*)	Deletions/ Reclassifications (*)	Balance 09/30/2016
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 593,004.28	\$ 354,113.00	\$	\$ 947,117.28
Construction in Progress	5,176,172.23	411,790.72	(5,176,172.23)	411,790.72
Total Capital Assets, Not Being Depreciated	5,769,176.51	765,903.72	(5,176,172.23)	1,358,908.00
<b>Capital Assets Being Depreciated:</b>				
Bridges	7,647,885.28			7,647,885.28
Roads	27,401,522.50			27,401,522.50
Buildings and Improvements	10,534,089.77	6,545,486.58	(1,386.60)	17,078,189.75
Equipment and Furniture	9,837,169.18	525,315.83	(489,813.39)	9,872,671.62
Total Capital Assets Being Depreciated	55,420,666.73	7,070,802.41	(491,199.99)	62,000,269.15
<b>Less Accumulated Depreciation for:</b>				
Bridges	(3,360,830.13)	(191,197.00)		(3,552,027.13)
Roads	(21,353,461.27)	(125,572.60)		(21,479,033.87)
Buildings and Improvements	(4,241,668.64)	(331,133.80)	190.76	(4,572,611.68)
Equipment and Furniture	(5,369,035.47)	(944,328.23)	441,485.49	(5,871,878.21)
Total Accumulated Depreciation	(34,324,995.51)	(1,592,231.63)	441,676.25	(35,475,550.89)
Total Capital Assets Being Depreciated, Net	21,095,671.22	5,478,570.78	(49,523.74)	26,524,718.26
Total Governmental Activities Capital Assets, Net	\$ 26,864,847.73	\$ 6,244,474.50	\$(5,225,695.97)	\$ 27,883,626.26
(*) The Commission completed Construction in Progress projects during the fiscal year in the amount of \$5,176,172.23 and reclassified the assets to Buildings and Improvements.				

## **Debt Outstanding**

### **Long-Term Debt**

On June 17, 2016, the Commission entered into a General Obligation Warrant, Series 2016, in the principal amount of \$2,175,000.00. The proceeds derived from this issuance are to be expended for the acquisition, construction, installation, and equipping of improvements to the County's infrastructure, including energy conservation improvements to County facilities.

On October 1, 2015, the Commission entered into a General Obligation Warrant, Series 2015, in the principal amount \$13,630,000.00. The proceeds derived from this issuance are to be expended for the retirement of a line of credit by the County, otherwise known as General Obligation Warrants, Series 2013, and for the execution of the County's comprehensive capital improvement plan.

On April 3, 2014, the Commission entered into a notes payable agreement for \$213,442 at 1.50% interest rate to purchase two low boy tractors. The payments for these notes payable are made from the Gasoline Tax Fund.

On March 14, 2014, the Commission entered into a notes payable agreement for \$496,300 at 1.50% interest rate to purchase four dump trucks. The payments for these notes payable are made from the Gasoline Tax Fund.

On February 25, 2014, the Commission entered into a notes payable agreement for \$1,084,285 at 2.05% interest rate to purchase five caterpillar motor graders. The payments for these notes payable are made from the Gasoline Tax Fund.

On April 10, 2013, the Commission entered into a General Obligation Warrant, Series 2013, for up to \$10,000,000 at 2.17% interest. The interest payments for these warrants are made from the Capital Improvement Fund. These warrants were issued for the purpose of financing the County's construction projects on capital assets. Proceeds of the warrant are drawn down for payment of construction contracts. These Warrants were repaid with the issuance of the General Obligation Warrants, Series 2015.

On April 19, 2012, the Commission entered into a notes payable agreement for \$400,000 at 2.5% interest to finance the purchase of jail locks, control boards, and a speaker system at the Elmore County Jail. The payments for these notes payable are made from the Special Sales Tax Fund (Unreserved).

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2016:

	Debt Outstanding 10/01/2015	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2016	Amounts Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Warrant, Series 2013	\$ 9,633,631.40	\$	\$ (9,633,631.40)	\$	\$
General Obligation Warrant, Series 2015		13,630,000.00		13,630,000.00	465,000.00
General Obligation Warrant, Series 2016		2,175,000.00		2,175,000.00	
Loss on Warrants Payable, Series 2015		(9,163.83)	9,163.83		
Discount on Warrants Payable, Series 2016		(28,241.45)	28,241.45		
Premium on Warrants Payable, Series 2015		725,133.25	(725,133.25)		
Sub-Total Warrants Payable	9,633,631.40	16,492,727.97	(10,321,359.37)	15,805,000.00	465,000.00
<b>Notes Payable:</b>					
Jail Locks and Control Boards	213,613.33		(57,667.32)	155,946.01	59,159.48
Two Lowboy Tractors	151,080.59		(42,360.16)	108,720.43	39,391.95
Four Dump Trucks	343,144.20		(98,619.83)	244,524.37	91,709.43
Five 12M2 Motor Graders	918,292.47		(107,645.21)	810,647.26	100,630.51
Sub-Total Notes Payable	1,626,130.59		(306,292.52)	1,319,838.07	290,891.37
Total Warrants and Notes Payable	11,259,761.99	16,492,727.97	(10,627,651.89)	17,124,838.07	755,891.37
<b>Other Liabilities:</b>					
Compensated Absences	437,067.25		(3,583.67)	433,483.58	43,348.36
Net Pension Liability	2,066,053.00	1,671,859.00		3,737,912.00	
Total Other Liabilities	2,503,120.25	1,671,859.00	(3,583.67)	4,171,395.58	43,348.36
Total Governmental Activities Long-Term Liabilities	\$13,762,882.24	\$18,164,586.97	\$(10,631,235.56)	\$21,296,233.65	\$799,239.73

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 96% has been paid by the General Fund, 3% by the Reappraisal Fund and 1% by other governmental funds.

### **Economic Factors**

Elmore County's single largest source of revenue is ad valorem (property tax), over the past several years the property values (and an accompanying decrease in billed property taxes) have steadily decreased. This decrease in revenues has impacted Elmore County to the point where operating levels required by our growing county have been met by using sources of revenue which have traditionally been added to the fund balance annually.

Initial indications for fiscal year 2017 are that the economy is slowly beginning to recover and resulting ad valorem collections are slowly rising. In addition, the collection of simplified sellers use tax (SSUT) has started to trickle in at the tail end of fiscal year 2016. Fiscal year 2017 SSUT collections are expected to continue growing as more vendors join the program and begin remitting.

### **Financial Information Contact**

The Commission's financial statements are designed to provide our citizens, taxpayers, customers, creditors and readers with a general overview of the Commission's finances and to demonstrate the Commission's accountability. If you have questions about the report or need additional financial information, contact the Chief Financial Officer at 100 E. Commerce Street, Suite 200, Wetumpka, Alabama 36092, (334) 514-5841. The office is located on the second floor of the annex to the historic courthouse in downtown Wetumpka.

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# *Basic Financial Statements*

***Statement of Net Position***  
***September 30, 2016***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 11,043,192.05
Cash with Fiscal Agents	763,163.35
Investments	2,047,031.65
Receivables (Note 4)	1,247,081.50
Ad Valorem Taxes Receivable	7,738,475.51
Prepaid Items	560.48
Restricted Cash	2,298,816.59
Capital Assets (Note 5):	
Nondepreciable	1,358,908.00
Depreciable, Net	26,524,718.26
Total Assets	<u>53,021,947.39</u>
<b><u>Deferred Outflows of Resources</u></b>	
Employer Pension Contribution	551,740.92
Deferred Outflows Related to Defined Benefit Pension Plans	1,083,852.00
Total Deferred Outflows of Resources	<u>1,635,592.92</u>
<b><u>Liabilities</u></b>	
Payables (Note 9)	991,210.82
Unearned Revenues	69,362.32
Accrued Wages Payable	436,592.39
Long-Term Liabilities (Note 10):	
Portions Due Within One Year:	
Warrants Payable	465,000.00
Notes Payable	290,891.37
Compensated Absences	43,348.36
Portions Due and Payable After One Year:	
Warrants Payable	15,340,000.00
Notes Payable	1,028,946.70
Compensated Absences	390,135.22
Net Pension Liability	3,737,912.00
Total Liabilities	<u>22,793,399.18</u>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes	7,738,475.51
Revenue Received in Advance - Motor Vehicle Taxes	327,774.86
Total Deferred Inflows of Resources	<u>\$ 8,066,250.37</u>

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

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	<b>Governmental Activities</b>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	\$ 10,758,788.19
Restricted for:	
Road Projects	2,909,487.61
Debt Service	763,163.35
Capital Improvements	3,108,591.80
Other Purposes	966,173.53
Unrestricted	<u>5,291,686.28</u>
Total Net Position	<u><u>\$ 23,797,890.76</u></u>

***Statement of Activities***  
***For the Year Ended September 30, 2016***

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
General Government	\$ 7,456,327.88	\$ 2,340,508.46	\$ 305,694.47
Public Safety	8,797,720.34	320,565.95	1,199,291.55
Highways and Roads	7,179,817.47	776,096.18	4,216,603.62
Health	111,926.64		
Welfare	169,952.29		5,956.68
Culture and Recreation	29,048.21		147,516.15
Education	85,004.73		
Interest and Fiscal Charges	617,601.94		
Total Governmental Activities	<u>\$ 24,447,399.50</u>	<u>\$ 3,437,170.59</u>	<u>\$ 5,875,062.47</u>

**General Revenues:**

Taxes:

Property Taxes for General Purposes  
Property Taxes for Specific Purposes  
General Sales Tax  
Special Sales Tax  
Miscellaneous Taxes

Grants and Contributions Not Restricted  
for Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

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.

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities</u>
\$ 516,711.80	\$ (4,293,413.15)
	(7,277,862.84)
	(2,187,117.67)
	(111,926.64)
	(163,995.61)
	118,467.94
	(85,004.73)
	(617,601.94)
<u>\$ 516,711.80</u>	<u>(14,618,454.64)</u>

4,277,650.34
3,248,771.70
1,365,264.78
969,850.07
972,614.76
747,246.48
34,908.74
1,404,384.01
<u>13,020,690.88</u>
(1,597,763.76)
<u>25,395,654.52</u>
<u>\$ 23,797,890.76</u>

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2016***

	General Fund	Reappraisal Fund
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 6,723,535.50	\$ 99,857.07
Cash with Fiscal Agents	763,163.35	
Investments	1,472,031.65	
Receivables (Note 4)	1,062,003.87	512.03
Ad Valorem Taxes Receivable	6,535,437.96	1,203,037.55
Interfund Receivables		
Prepaid Items	560.48	
Restricted Cash	2,298,816.59	
Total Assets	<u>18,855,549.40</u>	<u>1,303,406.65</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Payables (Note 9)	933,229.44	2,669.75
Interfund Payables	63.20	
Unearned Revenues		69,362.32
Accrued Wages Payable	406,523.29	28,337.03
Total Liabilities	<u>1,339,815.93</u>	<u>100,369.10</u>
<b><u>Deferred Inflows of Resources</u></b>		
Unavailable Revenue - Property Taxes	6,535,437.96	1,203,037.55
Revenue Received in Advance - Motor Vehicle Taxes	327,774.86	
Total Deferred Inflows of Resources	<u>6,863,212.82</u>	<u>1,203,037.55</u>
<b><u>Fund Balances</u></b>		
Nonspendable	560.48	
Restricted	2,825,031.71	
Unassigned	7,826,928.46	
Total Fund Balances	<u>10,652,520.65</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 18,855,549.40</u>	<u>\$ 1,303,406.65</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 4,219,799.48	\$ 11,043,192.05
	763,163.35
575,000.00	2,047,031.65
184,565.60	1,247,081.50
	7,738,475.51
63.20	63.20
	560.48
	2,298,816.59
<u>4,979,428.28</u>	<u>25,138,384.33</u>
55,311.63	991,210.82
	63.20
	69,362.32
1,732.07	436,592.39
<u>57,043.70</u>	<u>1,497,228.73</u>
	7,738,475.51
	327,774.86
	<u>8,066,250.37</u>
	560.48
4,922,384.58	7,747,416.29
	7,826,928.46
<u>4,922,384.58</u>	<u>15,574,905.23</u>
<u>\$ 4,979,428.28</u>	<u>\$ 25,138,384.33</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2016***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 15,574,905.23

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 (Note 5). 27,883,626.26

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. 1,635,592.92

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:

	Amounts Due or Payable Within One Year	Amounts Due or Payable After One Year	
Warrants Payable	\$ 465,000.00	\$ 15,340,000.00	
Notes Payable	290,891.37	1,028,946.70	
Liability for Compensated Absences	43,348.36	390,135.22	
Net Pension Liability		3,737,912.00	
Total Long-Term Liabilities	\$ 799,239.73	\$ 20,496,993.92	(21,296,233.65)

Total Net Position Governmental Activities (Exhibit 1) \$ 23,797,890.76

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, 2016***

	<b>General Fund</b>	<b>Reappraisal Fund</b>
<b><u>Revenues</u></b>		
Taxes	\$ 9,541,951.78	\$ 1,155,263.73
Licenses and Permits	100,713.13	
Intergovernmental	4,514,795.42	10,000.00
Charges for Services	2,310,435.42	
Fines and Forfeits	2,635.00	
Miscellaneous	2,038,744.61	12,742.67
Total Revenues	18,509,275.36	1,178,006.40
<b><u>Expenditures</u></b>		
Current:		
General Government	6,250,754.81	1,160,561.57
Public Safety	7,890,370.23	
Highways and Roads	4,855,012.95	
Health	111,926.64	
Welfare	169,952.29	
Culture and Recreation	18,159.94	
Education	85,004.73	
Capital Outlay	2,597,531.04	23,470.50
Debt Service:		
Principal Retirement	306,292.52	
Interest and Fiscal Charges	287,447.89	
Debt Issuance Costs	330,154.05	
Payment to Escrow Agent	9,642,795.23	
Total Expenditures	32,545,402.32	1,184,032.07
Excess (Deficiency) of Revenues Over Expenditures	(14,036,126.96)	(6,025.67)
<b><u>Other Financing Sources (Uses)</u></b>		
Transfers In	1,076,770.23	
Sale of Capital Assets	98,009.37	6,025.67
Debt Issued	15,805,000.00	
Premium on Debt Issued	725,133.25	
Discount on Debt Issued	(28,241.45)	
Transfers Out		
Total Other Financing Sources (Uses)	17,676,671.40	6,025.67
Net Changes in Fund Balances	3,640,544.44	
Fund Balances - Beginning of Year	7,011,976.21	
Fund Balances - End of Year	\$ 10,652,520.65	\$

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

Other Governmental Funds	Total Governmental Funds
\$ 136,936.14	\$ 10,834,151.65
	100,713.13
2,651,829.78	7,176,625.20
203,740.21	2,514,175.63
	2,635.00
115,336.53	2,166,823.81
<u>3,107,842.66</u>	<u>22,795,124.42</u>
331,419.94	7,742,736.32
448,912.92	8,339,283.15
1,483,700.00	6,338,712.95
	111,926.64
	169,952.29
	18,159.94
	85,004.73
39,532.35	2,660,533.89
	306,292.52
	287,447.89
	330,154.05
	9,642,795.23
<u>2,303,565.21</u>	<u>36,032,999.60</u>
<u>804,277.45</u>	<u>(13,237,875.18)</u>
	1,076,770.23
	104,035.04
	15,805,000.00
	725,133.25
	(28,241.45)
<u>(1,076,770.23)</u>	<u>(1,076,770.23)</u>
<u>(1,076,770.23)</u>	<u>16,605,926.84</u>
(272,492.78)	3,368,051.66
5,194,877.36	12,206,853.57
<u>\$ 4,922,384.58</u>	<u>\$ 15,574,905.23</u>

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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, 2016***

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Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 3,368,051.66

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2)  
are different because:

Governmental funds report capital outlays as expenditures. 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 depreciation differs from capital outlay in the current period:

Depreciation	\$ (1,592,231.63)	
Capital Outlay	<u>2,660,533.89</u>	1,068,302.26

In the Statement of Activities, only the gain on the sale of capital assets is recognized whereas, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold, net of accumulated depreciation.

Sale of Capital Assets	\$ (104,035.04)	
Gain/(Loss) on Disposition of Capital Assets	<u>54,511.32</u>	(49,523.72)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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. This is the amount by which debt issued exceeds payments:

Debt Issued:		
Proceeds from Issuance	\$ (15,805,000.00)	
Repayments:		
Payment to Escrow	9,642,795.23	
Principal Retirement	<u>306,292.52</u>	(5,855,912.25)

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

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

Net Decrease in Estimated Liability for Compensated Absences	\$	3,583.66	
Loss on Debt Issued		(9,163.83)	
Net Increase in Pension Expense		<u>(123,101.54)</u>	
Net Adjustment			<u>(128,681.71)</u>
Change in Net Position of Governmental Activities (Exhibit 2)			<u>\$ (1,597,763.76)</u>

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***Statement of Fiduciary Net Position***  
***September 30, 2016***

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 1,554,732.33	\$ 230,338.84
Receivables (Note 4)		26.85
Total Assets	<u>1,554,732.33</u>	<u>230,365.69</u>
<b><u>Liabilities</u></b>		
Payables (Notes 9)	<u>18,609.80</u>	230,365.69
Total Liabilities	<u>18,609.80</u>	<u>\$ 230,365.69</u>
<b><u>Net Position</u></b>		
Held in Trust for Individuals, Organizations and Other Governments	<u>1,536,122.53</u>	
Total Net Position	<u>\$ 1,536,122.53</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, 2016***

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Excess from Land Sales	\$ 716,474.14
Fiduciary Fund	8,925.26
Amounts Received from Inmates	271,357.04
Total Additions	<u>996,756.44</u>
<b><u>Deductions</u></b>	
Payments to Beneficiaries	404,261.81
Amounts Paid on Behalf of Inmates	264,259.06
Probate Fiduciary	352,937.56
Total Deductions	<u>1,021,458.43</u>
Changes in Net Position	(24,701.99)
Net Position - Beginning of the Year	<u>1,560,824.52</u>
Net Position - End of Year	<u><u>\$ 1,536,122.53</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, 2016*

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

The financial statements of the Elmore 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 Elmore County 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 these criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

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

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

The Statement of Net 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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#### **Fund Financial Statements**

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily receives revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, the fund is used to report the expenditure of 7-cent State gasoline tax revenues for the construction, improvement, maintenance and supervision of highways, bridges and streets, and for the retirement of debt when gasoline tax revenues have been pledged.
- ◆ **Reappraisal Fund** – This fund is used to account for property taxes and other revenues required to be expended for the costs of the property reappraisal program. This fund is used to account for the expenditures related to the county's reappraisal program.

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

#### **Governmental Fund Type**

- ◆ **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.

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, 2016***

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. 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.

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 and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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, 2016***

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

**1. Deposits and Investments**

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the County Commission to invest in obligations of the U. S. Treasury and securities of federal agencies and certificates of deposit. Investments are reported at fair value, with the exception of certificates of deposit which are reported at cost.

**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, and amounts due from the State for taxes and cost-sharing. Receivables from external parties are amounts that are being held in trustee or agency capacity by the fiduciary funds.

**3. Prepaid Items**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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#### 4. Restricted Assets

The Commission's general obligation warrants, as well as certain resources set aside for their repayment, shown in cash are considered restricted assets because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. Unexpended debt proceeds drawn down for ongoing construction projects are reported as restricted cash. Debt service accounts are used to segregate resources accumulated for debt service payments.

#### 5. Capital Assets

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

	Capitalization Threshold	Estimated Useful Life
Buildings and Improvements	\$ 5,000	40 Years
Equipment and Furniture	\$ 5,000	5 – 10 Years
Equipment Under Capital Lease	\$ 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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**6. 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.

**7. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond/Warrant premiums and discounts, as well as issuance costs, are expensed in the year in which the bond/warrant was issued.

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 debt service expenditures.

**8. Compensated Absences**

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

**Annual Leave**

All unclassified and full-time classified employees will earn vacation leave with pay in accordance with these guidelines. Leave year: the vacation leave year will run from January 1 through December 31 of each year. Accrual of vacation leave: all eligible employees will earn vacation leave according to the schedule below:

Continuous Years of Service Completed	Per Pay Period
0-1 Year	1.53 Hours
Over One Year to Ten Years	3.07 Hours
Over Ten Years to Twenty Years	4.62 Hours
Over Twenty Years	6.16 Hours

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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Proration of vacation leave credit will be accrued each pay period by an eligible employee in which he/she is eligible to earn vacation leave. Use of vacation leave: vacation leave is considered to be a benefit to an employee and he/she is expected to take the earned leave each year. However, an employee may carry over a total of no more than one hundred twenty (120) hours of vacation leave. Any hours over this total shall be forfeited by the employee at the close of the leave year unless unusual circumstances prevent the employee from taking leave. In such incidences, approval can be given by the Commission to carry over more than 120 hours. The use of vacation leave will be approved at the discretion of the employee's appointing authority, in accordance with guidelines to be established by the appointing authority. Vacation leave will be approved in advance of each absence, except in unusual circumstances. Failure to comply with this requirement may result in an absence being treated as unauthorized leave. Probationary employees shall accrue vacation leave; however, they shall not be authorized to use vacation leave until they have successfully completed the probationary period. Vacation leave will not be advanced to any employee. Upon separation from county service, an individual will be paid for any accrued vacation leave. Probationary employees that are terminated during the probationary period shall not be paid for accrued vacation leave.

Employees resigning voluntarily or retiring and who give reasonable notice of their intention to resign will receive any annual leave credit earned as of the date of resignation. All earned annual leave of the employees who die while employed shall be paid in cash to the spouse or estate of said employee. Permanent part-time or temporary part-time employees shall not receive annual leave.

**Sick Leave**

Sick leave is a benefit provided unclassified and full-time classified employees. It is provided to ensure that eligible employees who are unable to work due to illness or injury do not feel compelled to do so for financial reasons. Accrual of sick leave: unclassified and full-time classified employees will earn sick leave credit at the rate of 3.7 hours per pay period for a total of ninety-six (96) hours of sick leave per year. However, employees will not be authorized to use any sick leave until they have successfully completed the probationary period. Eligible employees may not accrue more than 1200 hours sick leave credit. A probationary employee will accrue sick leave credits but shall not be authorized to use them until he/she has completed the probationary period. Separation: no employee will be paid for unused sick leave when he/she separates from county service. However, employees that retire from county service may transfer accrued, unused sick leave to retirement credit.

Upon separation from county service, all sick leave is cancelled and is not transferable to annual leave. Since sick pay is not payable upon separation, no liability is accrued on the financial statements.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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#### *Compensatory Leave*

All full-time hourly classified and probationary employees shall be eligible to earn compensatory time for hours work in excess of 40 (86 bi-weekly for law enforcement and corrections) hours per week. Employees that are compensated on a salary basis are not eligible for compensatory time. Compensatory time will be calculated on a time and one-half basis for hours actually worked over 40 (86 bi-weekly for law enforcement and corrections) per week. Work must be performed at the employee's regular work station as evidenced by clocking in and clocking out to qualify for compensatory time. Work performed at home will not be considered in calculation of compensatory time.

#### *9. Deferred Inflows of Resources*

Deferred inflows of resources are reported in the government-wide and governmental funds 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.

#### *10. 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 plan requirements. Benefits and refunds are recognized as revenues 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, 2016*

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#### 11. Net Position/Fund Balances

Net position is reported on the government-wide and fiduciary 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 also 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** – is 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 restricted 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 (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable 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, 2016*

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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 delegated 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, 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**

##### **Budgets**

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

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

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, 2016***

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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. All of the Commission's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

**Cash with Fiscal Agent**

The Commission has deposits totaling \$763,163.35 in the General Fund, which is shown as Cash with Fiscal Agent on the fund financial statements and on the government-wide financial statements. These funds are invested in the Morgan Stanley Institutional Liquidity Funds Treasury Portfolio (Advisory Share Class). This Fund has adopted a policy to invest exclusively in U. S. Treasury obligation, which are back by the full faith and credit of the United States, and repurchase agreements collateralized by such securities in order to qualify as a "government money market fund" under federal regulations. The Morgan Stanley Institutional Liquidity Funds Treasury Portfolio (Advisory Share Class) is rated AAAM by Standard & Poor's.

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. GASB Statement Number 40 requires that governments provide information about the credit risk associated with their investments by disclosing the credit quality ratings of investment in debt securities as described by nationally recognized statistical rating organizations such as Standard & Poor’s, Moody’s Investors Service, and Fitch Ratings, rating agencies, as of the date of the financial statements. The Commission does not have a formal investment policy requiring investments to be rated in the highest category rating. As of September 30, 2016, the Commission’s investments in the Money Market Funds were rated AAAM by Standard and Poor’s and AAA-mf by Moody’s.

**Custodial Credit Risk** – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have a formal investment policy that limits the amount of securities that can be held by counterparties.

**Concentrations of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Commission does not have a formal investment policy that limits the amount of securities that can be held by counterparties.

#### **Note 4 – Receivables**

On September 30, 2016, receivables for the Commission’s individual major funds, other governmental funds and fiduciary funds in the aggregate, are as follows:

	Governmental Funds			Total Governmental Funds	Fiduciary Funds
	General Fund	Reappraisal Fund	Other Governmental Funds		Agency Funds
<b><u>Receivables:</u></b>					
Accounts Receivable	\$ 136,650.23	\$	\$ 1,128.10	\$ 137,778.33	\$
Intergovernmental Receivables	776,584.66	512.00	169,393.10	946,489.76	26.66
Sales Taxes Receivable	126,399.27		14,044.39	140,443.66	
Due from External Parties	22,369.71	.03	.01	22,369.75	.19
Total Receivables	\$1,062,003.87	\$512.03	\$184,565.60	\$1,247,081.50	\$26.85

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

**Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance 10/01/2015	Additions/ Reclassifications (*)	Deletions/ Reclassifications (*)	Balance 09/30/2016
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 593,004.28	\$ 354,113.00	\$	\$ 947,117.28
Construction in Progress	5,176,172.23	411,790.72	(5,176,172.23)	411,790.72
Total Capital Assets, Not Being Depreciated	<u>5,769,176.51</u>	<u>765,903.72</u>	<u>(5,176,172.23)</u>	<u>1,358,908.00</u>
<b>Capital Assets Being Depreciated:</b>				
Bridges	7,647,885.28			7,647,885.28
Roads	27,401,522.50			27,401,522.50
Buildings and Improvements	10,534,089.77	6,545,486.58	(1,386.60)	17,078,189.75
Equipment and Furniture	9,837,169.18	525,315.83	(489,813.39)	9,872,671.62
Total Capital Assets Being Depreciated	<u>55,420,666.73</u>	<u>7,070,802.41</u>	<u>(491,199.99)</u>	<u>62,000,269.15</u>
<b>Less Accumulated Depreciation for:</b>				
Bridges	(3,360,830.13)	(191,197.00)		(3,552,027.13)
Roads	(21,353,461.27)	(125,572.60)		(21,479,033.87)
Buildings and Improvements	(4,241,668.64)	(331,133.80)	190.76	(4,572,611.68)
Equipment and Furniture	(5,369,035.47)	(944,328.23)	441,485.49	(5,871,878.21)
Total Accumulated Depreciation	<u>(34,324,995.51)</u>	<u>(1,592,231.63)</u>	<u>441,676.25</u>	<u>(35,475,550.89)</u>
Total Capital Assets Being Depreciated, Net	<u>21,095,671.22</u>	<u>5,478,570.78</u>	<u>(49,523.74)</u>	<u>26,524,718.26</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 26,864,847.73</u>	<u>\$ 6,244,474.50</u>	<u>\$(5,225,695.97)</u>	<u>\$ 27,883,626.26</u>
(*) The Commission completed Construction in Progress projects during the fiscal year in the amount of \$5,176,172.23 and reclassified the assets to Buildings and Improvements.				

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
General Government	\$ 281,801.65
Public Safety	458,437.19
Highways and Roads	841,104.52
Culture and Recreation	10,888.27
Total Depreciation Expense – Governmental Activities	<u>\$1,592,231.63</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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#### 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).

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 county, city, 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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**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 percent 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.

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 876 local participating employers. These participating employers include 294 cities, 65 counties, and 517 other public entities. The ERS membership includes approximately 84,393 participants. As of September 30, 2015, membership consisted of:

Retirees and beneficiaries currently receiving benefits	22,211
Terminated employees entitled to but not yet receiving benefits	1,353
Terminated employees not entitled to a benefit	5,451
Active Members	55,164
Post-DROP participants who are still in active service	214
Total	<u>84,393</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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#### 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.

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, 2016, the Elmore County Commission's active employee contribution rate was 5.45% of covered employee payroll, and Elmore County Commission's average contribution rate to fund the normal and accrued liability costs was 6.85% of covered employee payroll.

The Elmore County Commission's contractually required contribution rate for the year ended September 30, 2016, was 7.23% of pensionable pay for Tier 1 employees, and 4.44% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, 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 \$551,741 for the year ended September 30, 2016.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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**B. Net Pension Liability**

The Elmore County Commission's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2014, rolled forward to September 30, 2015, using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward	
	Expected	Actual
Total Pension Liability as of September 30, 2014 (a)	\$18,124,383	\$18,722,778
Entry Age Normal Cost for October 1, 2014 – September 30, 2015 (b)	716,441	716,441
Actual Benefit Payments and Refunds for October 1, 2014 – September 30, 2015 (c)	(972,503)	(972,503)
Total Pension Liability as of September 30, 2015 = [(a) x (1.08)] + (b) – [(c) x (1.04)]	<u>\$19,279,372</u>	<u>\$19,279,372</u>
Difference Between Expected and Actual Experience (Gain)/Loss		<u>\$ 646,266</u>

**Actuarial Assumptions**

The total pension liability in the September 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment rate of return (*)	8.00%
(*) Net of pension plan investment expense	

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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The actuarial assumptions used in the September 30, 2014, 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.

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	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

(\*) Net 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, 8%. 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, 2016**

**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, 2014	\$18,124,383	\$16,058,330	\$2,066,053
Changes for the Year:			
Service Cost	716,441		716,441
Interest	1,411,051		1,411,051
Difference between expected and actual experience	646,266		646,266
Contributions – Employer		509,915	(509,915)
Contributions – Employee		436,210	(436,210)
Net Investment Income		190,152	(190,152)
Benefit Payments, including Refunds of Employee Contributions	(972,503)	(972,503)	
Transfers Among Employers		(34,378)	34,378
Net Changes	1,801,255	129,396	1,671,859
Balances at September 30, 2015	<u>\$19,925,638</u>	<u>\$16,187,726</u>	<u>\$3,737,912</u>

**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 8%, 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 (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Commission’s Net Pension Liability	\$6,375,953	\$3,737,912	\$1,538,564

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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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, 2015. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated October 17, 2016, 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).

The ERS 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.

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

For the year ended September 30, 2016, the Commission recognized pension expense of \$647,040.00. At September 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 548,347	\$
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	535,505	
Employer contributions subsequent to the measurement date	551,741	
Total	\$1,635,593	\$

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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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, 2017	\$203,616
2018	\$203,616
2019	\$203,614
2020	\$316,335
2021	\$ 97,919
Thereafter	\$ 58,752

**Note 7 – Significant Construction Commitments**

As of September 30, 2016, the Commission was obligated under the following significant construction contract:

	Total Contract Obligation	Total Contract Completed	Total Contract Remaining
Courthouse Annex	\$2,749,089	\$411,790	\$2,337,299

**Note 8 – 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 Elmore 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, 2016, amounted to \$110,795.21.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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#### **Note 9 – Payables**

On September 30, 2016, payables for the Commission’s individual major funds, other governmental and fiduciary funds in aggregate are as follows:

	Vendors	Intergovernmental	External Parties	Total Payables
<b><u>Governmental Activities:</u></b>				
General Fund	\$877,356.67	\$ 55,872.54	\$ 0.23	\$933,229.44
Reappraisal Fund	2,164.06	505.69		2,669.75
Other Governmental Funds	3,832.82	51,478.81		55,311.63
Total Governmental Activities	<u>883,353.55</u>	<u>107,857.04</u>	0.23	<u>991,210.82</u>
<b><u>Fiduciary Funds:</u></b>				
Private-Purpose Trust Funds			18,609.80	18,609.80
Agency Funds	230,365.69			230,365.69
Total Fiduciary Funds	<u>\$230,365.69</u>	\$	<u>\$18,609.80</u>	<u>\$248,975.49</u>

#### **Note 10 – Long-Term Debt**

On June 17, 2016, the Commission issued General Obligation Warrants, Series 2016, in the principal amount of \$2,175,000.00. The proceeds derived from this issuance are to be expended for the acquisition, construction, installation, and equipping of improvements of improvements to the County’s infrastructure, including energy conservation improvements to County facilities.

On October 1, 2015, the Commission issued General Obligation Warrants, Series 2015, in the principal amount \$13,630,000.00. The proceeds derived from this issuance are to be expended for the retirement of a line of credit by the County to provide interim finance for some of the Improvements, otherwise known as General Obligation Warrants, Series 2013, and for the execution of the County’s comprehensive capital improvement plan.

On April 10, 2013, the Commission entered into a General Obligation Warrant, Series 2013, for up to \$10,000,000 at 2.17% interest. The interest payments for these warrants are made from the Capital Improvement Fund. These warrants were issued for the purpose of financing the County’s construction projects on capital assets. Proceeds of the warrant are drawn down for payment of construction contracts. These warrants were refunded by the issuance of the General Obligation Warrants, Series 2015.

On April 19, 2012, the Commission entered into a notes payable agreement for \$400,000 at 2.5% interest to finance the purchase jail locks, control boards and speaker system at the Elmore County Jail. The payments for these notes payable are made from the Special Sales Tax Fund (Unreserved).

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

On April 3, 2014, the Commission entered into a notes payable agreement for \$213,442 at 1.50% interest rate to purchase two low boy tractors. The payments for these notes payable are made from the Gasoline Tax Fund.

On March 14, 2014, the Commission entered into a notes payable agreement for \$496,300 at 1.50% interest rate to purchase four dump trucks. The payments for these notes payable are made from the Gasoline Tax Fund.

On February 25, 2014, the Commission entered into a notes payable agreement for \$1,084,285 at 2.05% interest rate to purchase five caterpillar motor graders. The payments for these notes payable are made from the Gasoline Tax Fund.

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2016:

	Debt Outstanding 10/01/2015	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2016	Amounts Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Warrants, Series 2013	\$ 9,633,631.40		\$ (9,633,631.40)		
General Obligation Warrants, Series 2015		13,630,000.00		13,630,000.00	\$ 465,000.00
General Obligation Warrants, Series 2016		2,175,000.00		2,175,000.00	
Loss on Debt Issued		(9,163.83)	9,163.83		
Discount on Debt Issued		(28,241.45)	28,241.45		
Premium on Debt Issued		725,133.25	(725,133.25)		
Sub-Total Warrants Payable	9,633,631.40	16,492,727.97	(10,321,359.37)	15,805,000.00	465,000.00
<b>Notes Payable:</b>					
Jail Locks and Control Boards	213,613.33		(57,667.32)	155,946.01	59,159.48
Two Lowboy Tractors	151,080.59		(42,360.16)	108,720.43	39,391.95
Four Dump Trucks	343,144.20		(98,619.83)	244,524.37	91,709.43
Five 12M2 Motor Graders	918,292.47		(107,645.21)	810,647.26	100,630.51
Sub-Total Notes Payable	1,626,130.59		(306,292.52)	1,319,838.07	290,891.37
Total Warrants and Notes Payable	11,259,761.99	16,492,727.97	(10,627,651.89)	17,124,838.07	755,891.37
<b>Other Liabilities:</b>					
Compensated Absences	437,067.25		(3,583.67)	433,483.58	43,348.36
Net Pension Liability	2,066,053.00	1,671,859.00		3,737,912.00	
Total Other Liabilities	2,503,120.25	1,671,859.00	(3,583.67)	4,171,395.58	43,348.36
Total Governmental Activities Long-Term Liabilities	<u>\$13,762,882.24</u>	<u>\$18,164,586.97</u>	<u>\$(10,631,235.56)</u>	<u>\$21,296,233.65</u>	<u>\$799,239.73</u>

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the General Fund. The long-term notes payable are paid by the General Fund. The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. Approximately 96% has been paid by the General Fund, 3% by the Reappraisal Fund, and 1% by Other Governmental Funds.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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

Fiscal Year Ending	Governmental Activities				Total Principal and Interest Requirements to Maturity
	General Obligation Warrants Payable		Notes Payable		
	Principal	Interest	Principal	Interest	
September 30, 2017	\$ 465,000.00	\$ 298,125.29	\$ 290,891.37	\$21,683.26	\$ 1,075,699.92
2018	570,000.00	557,716.26	317,721.08	17,594.32	1,463,031.66
2019	590,000.00	547,033.76	711,225.62	7,177.30	1,855,436.68
2020	605,000.00	533,583.76			1,138,583.76
2021	620,000.00	517,308.76			1,137,308.76
2022-2026	3,520,000.00	2,222,433.80			5,742,433.80
2027-2031	4,300,000.00	664,077.52			4,964,077.52
2032-2036	5,135,000.00	629,278.21			5,764,278.21
2037		17,400.00			17,400.00
Totals	\$15,805,000.00	\$5,986,957.36	\$1,319,838.07	\$46,454.88	\$23,158,250.31

#### **Warrant Premium and Discount**

The Commission had a premium in connection with the issuance of the General Obligation Warrants, Series 2015. The premium in the amount of \$725,133.25 was recognized in the current period.

The Commission had a warrant discount in connection with the issuance of the General Obligation Warrants, Series 2016. The discount in the amount of \$28,241.45 was recognized in the current period.

#### **Defeased Debt**

On October 1, 2015, the Commission issued \$13,630,000.00 in General Obligation Warrants, Series 2015, with interest rates ranging from 2% to 5% for the purpose of refunding \$9,642,795.23 of the Commission's General Obligation Warrants, Series 2013, with an interest rate of 2.17%, and for capital improvements. Proceeds in the amount of \$9,633,631.40 (after a payment of \$272,328.25 in underwriting fees, insurance and other issuance costs and a premium of \$725,133.25) were used to purchase U. S. Government Securities. These securities were sent to an escrow agent to refund the General Obligation Warrants, Series 2013.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$9,163.83. This difference was recognized in the current period. As a result of the refunding, the Commission increased its total debt service requirements by \$3,186,975.68, which resulted in an economic loss (difference between the present value of the debt service payment on the old and new debt) of \$455,416.14.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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#### *Note 9 – Risk Management*

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$500,000 per claim for a maximum total coverage of \$2,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to \$100,000 per incident with a \$5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

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. The premium level for the Fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per \$100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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**Note 10 – Interfund Transactions**

**Interfund Receivables/Payables**

The amounts due to/from other funds at September 30, 2016, were as follows:

	Interfund Receivables	
	Other Governmental Funds	Totals
<u>Interfund Payables:</u>		
General Fund	\$63.20	\$63.20
Total	\$63.20	\$63.20

**Interfund Transfers**

The amounts of interfund transfers during the fiscal year ended September 30, 2016, were as follows:

	Transfers Out	
	Other Governmental Funds	Totals
<u>Transfers In:</u>		
General Fund	\$1,076,770.23	\$1,076,770.23
Totals	\$1,076,770.23	\$1,076,770.23

The Commission typically used transfers to fund ongoing operating subsidies and to transfer the portions to the General Fund from Other Governmental Funds to service current-year debt requirements.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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**Note 11 – Related Organizations**

The Elmore County Commission appoints a majority of the members of the board to several agencies. The Commission, however, is not financially accountable for these organizations because it does not impose its will and does not have a financial benefit or burden relationship with the organizations. These organizations are not considered part of the Commission's financial reporting entity. These organizations are considered related organizations of the County Commission. The following is a list of the related organizations:

Central Elmore Water and Sewer Authority E-911 Board Elmore Water Authority Elmore Community Hospital Horseshoe Bend Regional Library The Ridge Improvement District The Elmore County Department of Human Resources Elmore County Economic Development Authority Elmore County Impact Crater Commission Montgomery Area Mental Health Authority Elmore County Public Building Authority Elmore County Public Education Cooperative District Crenshaw Park Board Elmore/Autauga Community Action Southeast Alabama EMS Inc. MPO Citizens Advisory Committee
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**Note 12 – Subsequent Events**

On January 23, 2017, the Commission entered into a lease-purchase finance agreement for highway equipment including seven new dump trucks at an interest rate of 2.23 percent, five new motor graders at an interest rate of 2.35 percent, and two new lowboy tractors at an interest rate of 2.23 percent, in the amount of \$2,398,823.00 for a period of five years. Payments for this lease-purchase finance agreement will be made from the General Fund.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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**Note 13 – Aggregated Fund Balance Amounts and Classification**

The components of nonspendable, restricted and unassigned fund balances aggregated on the face of the financial statements are as follows:

	General Fund	Other Governmental Funds	Totals
Nonspendable:			
Prepaid Expenses	\$ 560.48	\$	\$ 560.48
Total Nonspendable	560.48		560.48
Restricted for:			
Capital Projects	2,061,868.36	1,046,723.44	3,108,591.80
Debt Service	763,163.35		763,163.35
Highways and Roads		2,909,487.61	2,909,487.61
Other Purposes		966,173.53	966,173.53
Total Restricted	2,825,031.71	4,922,384.58	7,747,416.29
Unassigned	7,826,928.46		7,826,928.46
Total Fund Balances	\$10,652,520.65	\$4,922,384.58	\$15,574,905.23

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*Required Supplementary Information*

***Schedule of Changes in the Net Pension Liability  
For the Year Ended September 30, 2016***

	2016	2015
<b><u>Total pension liability</u></b>		
Service cost	\$ 716,441	\$ 679,026
Interest	1,411,051	1,318,346
Differences between expected and actual experience	646,266	
Benefit payments, including refunds of employee contributions	(972,503)	(704,638)
Net change in total pension liability	1,801,255	1,292,734
Total pension liability - beginning	18,124,383	16,831,649
Total pension liability - ending (a)	<u>\$ 19,925,638</u>	<u>\$ 18,124,383</u>
<b><u>Plan fiduciary net position</u></b>		
Contributions - employer	\$ 509,915	\$ 519,370
Contributions - employee	436,210	433,249
Net investment income	190,152	1,691,194
Benefit payments, including refunds of employee contributions	(972,503)	(704,638)
Other (Transfers among employers)	(34,378)	296,489
Net change in plan fiduciary net position	129,396	2,235,664
Plan fiduciary net positions - beginning	16,058,330	13,822,666
Plan fiduciary net positions - ending (b)	<u>\$ 16,187,726</u>	<u>\$ 16,058,330</u>
Commission's net pension liability - ending (a) - (b)	\$ 3,737,912	\$ 2,066,053
Plan fiduciary net position as a percentage of the total pension liability	81.24%	88.60%
Covered-employee payroll (*)	\$ 8,107,780	\$ 8,147,430
Commission's net pension liability as a percentage of covered-employee payroll	46.10%	25.36%

(\*) Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2016, the measurement period is October 1, 2014 through September 30, 2015.

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, 2016***

	2016	2015	2014
Actuarially determined contribution	\$ 551,741	\$ 537,717	\$ 519,370
Contributions in relation to the actuarially determined contribution	<u>\$ 551,741</u>	<u>\$ 537,717</u>	<u>\$ 519,370</u>
Contribution deficiency (excess)	\$	\$	\$
Covered-employee payroll	\$ 8,052,831	\$ 8,107,780	\$ 8,147,430
Contributions as a percentage of covered-employee payroll	6.85%	6.63%	6.37%

**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 2016 were based on the September 30, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period  
October 1, 2015 to September 30, 2015:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	19 years
Asset valuation method	Five year smoothed market
Inflation	3%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8%, 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.

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2016***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Taxes	\$ 6,969,605.00	\$ 6,969,605.00	\$ 7,128,252.79
Licenses and Permits	102,800.00	102,800.00	100,713.13
Intergovernmental	1,414,697.00	1,457,155.00	1,178,406.37
Charges for Services	2,259,412.39	2,259,412.39	2,294,085.40
Fines and Forfeits	875.00	875.00	2,635.00
Miscellaneous	489,575.00	684,575.00	542,684.91
Total Revenues	<u>11,236,964.39</u>	<u>11,474,422.39</u>	<u>11,246,777.60</u>
<b>Expenditures</b>			
Current:			
General Government	3,428,138.43	3,501,138.43	3,184,019.73
Public Safety	7,461,619.13	7,527,390.01	7,417,244.08
Highways and Roads			
Health	107,786.88	107,786.88	105,091.64
Welfare	306,915.90	306,915.90	169,952.29
Culture and Recreation	19,028.66	19,028.66	15,003.37
Education	71,900.00	71,900.00	71,723.05
Capital Outlay	337,500.00	360,687.12	339,933.50
Debt Service:			
Principal Retirement	57,667.32	57,667.32	52,842.56
Interest and Fiscal Charges	4,758.84	4,758.84	262,806.43
Debt Issuance Costs			
Payment to Escrow Agent			
Total Expenditures	<u>11,795,315.16</u>	<u>11,957,273.16</u>	<u>11,618,616.65</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(558,350.77)</u>	<u>(482,850.77)</u>	<u>(371,839.05)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	1,642,453.00	1,642,453.00	93,506.82
Sale of Capital Assets			17,464.39
Debt Issued			
Premium on Debt Issued			
Discount on Debt Issued			
Transfers Out	(1,536,703.00)	(1,536,703.00)	
Total Other Financing Sources (Uses)	<u>105,750.00</u>	<u>105,750.00</u>	<u>110,971.21</u>
Net Changes in Fund Balances	(452,600.77)	(377,100.77)	(260,867.84)
Fund Balances - Beginning of Year	3,726,165.55	3,726,165.55	3,763,909.61
Fund Balances - End of Year	<u>\$ 3,273,564.78</u>	<u>\$ 3,349,064.78</u>	<u>\$ 3,503,041.77</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
(1)	\$ 2,413,698.99	\$ 9,541,951.78
		100,713.13
(1)	3,336,389.05	4,514,795.42
(1)	16,350.02	2,310,435.42
		2,635.00
(1)	1,496,059.70	2,038,744.61
	<u>7,262,497.76</u>	<u>18,509,275.36</u>
(2)	3,066,735.08	6,250,754.81
(2)	473,126.15	7,890,370.23
(2)	4,855,012.95	4,855,012.95
(2)	6,835.00	111,926.64
		169,952.29
(2)	3,156.57	18,159.94
(2)	13,281.68	85,004.73
(2)	2,257,597.54	2,597,531.04
(2)	253,449.96	306,292.52
(2)	24,641.46	287,447.89
(2)	330,154.05	330,154.05
(2)	9,642,795.23	9,642,795.23
	<u>20,926,785.67</u>	<u>32,545,402.32</u>
	<u>(13,664,287.91)</u>	<u>(14,036,126.96)</u>
(3)	983,263.41	1,076,770.23
(3)	80,544.98	98,009.37
(3)	15,805,000.00	15,805,000.00
(3)	725,133.25	725,133.25
(3)	(28,241.45)	(28,241.45)
	<u>17,565,700.19</u>	<u>17,676,671.40</u>
	3,901,412.28	3,640,544.44
(4)	3,248,066.60	7,011,976.21
	<u>\$ 7,149,478.88</u>	<u>\$ 10,652,520.65</u>

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2016***

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**Explanation of differences between Actual Amounts  
Budgetary Basis and Actual Amounts GAAP Basis:**

With the exception of the following, the Commission budgets on the modified accrual basis of accounting:

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

(1) Revenues	
Jail Complex Fund	\$ 45.29
Gasoline Tax Fund	3,272,862.67
Public Roads and Bridges Fund	3,389,831.58
Public Highway and Traffic Fund	275,033.19
Mineral Severance Tax Fund	107,053.44
Environmental Fund	168,152.96
General Obligation Warrants Fund	49,319.58
Debt Obligation Fund	<u>199.05</u>
(2) Expenditures	
Jail Complex Fund	\$ 1,159.11
Gasoline Tax Fund	3,643,620.73
Public Roads and Bridges Fund	3,473,420.94
General Obligation Warrants Fund	13,548,547.38
Debt Obligation Fund	<u>260,037.51</u>
(3) Other Financing Sources/(Uses), Net	
Gasoline Tax Fund	\$ 71,698.35
Public Roads and Bridges Fund	8,846.63
General Obligation Warrants Fund	16,501,891.80
Debt Obligation Fund	<u>983,263.41</u>

Net Change 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 Balance because of the cumulative effect of transactions such as those described above.

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\$ 7,262,497.76

(20,926,785.67)

17,565,700.19

\$ 3,901,412.28

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Reappraisal Fund  
For the Year Ended September 30, 2016***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Taxes	\$ 1,224,662.35	\$ 1,224,662.35	\$ 1,155,263.73
Intergovernmental			10,000.00
Miscellaneous			12,742.67
Total Revenues	<u>1,224,662.35</u>	<u>1,224,662.35</u>	<u>1,178,006.40</u>
<b>Expenditures</b>			
Current:			
General Government	1,143,662.35	1,197,652.35	1,160,561.57
Capital Outlay	81,000.00	27,010.00	23,470.50
Total Expenditures	<u>1,224,662.35</u>	<u>1,224,662.35</u>	<u>1,184,032.07</u>
Excess (Deficiency) of Revenues Over Expenditures			<u>(6,025.67)</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Assets			6,025.67
Total Other Financing Sources (Uses)			<u>6,025.67</u>
Net Changes in Fund Balances			
Fund Balances - Beginning of Year			
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,155,263.73
	10,000.00
	12,742.67
	<u>1,178,006.40</u>
	1,160,561.57
	23,470.50
	<u>1,184,032.07</u>
	<u>(6,025.67)</u>
	6,025.67
	<u>6,025.67</u>
<u>\$</u>	<u>\$</u>

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*Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2016***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>U. S. Department of Housing and Urban Development</u> <u>Passed Through Alabama Department of</u> <u>Economic and Community Affairs</u></b> Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CY CM RR 14 017
<b><u>U. S. Department of the Interior</u> <u>Direct Program</u></b> Payments in Lieu of Taxes	15.226	N.A.
<b><u>U. S. Department of Justice</u> <u>Passed Through Alabama Department of</u> <u>Economic and Community Affairs</u></b> Violence Against Women Formula Grants	16.588	15 WF LE 003
Violence Against Women Formula Grants	16.588	14 WF LE 001
Sub-Total Violence Against Women Formula Grants		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15 DJ 04 008
<b><u>Direct Program</u></b> Equitable Sharing Program	16.922	N.A.
Total U. S. Department of Justice		
<b><u>General Services Administration</u> <u>Passed Through Alabama Department of</u> <u>Economic and Community Affairs</u></b> Donation of Federal Surplus Personal Property (N)	39.003	N.A.
<b><u>U. S. Department of Homeland Security</u> <u>Passed Through Alabama Emergency Management Agency</u></b> Disaster Grants - Public Assistance (Presidentially Declared Disasters) (M)	97.036	FEMA-4251-PA-AL
Hazard Mitigation Grant	97.039	DR 1971-403
Emergency Management Performance Grants	97.042	15EMS
Emergency Management Performance Grants	97.042	16EMF
Sub-Total Emergency Management Performance Grants		
Homeland Security Grant Program	97.067	4PER
Total U. S. Department of Homeland Security		
Sub-Total Forward		

Assistance Period	Expenditures
10/28/2014-00/00/0000	\$ 147,516.15
10/01/2015-09/30/2016	2,895.00
01/01/2016-12/31/2016	104,591.77
01/01/2015-12/31/2015	<u>36,573.14</u>
	141,164.91
10/01/2015-09/30/2016	50,000.00
10/01/2015-09/30/2016	<u>3,235.56</u>
	<u>194,400.47</u>
10/01/2015-09/30/2016	85.05
01/21/2016-07/21/2017	389,116.86
12/05/2012-12/04/2015	8,700.00
10/01/2015-09/15/2016	10,673.00
10/01/2015-09/30/2016	<u>40,741.00</u>
	51,414.00
06/01/2016-07/31/2016	<u>5,785.00</u>
	<u>455,015.86</u>
	\$ 799,912.53

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2016***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
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Sub-Total Brought Forward

**Other Federal Assistance**

**U. S. Department of Justice**

**Direct Program**

Drug Enforcement Grants (U. S. Marshall Service)	N.A.	JLEO FY16OT
Drug Enforcement Grants (DEA Overtime Reimbursement)	N.A.	N.A.
Drug Enforcement Grants (Organized Crime Drug ETF)	N.A.	N.A.
Total Other Federal Assistance		

Total Expenditures of Federal Awards

(M) = Major Program

(N) = Noncash Assistance

N.A. = Not Applicable/Not Available

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



<u>Assistance Period</u>	<u>Expenditures</u>
	\$ 799,912.53
10/01/2015-09/30/2016	14,000.00
10/01/2015-09/30/2016	16,449.09
10/01/2015-09/30/2016	10,536.13
	<u>40,985.22</u>
	<u>\$ 840,897.75</u>

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2016***

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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 Elmore 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)*. Because the Schedule presents only a selected portion of the operations of the Elmore County Commission, it is not intended to and does not present the financial position or changes in net position of the Elmore 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* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Elmore County Commission has not elected to use the 10% de minimis indirect rate as allowed in the *Uniform Guidance*.

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## *Additional Information*

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***Commission Members and Administrative Personnel***  
***October 1, 2015 through September 30, 2016***

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**Commission Members**

**Term Expires**

Hon. David Bowen	Chairman	November 2016
Hon. Mark Hragyil	Commissioner	November 2016
Hon. James Trey Taylor, III	Commissioner	November 2016
Hon. Joseph Faulk	Commissioner	November 2016
Hon. Stephanie Daniels Smoke	Commissioner	November 2016

**Administrative Personnel**

Grace McDuffie	Administrator	Retired November 2017
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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 Elmore County Commission and County Administrator  
Wetumpka, Alabama

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of the Elmore County Commission (the "Commission"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Elmore County Commission's basic financial statements, and have issued our report thereon dated January 16, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Elmore 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 Elmore County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Elmore 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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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Elmore 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***. We noted a certain matter that we have reported to the management of the Commission in the Schedule of State and Local Compliance and Other Findings.

**Elmore County Commission's Response to the Finding**

The Commission's response to the finding identified in our audit is described in the accompanying Auditee Response. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

**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

January 16, 2019

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# ***Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance***

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## **Independent Auditor's Report**

Members of the Elmore County Commission and County Administrator  
Wetumpka, Alabama

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

We have audited the Elmore 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 the Elmore County Commission's major federal program for the year ended September 30, 2016. The Elmore County Commission's major federal program is identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

Management of the Elmore County Commission 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 the Elmore 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)***. Those standards and the ***Uniform Guidance*** require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Elmore 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 Elmore 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***

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

In our opinion, the Elmore 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 its major federal program for the year ended September 30, 2016.

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

Management of the Elmore 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 Elmore County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Elmore 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 a 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***

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



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

January 16, 2019

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2016***

**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*? \_\_\_\_\_ Yes   X   No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2016***

**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.	

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# *Auditee Response*

# Elmore County Commission

Kenny Holt  
District 1

Troy Stubbs  
Chairman, District 3

Bart Mercer  
District 4

Mack Daugherty  
District 2



Earl Reeves  
District 5

January 21, 2019

Rachel Laurie Riddle  
Chief Examiner  
Po Box 302251  
Montgomery, AL 36130-2251

Re: Corrective Action Plan for Year Ended September 30, 2016

Dear Mrs. Riddle,

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511(c), the Elmore County Commission has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2016.

**2016-001 Finding:** The *Code of Alabama 1975*, Section 41-16-50, requires all expenditures of funds of whatever nature for labor, services, work or for the purchase of materials, equipment, supplies or other personal property, involving \$15,000 or more made by or on behalf of a county commission shall be under contractual agreement entered into by free and competitive bidding, on sealed bids, to the lowest responsible bidder. Additionally, the *Code of Alabama 1975*, Section 41-16-54(e), provides that all original bids, together with all documents pertaining to the award of the contract, shall be retained in accordance with a retention period of at least seven years established by the Local Government Records Commission and shall be open to public inspection. The following problems were noted:

- The Commission paid \$ 57, 416.43 for printing services during the audit period without competitively bidding the services;

**Response:** *The County Commission paid for annual and monthly printed customer reminders that were believed to be part of professional services contracts for the Elmore County Probate Judge and Elmore County Revenue Commissioner offices. Upon questioning by the Examiner assigned to the County's audit and further discussion with the two above referenced countywide elected officials, the printing costs shall be competitively bid and not considered part of a professional services contract. The County Commission Chairman (Troy Stubbs presently), County CEO (Richie Beyer presently), County CFO (vacant as of this letter), County Revenue Commissioner Lee Macon, and Probate Judge John Thornton will be tasked with ensuring this inherited issue does not reoccur beginning with FY 2019 expenditures. The Commission*

*fully expects that this issue will reoccur during the FY 2017 and FY 2018 Audit reviews based on what was discovered during this examination.*

**2016-001 Finding:** The *Code of Alabama 1975*, Section 41-16-50, requires all expenditures of funds of whatever nature for labor, services, work or for the purchase of materials, equipment, supplies or other personal property, involving \$15,000 or more made by or on behalf of a county commission shall be under contractual agreement entered into by free and competitive bidding, on sealed bids, to the lowest responsible bidder. Additionally, the *Code of Alabama 1975*, Section 41-16-54(e), provides that all original bids, together with all documents pertaining to the award of the contract, shall be retained in accordance with a retention period of at least seven years established by the Local Government Records Commission and shall be open to public inspection. The following problems were noted:

- The Commission expended \$ 458,062.18 on various products and services during the audit period without bidding the items. Upon inquiry, the Commission indicated these products and services were purchased utilizing the State bid list, however, the Commission did not retain to this effect, and did not provide documentation to support their claim.

**Response:** *The Elmore County Commission utilized State Bid List contracts and Examiner approved national purchasing cooperatives to purchase items in an well intended effort to comply with the competitive bidding provisions of the Code of Alabama 1975. Adequate documentation of the details of each item purchased and the specific line items purchased using these types of contracts was not retained by the county. Pursuant to the discussions with the Examiner assigned to the County's audit, the County instituted a more comprehensive documentation requirement to ensure compliance with competitive bidding provisions of the Code of Alabama 1975. The County Commission Chairman (Troy Stubbs presently), County CEO (Richie Beyer presently), and County CFO (vacant as of this letter), will be tasked with ensuring this inherited issue does not reoccur beginning with FY 2019 expenditures. The Commission fully expects that this issue will reoccur during the FY 2017 and FY 2018 Audit reviews based on what was discovered during this examination.*

Should your office require additional information or explanation, please advise.

Sincerely,



Troy Stubbs

Chairman

Elmore County Commission