

Report on the

# Clarke County Commission

Clarke County, Alabama

October 1, 2016 through September 30, 2017

Filed: November 29, 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

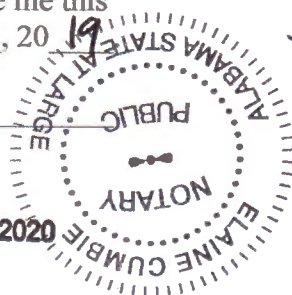
Dear Madam:

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

Respectfully submitted,

Sworn to and subscribed before me this  
 the 5<sup>th</sup> day of November, 2019

*Elaine Cumbie*  
 Notary Public



*Meagan McDonald*

Meagan McDonald  
 Examiner of Public Accounts

rb My Commission Expires 6-25-2020



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## *Table of Contents*

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	<i>Page</i>
<b>Summary</b>	A
Contains items pertaining to state and local legal compliance, Commission operations and other matters.	
<b>Independent Auditor's Report</b>	B
Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).	
<b><u>Basic Financial Statements</u></b>	1
Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Commission's financial position and results of operations in accordance with GAAP.	
Exhibit #1     Statement of Net Position	2
Exhibit #2     Statement of Activities	3
Exhibit #3     Balance Sheet – Governmental Funds	5
Exhibit #4     Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	7
Exhibit #5     Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
Exhibit #6     Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Exhibit #7     Statement of Fiduciary Net Position	11
Exhibit #8     Statement of Changes in Fiduciary Net Position	12
<b>Notes to the Financial Statements</b>	13



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## *Table of Contents*

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	<i>Page</i>
<b><u>Required Supplementary Information</u></b>	38
Provides information required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #9     Schedule of Changes in the Net Pension Liability	39
Exhibit #10    Schedule of the Employer’s Contributions	40
Exhibit #11    Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	41
Exhibit #12    Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Gasoline Tax Fund	45
Exhibit #13    Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Reappraisal Fund	47
<b><u>Additional Information</u></b>	49
Provides basic information related to the Commission, including reports and items required by generally accepted government auditing standards.	
Exhibit #14 <b>Commission Members and Administrative Personnel</b> – a listing of the Commission members and administrative personnel.	50
Exhibit #15 <b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b> – a report on internal controls related to the financial statements and on whether the Commission complied with laws and regulations which could have a direct and material effect on the Commission’s financial statements.	51

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

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

The Clarke County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Clarke 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 Clarke 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, 2017.

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

Commission members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Commissioners: Rhondel B. Rhone, Lloyd “Stan” Hutto, and Jackie Ray Rush; and County Administrators: Rick Harvey and Cindy Wilson. Representing the Department of Examiners of Public Accounts were: Meagan McDonald, Examiner and Christina Smith, Audit Manager.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Clarke County Commission and County Administrator  
Grove Hill, Alabama

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clarke County Commission, as of and for the year ended September 30, 2017, and the related notes to the financial statements of the Clarke County Commission, as listed in the table of contents as Exhibits 1 through 8.

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

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

### **Auditor's Responsibility**

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

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

We believe 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 Clarke County Commission, as of September 30, 2017, 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**

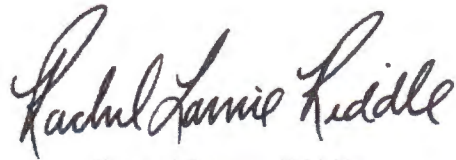
#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Net Pension Liability, the Schedule of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 13), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019, on our consideration of the Clarke 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 Clarke 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 Clarke County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

November 4, 2019

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# *Basic Financial Statements*

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

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 10,208,063.57
Cash with Fiscal Agent	728,661.68
Receivables (Note 4)	274,799.76
Ad Valorem Taxes Receivable	2,600,553.78
Capital Assets (Note 5):	
Nondepreciable	2,117,653.46
Depreciable, Net	30,763,263.45
Total Assets	<u>46,692,995.70</u>
<b><u>Deferred Outflows of Resources</u></b>	
Unamortized Deferred Loss on Refunding	821,810.89
Employer Pension Contribution	291,865.27
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	1,199,918.00
Total Deferred Outflows of Resources	<u>2,313,594.16</u>
<b><u>Liabilities</u></b>	
Accounts Payable	231,766.09
Unearned Revenue	202,403.48
Accrued Wages Payable	84,987.20
Accrued Interest Payable	35,673.30
Long-Term Liabilities:	
Portion Due Within One Year	1,132,281.79
Portion Payable After One Year	12,559,366.54
Total Liabilities	<u>14,246,478.40</u>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes	2,600,553.78
Total Deferred Inflows of Resources	<u>2,600,553.78</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	24,936,882.18
Restricted for:	
Highways and Roads	3,806,765.51
Capital Projects	1,259,298.92
Debt Service	692,988.38
Other Purposes	526,193.09
Unrestricted	937,429.60
Total Net Position	<u>\$ 32,159,557.68</u>

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

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

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
General Government	\$ 3,636,415.67	\$ 803,817.99	\$ 543,022.30
Public Safety	3,879,395.09	1,033,762.28	116,975.59
Highways and Roads	3,701,749.52		2,385,520.43
Sanitation	145,778.45		
Health	119,372.51		48,510.00
Welfare	18,318.12		
Education	36,979.41		
Intergovernmental	72,788.55		
Interest on Long-Term Debt	337,087.87		
Total Governmental Activities	<u>\$ 11,947,885.19</u>	<u>\$ 1,837,580.27</u>	<u>\$ 3,094,028.32</u>

**General Revenues:**

Taxes:

- Property Taxes for General Purposes
- Property Taxes for Specific Purposes
- General Sales Tax
- Miscellaneous Tax
- Grants and Contributions Not Restricted  
for Specific Purposes
- Investment Earnings
- Gain on Sale of Capital Assets
- Miscellaneous Revenue
- 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>
\$	\$ (2,289,575.38)
	(2,728,657.22)
	(1,316,229.09)
29,983.95	(115,794.50)
	(70,862.51)
	(18,318.12)
	(36,979.41)
	(72,788.55)
	(337,087.87)
<u>\$ 29,983.95</u>	<u>(6,986,292.65)</u>

2,617,647.45
503,797.72
2,313,601.21
277,639.73
409,150.76
62,939.38
468,760.01
426,920.92
<u>7,080,457.18</u>
94,164.53
<u>32,065,393.15</u>
<u>\$ 32,159,557.68</u>

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

	<b>General Fund</b>	<b>Gasoline Tax Fund</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 4,289,184.17	\$ 158,182.83
Cash with Fiscal Agent		
Receivables (Note 4)	52,330.10	88,234.30
Property Taxes Receivable	2,225,000.00	
Total Assets	<u>6,566,514.27</u>	<u>246,417.13</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Accounts Payable	139,260.06	2,575.25
Unearned Revenue		
Accrued Wages Payable	49,492.49	25,154.56
Total Liabilities	<u>188,752.55</u>	<u>27,729.81</u>
<b><u>Deferred Inflows of Resources</u></b>		
Unavailable Revenue Property Taxes	2,225,000.00	
Total Deferred Inflows of Resources	<u>2,225,000.00</u>	
<b><u>Fund Balances</u></b>		
Restricted for:		
Debt Service		
Highways and Roads		
Capital Projects		
Other Purposes		
Assigned to:		
Highways and Roads		218,687.32
Other Purposes	60,704.14	
Unassigned	4,092,057.58	
Total Fund Balances	<u>4,152,761.72</u>	<u>218,687.32</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,566,514.27</u>	<u>\$ 246,417.13</u>

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

Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 206,716.21	\$ 5,553,980.36	\$ 10,208,063.57
	728,661.68	728,661.68
	134,235.36	274,799.76
375,553.78		2,600,553.78
<u>582,269.99</u>	<u>6,416,877.40</u>	<u>13,812,078.79</u>
	89,930.78	231,766.09
202,403.48		202,403.48
4,312.73	6,027.42	84,987.20
<u>206,716.21</u>	<u>95,958.20</u>	<u>519,156.77</u>
375,553.78		2,600,553.78
<u>375,553.78</u>		<u>2,600,553.78</u>
	728,661.68	728,661.68
	3,806,765.51	3,806,765.51
	1,259,298.92	1,259,298.92
	526,193.09	526,193.09
		218,687.32
		60,704.14
		<u>4,092,057.58</u>
	6,320,919.20	10,692,368.24
<u>\$ 582,269.99</u>	<u>\$ 6,416,877.40</u>	<u>\$ 13,812,078.79</u>

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

Total Fund Balances - Governmental Funds (Exhibit 3)	\$ 10,692,368.24
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.	32,880,916.91
Losses on refunding of debt are reported as deferred outflows of resources and are not available to pay for current period expenditures and, therefore, are deferred on the Statement of Net Position.	821,810.89
Deferred inflows and outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in governmental funds.	1,491,783.27
Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.	(35,673.30)
Certain liabilities (including net pension liability) 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:	
Portion Due Within One Year	\$ (1,132,281.79)
Portion Payable After One Year	<u>(12,559,366.54)</u>
	<u>(13,691,648.33)</u>
Total Net Position - Governmental Activities (Exhibit 1)	<u><u>\$ 32,159,557.68</u></u>

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

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

	<b>General Fund</b>	<b>Gasoline Tax Fund</b>
<b><u>Revenues</u></b>		
Taxes	\$ 5,392,849.49	\$
Licenses and Permits	17,366.18	
Intergovernmental	1,034,857.76	990,779.76
Charges for Services	809,515.26	
Miscellaneous	169,065.42	252,274.66
Total Revenues	<u>7,423,654.11</u>	<u>1,243,054.42</u>
<b><u>Expenditures</u></b>		
Current:		
General Government	2,516,656.56	
Public Safety	2,593,201.18	
Highways and Roads		1,749,212.66
Sanitation	123,393.45	
Health	115,828.07	
Welfare	18,318.12	
Education	36,979.41	
Intergovernmental	72,788.55	
Capital Outlay	1,633,835.90	36,800.00
Debt Service:		
Principal Retirement	109,641.15	
Interest and Fiscal Charges	16,645.19	
Total Expenditures	<u>7,237,287.58</u>	<u>1,786,012.66</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>186,366.53</u>	<u>(542,958.24)</u>
<b><u>Other Financing Sources (Uses)</u></b>		
Transfers In	282,835.24	670,500.00
Inception of Capital Lease	69,692.50	
Sale of Capital Assets	1,081,357.40	1,087.00
Transfers Out	<u>(2,289,386.53)</u>	
Total Other Financing Sources (Uses)	<u>(855,501.39)</u>	<u>671,587.00</u>
Net Change in Fund Balances	(669,134.86)	128,628.76
Fund Balances - Beginning of Year	<u>4,821,896.58</u>	<u>90,058.56</u>
Fund Balances - End of Year	<u>\$ 4,152,761.72</u>	<u>\$ 218,687.32</u>

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



Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 303,388.47	\$	\$ 5,696,237.96
	71,273.18	88,639.36
	1,419,106.54	3,444,744.06
	1,044,292.78	1,853,808.04
2,905.63	65,614.58	489,860.29
<u>306,294.10</u>	<u>2,600,287.08</u>	<u>11,573,289.71</u>
313,180.61	5,974.32	2,835,811.49
	1,039,942.45	3,633,143.63
	751,664.56	2,500,877.22
		123,393.45
		115,828.07
		18,318.12
		36,979.41
		72,788.55
	8,823.00	1,679,458.90
	1,028,858.90	1,138,500.05
	272,097.35	288,742.54
<u>313,180.61</u>	<u>3,107,360.58</u>	<u>12,443,841.43</u>
	(507,073.50)	(870,551.72)
	1,618,886.53	2,572,221.77
		69,692.50
6,886.51		1,089,330.91
	(282,835.24)	(2,572,221.77)
	<u>1,336,051.29</u>	<u>1,159,023.41</u>
	828,977.79	288,471.69
	5,491,941.41	10,403,896.55
<u>\$</u>	<u>\$ 6,320,919.20</u>	<u>\$ 10,692,368.24</u>

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

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 288,471.69

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

Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount which depreciation (\$1,550,065.60) differed from capital outlay (\$1,679,458.90). 129,393.30

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus the changes in net position differs from the change in fund balance by the cost of capital assets sold. (1,031,046.49)

Some of the capital assets acquired this year were financed with long-term debt. The total amount financed by the long-term debt is reported in the governmental funds as an other financing source, but constitutes long-term debt in the Statement of Net Position. (69,692.50)

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,138,500.05

The costs of deferred loss on refunding of debt are amortized over the life of the debt on the Statement of Net Position. (55,488.38)

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

Net Increase Pension Expense	\$	(313,116.19)	
Net Decrease in Compensated Absences		2,006.53	
Net Decrease in Accrued Interest Payable		5,136.52	
		(305,973.14)	(305,973.14)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 94,164.53

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

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

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b><u>Assets</u></b>		
Cash	\$ 145,185.97	\$ 76,472.62
Due From Other Governments	414.38	
Total Assets	<u>145,600.35</u>	<u>76,472.62</u>
<b><u>Liabilities</u></b>		
Payables	<u>128,606.88</u>	76,472.62
Total Liabilities	<u>128,606.88</u>	<u>\$ 76,472.62</u>
<b><u>Net Position</u></b>		
Held in Trust for Other Purposes	<u>16,993.47</u>	
Total Net Position	<u>\$ 16,993.47</u>	

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

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

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Charges For Services	\$ 42,913.82
Miscellaneous	104.77
Total Additions	<u>43,018.59</u>
<b><u>Deductions</u></b>	
General Government	39,604.52
Total Deductions	<u>39,604.52</u>
Changes in Net Position	3,414.07
Net Position - Beginning of Year	<u>13,579.40</u>
Net Position - End of Year	<u>\$ 16,993.47</u>

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

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## *Notes to the Financial Statements*

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

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

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

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

The Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the application of the above criteria, the following entity is a component unit that has been included in the accompanying financial statements as a blended component unit.

#### **Blended Component Units**

Blended component units are legally separate entities that exist solely to provide services (usually financing) exclusively to the County. The blended component unit is as follows:

- ◆ **E-911 Board** – The members of this Board are the Clarke County Commissioners. The revenues and expenditures of this Board are accounted for by the Commission and are for the purpose of maintaining a county-wide dispatching system.

#### **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.

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## *Notes to the Financial Statements*

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

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

#### **Fund Financial Statements**

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. This fund is also used to report the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges; and to report revenues received for economic development.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the County's share of statewide seven-cent gasoline tax. Revenues are earmarked for the construction and maintenance of county roads.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures related to the County's reappraisal program.

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## *Notes to the Financial Statements*

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

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

#### **Governmental Fund Types**

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

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.

#### **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.

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## *Notes to the Financial Statements*

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

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As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

#### **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. Cash with fiscal agent includes amounts held for the Commission in a trustee capacity.

##### **2. Receivables**

Sales tax receivables are based on the amounts collected within 60 days after year end. 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 by the Commission. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.



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

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

**3. Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, 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	\$ 50,000	40 years
Equipment and Furniture	\$ 5,000	5 – 10 years
Buildings Under Lease	\$ 50,000	40 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.

**4. 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.

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

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**5. 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 Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

**6. Compensated Absences**

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

**Annual Leave**

Employees earn annual leave according to the following schedule:

Completed Service	Earned Annual Leave
Less than 1 year	6.50 days per year
1 but less than 10 years	9.75 days per year
10 but less than 21 years	13.00 days per year
21 years or more	16.25 days per year

Employees may accumulate and carry up to 256 hours of annual leave forward. Accumulated leave in excess of 256 hours is forfeited by the employee. Upon separation from county service, an employee will be paid for their unused accrued annual leave. Such entitlement will be calculated on the basis of the daily pay rate at the time of separation multiplied by the number of days leave due.

**Sick Leave**

Eligible employees earn sick leave at the rate of 4 hours for each bi-weekly period of service. Eligible county employees may accumulate, but are not to exceed a maximum of 90 days of sick leave. Upon separation, an employee is not paid for their accumulated sick leave. However, all individuals who are separated in good standing may receive up to ninety (90) days for unused sick leave accrued from prior employment if they are reinstated within twelve (12) calendar months from the effective date of their separation.

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## *Notes to the Financial Statements*

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

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#### Compensatory Leave

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. Generally, employees in public safety activity, emergency response activity, or seasonal activity may accumulate 480 hours, all other employees 240 hours maximum. According to the Fair Labor Standards Act, employees should be paid for compensatory leave in excess of the maximum hours stipulated. Compensatory leave is calculated at one and one-half times the regular hours.

#### 7. Deferred Inflows of Resources

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

#### 8 Net Position/Fund Balances

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

- ◆ Net Investment in Capital Assets – Capital assets minus accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.
- ◆ 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 portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

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## *Notes to the Financial Statements*

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

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Fund balance is reported in the 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.
- ◆ **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 or its designee makes the determination of the assigned 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.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the Commission shall consider restricted amounts to be reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, the Commission shall consider committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

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## *Notes to the Financial Statements*

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

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#### *E. Pensions*

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

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

##### *Budgets*

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP), with the exception of the Reappraisal Fund which budgets ad valorem taxes only to the extent expected to be received rather than on the modified accrual basis of accounting. All other governmental funds are budgeted on a basis of accounting consistent with GAAP.

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

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

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

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**Note 3 – Deposits and Investments**

**A. 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.

**B. Cash with Fiscal Agent**

As of September 30, 2017, the Commission's cash with fiscal agents was invested as follows:

	Rating	Maturity	Market Value
<b>Money Market Mutual Funds:</b>			
Morgan Stanley Treasury Advisory	AAAm	Average 14 days	\$517,144.99
FIMM Treasury Portfolio Class III	AAAm	Average 17 days	211,516.69
Total Cash with Fiscal Agent			<u>\$728,661.68</u>

**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.

**Credit Risk** – State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor's Corporation and Moody's Investors Service, Inc. The Commission does not have a formal policy regarding this state law. The Commission's investments in money market funds were rates "AAAm" by Standard & Poor's.

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## *Notes to the Financial Statements*

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

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**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 has no formal policy regarding custodial credit risk.

**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 policy regarding concentrations of credit risk.

**Note 4 – Receivables**

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

	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total
Receivables:				
Intergovernmental	\$52,330.10	\$88,234.30	\$134,235.36	\$274,799.76
Total Receivables	<u>\$52,330.10</u>	<u>\$88,234.30</u>	<u>\$134,235.36</u>	<u>\$274,799.76</u>

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

**Note 5 – Capital Assets**

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

	Balance 10/01/2016	Additions/ Reclassifications (*)	Deletions/ Reclassifications (*)	Balance 09/30/2017
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 2,117,653.46	\$	\$	\$ 2,117,653.46
Infrastructure in Progress Construction in Progress	7,310,753.28		(7,310,753.28)	
<b>Total Capital Assets, Not Being Depreciated</b>	<b>9,428,406.74</b>		<b>(7,310,753.28)</b>	<b>2,117,653.46</b>
<b>Capital Assets Being Depreciated:</b>				
Infrastructure	15,653,718.60	7,310,753.28	(593,526.51)	22,370,945.37
Buildings	8,246,477.83			8,246,477.83
Buildings Under Lease	6,947,774.38			6,947,774.38
Building Improvements	309,547.82			309,547.82
Equipment and Furniture	7,164,498.59	1,653,965.40	(1,433,184.50)	7,385,279.49
Equipment Under Lease	374,305.65	69,692.50	(44,199.00)	399,799.15
<b>Total Capital Assets Being Depreciated</b>	<b>38,696,322.87</b>	<b>9,034,411.18</b>	<b>(2,070,910.01)</b>	<b>45,659,824.04</b>
<b>Less Accumulated Depreciation for:</b>				
Infrastructure	(2,179,177.47)	(666,998.30)		(2,846,175.77)
Buildings	(3,950,520.41)	(147,252.80)		(4,097,773.21)
Buildings Under Lease	(3,039,661.35)	(173,694.36)		(3,213,355.71)
Building Improvements	(58,573.00)	(12,381.91)		(70,954.91)
Equipment and Furniture	(4,944,965.28)	(516,633.25)	995,664.52	(4,465,934.01)
Equipment Under Lease	(169,262.00)	(64,044.78)	30,939.80	(202,366.98)
<b>Total Accumulated Depreciation</b>	<b>(14,342,159.51)</b>	<b>(1,581,005.40)</b>	<b>1,026,604.32</b>	<b>(14,896,560.59)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>24,354,163.36</b>	<b>7,453,405.78</b>	<b>(1,044,305.69)</b>	<b>30,763,263.45</b>
<b>Total Governmental Activities Capital Assets, Net</b>	<b>\$ 33,782,570.10</b>	<b>\$ 7,453,405.78</b>	<b>\$(8,355,058.97)</b>	<b>\$ 32,880,916.91</b>
(*) The Additions and Deletions columns include reclassifications from construction in progress to buildings of \$7,310,753.28. Equipment under Lease of \$44,199.00 (and related depreciation of \$30,939.80) was also reclassified to Equipment and Furniture.				

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
General Government	\$ 703,227.96
Public Safety	191,362.99
Highways and Roads	629,615.42
Sanitation	22,384.69
Health	3,474.54
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$1,550,065.60</b>



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## *Notes to the Financial Statements*

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

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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 city, county, or a public agency each of whom is an active beneficiary of ERS.
  - b. Two vested active state employees.
  - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.

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

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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% 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.

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## *Notes to the Financial Statements*

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

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The ERS serves approximately 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. The ERS membership includes approximately 85,874 participants. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,007
Terminated employees entitled to but not yet receiving benefits	1,155
Terminated employees not entitled to a benefit	6,654
Active Members	54,823
Post-DROP participants who are still in active service	235
Total	85,874

### 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, 2017, the Commission's active employee contribution rate was 4.52 percent of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 7.33 percent of covered employee payroll.

## *Notes to the Financial Statements*

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

The Commission's contractually required contribution rate for the year ended September 30, 2017 was 8.62 percent of pensionable pay for Tier 1 employees, and 6.31 percent of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$291,865.27 for the year ended September 30, 2017.

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

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

	Expected	Actual-2015 Valuation Assumptions	Actual-2016 Valuation Assumptions
(a) Total Pension Liability as of September 30, 2015	\$12,114,039	\$12,736,599	\$13,129,862
(b) Discount Rate	8.00%	8.00%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2015 - September 30, 2016	323,779	323,779	316,496
(d) Transfers Among Employers		(276,818)	(276,818)
(e) Actual Benefit Payments and Refunds for the period October 1, 2015 - September 30, 2016	(788,274)	(788,274)	(788,274)
(f) TPL as of September 30, 2016 =[(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$12,587,136</u>	<u>\$12,982,683</u>	<u>\$13,368,285</u>
(g) Difference between Expected and Actual:		\$ 395,547	
(h) Less Liability Transferred for Immediate Recognition		<u>(276,818)</u>	
(i) Experience (Gain)/Loss = (f) – (g)		<u>\$ 672,365</u>	
(j) Difference between Actual (2015 Assumptions) and Actual (2016 Assumptions): Assumption Change (Gain)/Loss			<u>\$ 385,602</u>

#### **Actuarial Assumptions**

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

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

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## *Notes to the Financial Statements*

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

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

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stock	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	
(*) Includes assumed rate of inflation of 2.50%		

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## *Notes to the Financial Statements*

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

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#### Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### C. Changes in Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2015	\$12,114,039	\$8,961,767	\$3,152,272
Changes for the Year:			
Service Cost	323,779		323,779
Interest	937,592		937,592
Changes of Assumptions	385,602		385,602
Difference Between Expected and Actual Experience	672,365		672,365
Contributions - Employer		295,711	(295,711)
Contributions - Employee		245,543	(245,543)
Net Investment Income		886,003	(886,003)
Benefit Payments, Including Refunds of Employee Contributions	(788,274)	(788,274)	
Administrative Expense			
Transfers Among Employers	(276,818)	(276,818)	
Net Changes	1,254,246	362,165	892,081
Balances at September 30, 2016	<u>\$13,368,285</u>	<u>\$9,323,932</u>	<u>\$4,044,353</u>

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## *Notes to the Financial Statements*

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Commission's Net Pension Liability	\$5,585,300	\$4,044,353	\$2,742,394

#### **Pension Plan Fiduciary Net Position**

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

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

For the year ended September 30, 2017, the Commission recognized pension expense of \$592,558. At September 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 798,450	\$
Changes of assumptions	317,953	
Net difference between projected and actual earnings on pension plan investments	83,515	
Employer contributions subsequent to the measurement date	291,865	
Total	\$1,491,783	\$

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

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

Fiscal Year Ending	
September 30, 2018	\$272,718
2019	\$272,717
2020	\$336,277
2021	\$188,279
2022	\$129,927
Thereafter	\$

**Note 7 – Lease Obligations**

**Capital Leases**

The Commission is obligated under certain leases accounted for as capital lease. Buildings under capital leases totaled \$6,947,774.38 and equipment under capital leases totaled \$399,799.15 for governmental activities at September 30, 2017. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days written notice and payment of a pro rata share of the current year's lease payments. Until that time, the leased equipment will be identified separately. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

Fiscal Year Ending	Governmental Activities
September 30, 2018	\$ 615,692.99
2019	632,451.21
2020	553,504.85
2021	544,975.02
2022	547,887.84
Thereafter	76,331.25
Total Minimum Lease Payments	2,970,843.16
Less: Amounts Representing Interest	(239,997.54)
Present Value of Net Minimum Lease Payments	\$2,730,845.62



## *Notes to the Financial Statements*

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

#### Note 8 – Long-Term Debt

On October 11, 2012, the Commission issued \$3,090,000 in General Obligation Refunding Warrants dated October 1, 2012, with variable interest rates of 2 to 3 percent, to provide funds to refund the County’s General Obligation Warrants, Series 2004, that had been used to construct and equip an addition to the courthouse.

On March 27, 2013, the Commission issued \$4,535,000 in General Obligation Warrants dated March 1, 2013, with variable interest rates of 1 to 3 percent, for the stated purpose of refunding the Series 2006 General Obligation Warrants.

On November 1, 2014, the Commission entered into a loan with Merchants Bank for \$1,500,000 with an interest rate of 2.12% for the purpose of financing the local match contribution of 20% for State of Alabama ATRIP projects in the County.

On May 10, 2016, the Commission entered into a loan with Merchants Bank for \$71,861 with an interest rate of 2.09% for the purpose of purchasing two vehicles for the Sheriff’s Department.

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

	Debt Outstanding 10/01/2016	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2017	Amounts Due within One Year
<u>Governmental Activities:</u>					
Warrants Payable:					
General Obligation Refunding Warrants 2012	\$ 2,640,000.00	\$	\$ (120,000.00)	\$ 2,520,000.00	\$ 125,000.00
General Obligation Refunding Warrants 2013	3,660,000.00		(145,000.00)	3,515,000.00	150,000.00
Total Warrants Payable	6,300,000.00		(265,000.00)	6,035,000.00	275,000.00
Notes Payable:					
Notes Payable, 2014	1,036,914.25		(328,858.90)	708,055.35	307,667.46
Notes Payable, 2016	31,558.72		(31,558.72)		
Total Notes Payable	1,068,472.97		(360,417.62)	708,055.35	307,667.46
Capital Leases:					
Capital Lease Contracts 2010 - Jail	2,935,000.00		(435,000.00)	2,500,000.00	445,000.00
Capital Lease Computer Equipment	9,121.05		(9,121.05)		
Capital Lease Payable - Sheriff's Vehicles	137,612.59		(43,376.75)	94,235.84	45,823.37
Capital Lease-Sheriff Software	92,501.91		(25,584.63)	66,917.28	28,999.66
Capital Lease-Sheriff's Vehicles		69,692.50		69,692.50	12,451.86
Total Capital Leases	3,174,235.55	69,692.50	(513,082.43)	2,730,845.62	532,274.89
Other Liabilities:					
Compensated Absences	175,400.89		(2,006.53)	173,394.36	17,339.44
Net Pension Liability	3,152,272.00	892,081.00		4,044,353.00	
Total Other Liabilities	3,327,672.89	892,081.00	(2,006.53)	4,217,747.36	17,339.44
Total Governmental Activities Long-Term	\$13,870,381.41	\$961,773.50	\$(1,140,506.58)	\$13,691,648.33	\$1,132,281.79

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

Payments on the warrants that pertain to the Commission's governmental activities are made by the Debt Service Funds. The long-term notes payable will be paid by the General Fund and the RRR Gasoline Tax Fund. The capital lease liability for the governmental activities is being liquidated by the General Fund and a Debt Service Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by the General Fund, Gasoline Tax Fund, Reappraisal Fund, and E-911 Fund.

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

Fiscal Year Ending	Warrants Payable		Capital Leases		Notes Payable		Total Principal and Interest Requirements
	Principal	Interest	Principal	Interest	Interest	Interest	
September 30, 2018	\$ 275,000.00	\$ 164,215.00	\$ 532,274.89	\$ 83,418.10	\$307,667.46	\$12,515.89	\$ 1,375,091.34
2019	275,000.00	158,715.00	566,747.77	65,703.44	342,643.98	5,236.02	1,414,046.21
2020	285,000.00	152,921.25	506,632.54	46,872.31	57,743.91	154.73	1,049,324.74
2021	280,000.00	147,015.00	514,679.80	30,295.22			971,990.02
2022	290,000.00	141,057.50	535,510.62	12,377.22			978,945.34
2023-2027	1,565,000.00	593,097.50	75,000.00	1,331.25			2,234,428.75
2028-2032	1,795,000.00	364,043.75					2,159,043.75
2033-2036	1,270,000.00	75,480.00					1,345,480.00
Total	\$6,035,000.00	\$1,796,545.00	\$2,730,845.62	\$239,997.54	\$708,055.35	\$17,906.64	\$11,528,350.15

**Deferred Charges on Refunding**

The Commission has a deferred loss on refunding in association with the General Obligation Refunding Warrants, Series 2012 and the General Obligation Refunding Warrants, Series 2013. The deferred loss of the General Obligation Refunding Warrants, Series 2012, is being amortized using the straight-line method over 22 years. The deferred loss of the General Obligation Refunding Warrants, Series 2013, is being amortized using the straight-line method over 19 years.

	Deferred Charges on Refunding
Total Deferred Charges on Refunding	\$1,099,252.76
Amount Amortized in Prior Years	(221,953.49)
Remaining Amount	877,299.27
Current Amount Amortized	(55,488.38)
Deferred Charges on Refunding at September 30, 2017	<u>\$ 821,810.89</u>

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## *Notes to the Financial Statements*

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

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#### **Pledged Revenues**

The Commission has pledged revenues from the Special Court Fees authorized by Act Number 2002-452, Acts of Alabama, and as needed, tax revenues from the 2.5 mill ad valorem tax to repay \$3,090,000 in General Obligation Warrants, Series 2012 issued on October 1, 2012 to refund the Commission's General Obligation Warrants, Series 2004. Future revenues in the amount of \$3,225,953.75 are pledged to repay principal and interest on the warrants at September 30, 2017. Pledged revenues in the amount of \$107,744.67 in Special Court Fees and \$560,772.48 in ad valorem taxes were received during the fiscal year ended September 30, 2017 with \$191,257.50 being used to pay principal and interest payments during this fiscal year. These warrants are scheduled to mature in fiscal year 2034.

The Commission pledged to repay the 2014 Note Payable from the Commission's portion of the proceeds of the four-cent gasoline tax levied by the State of Alabama. Future revenues of \$725,961.99 are pledged to repay the principal and interest on the note payable as of September 30, 2017. Proceeds of the four-cent gasoline tax in the amount of \$509,664.39 were received by the Commission during the fiscal year ended September 30, 2017, of which \$347,880.00 was used to pay principal and interest on the note payable. The 2014 Note Payable will mature in fiscal year 2020.

#### **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 purchased commercial general liability insurance through Travelers Insurance Company. Coverage is provided up to \$1,000,000 per claim for a maximum total coverage of \$3,000,000 and unlimited defense costs.

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

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

**Note 10 – Interfund Transactions**

**Interfund Transfers**

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

	Transfers Out		Totals
	General Fund	Other Governmental Funds	
<b>Transfers In:</b>			
General Fund	\$	\$282,835.24	\$ 282,835.24
Gasoline Tax Fund	670,500.00		670,500.00
Other Governmental Funds	1,618,886.53		1,618,886.53
<b>Totals</b>	<b>\$2,289,386.53</b>	<b>\$282,835.24</b>	<b>\$2,572,221.77</b>

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

**Note 11 – Related Organizations**

A majority of the members of the Board of the organizations listed below are appointed by the Commission. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship, for the organizations and the organizations are not considered part of the Commission’s financial reporting entity. The organizations presented below are considered related organizations of the County Commission.

Related Organizations
CWM Water Authority
North Clarke Water Authority
Old Line Water Authority
West Clarke Water Authority
Clarke County Department of Human Resources Board
Clarke County Tourism Board
Clarke County Industrial Development Board
Clarke County Parks and Recreation Board
Mental Retardation/Developmental Disabilities Board

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

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**Note 12 – Tax Abatements**

The Clarke County Commission entered into property tax abatement agreements with local businesses under the State Tax Incentive Reform Act of 1992, *Code of Alabama*, Section 40-9B-(1-13). Under the Act, localities may grant property tax abatements for all state and local non-educational property taxes, all construction related transaction taxes, except those local construction taxes levied for educational purposes or for capital improvement for education, and/or all mortgage and recording taxes. The abatements may be granted to any business located within or promising to relocate to Clarke County. These programs have the stated purpose of increasing business activity and employment in the County.

For fiscal year ended September 30, 2017, total property taxes abated were \$610,251.83.

Granting Jurisdiction	Type	Property Tax
Industrial Development Board	Steel Processing	\$230,259.90
Industrial Development Board	Wood Products Manufacturing	370,279.37
Town of Grove Hill	Asphalt Processing	9,712.56
Total County Abated Taxes		<u>\$610,251.83</u>

The following tax abatements exceeded 10 percent of the total amount abated:

- ◆ A property tax abatement to a steel processing plant for plant expansion was granted which amounted to \$169,050.57 in this fiscal year.
- ◆ A property tax abatement to a wood products manufacturing plant for plant expansion was granted which amounted to \$319,438.48 in this fiscal year.

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*Required Supplementary Information*

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

	2016	2015	2014
<b><u>Total pension liability</u></b>			
Service cost	\$ 323,779	\$ 295,641	\$ 302,057
Interest	937,592	873,863	837,076
Changes of Assumptions	385,602		
Difference between expected and actual experience	672,365	379,624	
Benefit payments, including refunds of employee contributions	(788,274)	(716,742)	(641,862)
Transfers Among Employers	(276,818)		
Net change in total pension liability	<u>1,254,246</u>	<u>832,386</u>	<u>497,271</u>
Total pension liability - beginning	<u>12,114,039</u>	<u>11,281,653</u>	<u>10,784,382</u>
Total pension liability - ending (a)	<u>\$ 13,368,285</u>	<u>\$ 12,114,039</u>	<u>\$ 11,281,653</u>
<b><u>Plan fiduciary net position</u></b>			
Contributions - employer	\$ 295,711	\$ 279,468	\$ 281,941
Contributions - employee	245,543	190,867	241,143
Net investment income	886,003	105,238	955,650
Benefit payments, including refunds of employee contributions	(788,274)	(716,742)	(641,862)
Transfers among employers	(276,818)	218,360	30,159
Net change in plan fiduciary net position	<u>362,165</u>	<u>77,191</u>	<u>867,031</u>
Plan fiduciary net positions - beginning	<u>8,961,767</u>	<u>8,884,576</u>	<u>8,017,545</u>
Plan fiduciary net positions - ending (b)	<u>\$ 9,323,932</u>	<u>\$ 8,961,767</u>	<u>\$ 8,884,576</u>
Net pension liability - ending (a) - (b)	\$ 4,044,353	\$ 3,152,272	\$ 2,397,077
Plan fiduciary net position as a percentage of the total pension liability	69.75%	73.98%	78.75%
Covered payroll	\$ 3,968,853	\$ 3,822,939	\$ 3,721,035
Net pension liability as a percentage of covered payroll	101.90%	82.46%	64.42%

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

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



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

	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 291,865	\$ 295,711	\$ 279,468	\$ 281,941
Contributions in relation to the actuarially determined contribution (*)	\$ 291,865	\$ 295,711	\$ 279,468	\$ 281,941
Contribution deficiency (excess)	\$	\$	\$	\$
Covered payroll (**)	\$ 3,980,207	\$ 3,968,853	\$ 3,822,939	\$ 3,721,035
Contributions as a percentage of covered payroll	7.33%	7.45%	7.31%	7.58%

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

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

**Notes to Schedule**

Valuation date:

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

Methods and assumptions used to determine contribution rates for the period October 1, 2016 through September 30, 2017:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

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

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

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Taxes	\$ 4,579,292.00	\$ 4,579,292.00	\$ 4,678,879.37
Licenses and Permits	17,000.00	17,000.00	17,366.18
Intergovernmental	1,089,470.00	1,089,470.00	975,909.60
Charges for Services	901,500.00	901,500.00	803,505.26
Miscellaneous	192,270.00	192,270.00	163,439.44
Total Revenues	<u>6,779,532.00</u>	<u>6,779,532.00</u>	<u>6,639,099.85</u>
<b>Expenditures</b>			
Current:			
General Government	2,678,183.00	2,678,183.00	2,516,656.56
Public Safety	2,553,762.00	2,553,762.00	2,593,201.18
Sanitation	107,627.00	107,627.00	123,393.45
Health	9,386.00	9,386.00	10,690.98
Welfare	33,149.00	33,149.00	18,318.12
Education	38,450.00	38,450.00	36,979.41
Intergovernmental	71,009.00	73,289.00	72,788.55
Capital Outlay	65,000.00	65,000.00	107,322.90
Debt Service:			
Principal Retirement	97,885.00	97,885.00	109,641.15
Interest and Fiscal Charges	19,554.00	19,554.00	16,645.19
Total Expenditures	<u>5,674,005.00</u>	<u>5,676,285.00</u>	<u>5,605,637.49</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,105,527.00</u>	<u>1,103,247.00</u>	<u>1,033,462.36</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	115,000.00	115,000.00	197,835.24
Inception of Capital Lease			69,692.50
Proceeds from Issuance of Long-Term Debt			
Transfers Out	(1,469,637.00)	(1,469,637.00)	(1,992,886.53)
Total Other Financing Sources (Uses)	<u>(1,354,637.00)</u>	<u>(1,354,637.00)</u>	<u>(1,725,358.79)</u>
Net Change in Fund Balances	(249,110.00)	(251,390.00)	(691,896.43)
Fund Balances - Beginning of Year	<u>4,003,953.46</u>	<u>4,003,953.46</u>	<u>4,048,759.06</u>
Fund Balances - End of Year	<u>\$ 3,754,843.46</u>	<u>\$ 3,752,563.46</u>	<u>\$ 3,356,862.63</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
(1)	\$ 713,970.12	\$ 5,392,849.49
		17,366.18
(1)	58,948.16	1,034,857.76
(1)	6,010.00	809,515.26
(1)	5,625.98	169,065.42
	<u>784,554.26</u>	<u>7,423,654.11</u>
		2,516,656.56
		2,593,201.18
		123,393.45
(2)	(105,137.09)	115,828.07
		18,318.12
		36,979.41
		72,788.55
(2)	(1,526,513.00)	1,633,835.90
		109,641.15
		16,645.19
	<u>(1,631,650.09)</u>	<u>7,237,287.58</u>
	<u>(847,095.83)</u>	<u>186,366.53</u>
(3)	85,000.00	282,835.24
		69,692.50
(3)	1,081,357.40	1,081,357.40
(3)	(296,500.00)	(2,289,386.53)
	<u>869,857.40</u>	<u>(855,501.39)</u>
	22,761.57	(669,134.86)
(4)	<u>773,137.52</u>	<u>4,821,896.58</u>
	<u>\$ 795,899.09</u>	<u>\$ 4,152,761.72</u>

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

**Explanation of Differences Between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:**

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

(1) Revenues		
Public Buildings, Roads and Bridges Fund	\$	731,826.83
Animal Shelter Fund		<u>52,727.43</u>
(2) Expenditures		
Public Buildings, Roads and Bridges Fund	\$	(1,526,513.00)
Animal Shelter Fund		<u>(105,137.09)</u>
(3) Other Sources and Uses		
Public Buildings, Roads and Bridges Fund	\$	829,857.40
Animal Shelter Fund		<u>40,000.00</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 Balances because of the cumulative effect of transactions such as those described above.

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\$ 784,554.26

(1,631,650.09)

869,857.40

\$ 22,761.57

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>
<b>Revenues</b>			
Intergovernmental	\$ 941,504.00	\$ 941,504.00	\$ 990,779.76
Miscellaneous	240,115.00	240,115.00	252,274.66
Total Revenues	<u>1,181,619.00</u>	<u>1,181,619.00</u>	<u>1,243,054.42</u>
<b>Expenditures</b>			
Current:			
Highways and Roads	1,896,619.00	1,896,619.00	1,749,212.66
Capital Outlay	37,500.00	37,500.00	36,800.00
Total Expenditures	<u>1,934,119.00</u>	<u>1,934,119.00</u>	<u>1,786,012.66</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(752,500.00)</u>	<u>(752,500.00)</u>	<u>(542,958.24)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	752,500.00	752,500.00	670,500.00
Sale of Capital Assets			1,087.00
Total Other Financing Sources (Uses)	<u>752,500.00</u>	<u>752,500.00</u>	<u>671,587.00</u>
Net Change in Fund Balances			128,628.76
Fund Balances - Beginning of Year			<u>90,058.56</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 218,687.32</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 990,779.76
	252,274.66
	<u>1,243,054.42</u>
	1,749,212.66
	36,800.00
	<u>1,786,012.66</u>
	(542,958.24)
	670,500.00
	1,087.00
	<u>671,587.00</u>
	128,628.76
	90,058.56
<u>\$</u>	<u>\$ 218,687.32</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<b><u>Revenues</u></b>			
Taxes	\$ 615,316.00	\$ 615,316.00	\$ 253,018.26
Miscellaneous			2,905.63
Total Revenues	<u>615,316.00</u>	<u>615,316.00</u>	<u>255,923.89</u>
<b><u>Expenditures</u></b>			
Current:			
General Government	514,738.00	514,738.00	313,180.61
Capital Outlay	100,578.00	100,578.00	
Total Expenditures	<u>615,316.00</u>	<u>615,316.00</u>	<u>313,180.61</u>
Excess (Deficiency) of Revenues Over Expenditures			<u>(57,256.72)</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Sale of Capital Assets			6,886.51
Total Other Financing Sources (Uses)			<u>6,886.51</u>
Net Change in Fund Balances			(50,370.21)
Fund Balances - Beginning of Year			<u>252,773.69</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 202,403.48</u>

**Explanation of Differences Between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:**

- (1) The Commission budgets ad valorem taxes when collected, rather than on the modified accrual basis (GAAP).

Net Change in Fund Balance - Budget to GAAP

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



	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
(1)	\$ 50,370.21	\$ 303,388.47
		2,905.63
	50,370.21	306,294.10
		313,180.61
		313,180.61
	50,370.21	(6,886.51)
		6,886.51
		6,886.51
	50,370.21	
(2)	(252,773.69)	
	\$ (202,403.48)	\$
	\$ 50,370.21	
	\$ 50,370.21	

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## *Additional Information*

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

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<b>Commission Members</b>		<b>Term Expires</b>
Hon. Tyrone Moye (*)	Chairman	2020
Hon. Jackie Ray Rush	Member	2020
Hon. Lloyd “Stan” Hutto	Member	2022
Hon. Rhondel B. Rhone	Member	2020
Hon. Bill Taylor	Member	2022

**Administrative Personnel**

Cindy R. Wilson	County Administrator	January 6, 2017
Richard Harvey	County Administrator	Indefinite

(\*) Chairman rotates every nine months.

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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 Clarke County Commission and County Administrator  
Grove Hill, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clarke County Commission, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Clarke County Commission's basic financial statements, and have issued our report thereon dated November 4, 2019.

**Internal Control Over Financial Reporting**

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

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

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

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

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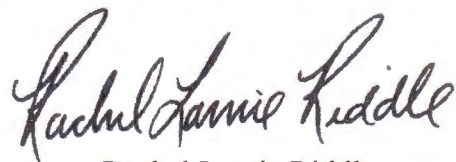
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**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clarke County Commission'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

November 4, 2019