

Report on the

Marengo County Commission

Marengo County, Alabama

October 1, 2018 through September 30, 2019

Filed: November 13, 2020



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



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

Dear Madam:

An audit was conducted on the Marengo County Commission, Marengo County, Alabama, for the period October 1, 2018 through September 30, 2019. Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

M. Lynn Benson
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Marengo County Commission
October 1, 2018 through September 30, 2019**

The Marengo County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Marengo County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 16. 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 Marengo 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.

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, 2019.

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

Commission members and administrative personnel, as reflected on Exhibit 16, were invited to discuss the results of this report at an exit conference held via conference call. Individuals in attendance were: Administrator of the County Commission: Meredith Hammond; and County Commissioners: Fred Armstead, Calvin Martin, Terry Hinton, Michael Thompson and Jason Windham. Representing the Department of Examiners of Public Accounts was: Sherry Owen, Audit Manager.

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Independent Auditor's Report

Independent Auditor's Report

Members of the Marengo County Commission and County Administrator
Linden, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marengo County Commission, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Marengo 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 Marengo County Commission is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marengo County Commission, as of September 30, 2019, 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

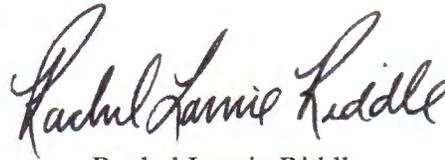
Required Supplementary Information

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 Employer's 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 15), 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 October 21, 2020, on our consideration of the Marengo 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 Marengo 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 Marengo County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

October 21, 2020

Basic Financial Statements

Statement of Net Position
September 30, 2019

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 5,267,748.08
Investments	127,774.78
Receivables (Note 4)	490,234.23
Ad Valorem Taxes Receivable	3,175,621.31
Capital Assets (Note 5):	
Nondepreciable	316,822.50
Depreciable, Net	8,991,397.60
Total Assets	<u>18,369,598.50</u>
<u>Deferred Outflows of Resources</u>	
Employer Pension Contributions	400,273.70
Deferred Outflows Related to Pension Plan	632,771.00
Deferred Charges on Refunding	410,801.17
Total Deferred Outflows of Resources	<u>1,443,845.87</u>
<u>Liabilities</u>	
Accounts Payable	237,965.91
Accrued Wages Payable	53,875.36
Unearned Revenue	22,229.45
Accrued Interest Payable	46,257.73
Long-Term Liabilities (Note 7):	
Portion Due or Payable Within One Year:	
Warrants Payable	580,000.00
Compensated Absences	68,073.97
Portion Due or Payable After One Year:	
Note Payable	1,000,000.00
Warrants Payable	5,070,000.00
Compensated Absences	612,665.72
Net Pension Liability	3,724,020.00
Total Liabilities	<u>11,415,088.14</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Tax	3,175,621.31
Deferred Inflows Related to Pension Plan	402,415.00
Revenue Received in Advance - Motor Vehicle Tax	139,296.40
Total Deferred Inflows of Resources	<u>\$ 3,717,332.71</u>

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

	Governmental Activities
<hr/>	
<u>Net Position</u>	
Net Investment in Capital Assets	\$ 6,164,021.27
Restricted for:	
Highways and Roads	1,505,300.09
Capital Improvement	325,012.36
Debt Service	433,899.80
Other Purposes	1,319,416.56
Unrestricted	<u>(5,066,626.56)</u>
 Total Net Position	 <u><u>\$ 4,681,023.52</u></u>

Statement of Activities
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	and Changes in Net Position Total Governmental Activities
Primary Government					
Governmental Activities:					
General Government	\$ 2,589,242.31	\$ 583,647.16	\$ 669,005.65	\$	\$ (1,336,589.50)
Public Safety	2,524,616.00	331,582.03	275,569.33		(1,917,464.64)
Highways and Roads	4,538,321.72	199,136.46	2,053,647.11	1,841.25	(2,283,696.90)
Sanitation	31,024.80	25,610.00			(5,414.80)
Health	31,468.80		6,574.68		(24,894.12)
Welfare	172,297.21		109,188.34		(63,108.87)
Culture and Recreation	127,131.91				(127,131.91)
Interest on Long-Term Debt	248,896.01				(248,896.01)
Intergovernmental	20,000.00				(20,000.00)
Total Governmental Activities	<u>\$ 10,282,998.76</u>	<u>\$ 1,139,975.65</u>	<u>\$ 3,113,985.11</u>	<u>\$ 1,841.25</u>	<u>(6,027,196.75)</u>

General Revenues:

Taxes:		
Property Taxes for General Purposes		2,070,152.10
Property Taxes for Specific Purposes		1,554,115.13
General Sales Tax		1,240,798.43
Miscellaneous Taxes		146,210.60
Grants and Contributions Not Restricted for Specific Programs		353,991.08
Interest Earned		9,848.22
Miscellaneous		245,236.57
Total General Revenues		<u>5,620,352.13</u>
Change in Net Position		(406,844.62)
Net Position - Beginning of Year		<u>5,087,868.14</u>
Net Position - End of Year		<u>\$ 4,681,023.52</u>

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

Balance Sheet
Governmental Funds
September 30, 2019

	General Fund	Gasoline Tax Fund	Capital Improvement Fund	RRR Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	\$ 1,916,684.41	\$ 292,002.28	\$ 939,789.14	\$ 406,649.61	\$ 26,082.47	\$ 1,686,540.17	\$ 5,267,748.08
Investments	127,774.78						127,774.78
Receivables (Note 4)	306,813.76	80,969.94	15,000.00	69,767.31	50.00	17,633.22	490,234.23
Property Tax Receivable	2,793,854.70				381,766.61		3,175,621.31
Total Assets	5,145,127.65	372,972.22	954,789.14	476,416.92	407,899.08	1,704,173.39	9,061,378.40
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts Payable	179,032.97	58,215.76	122.40		594.78		237,965.91
Accrued Wages Payable	32,581.11	17,986.01			3,308.24		53,875.36
Unearned Revenue					22,229.45		22,229.45
Total Liabilities	211,614.08	76,201.77	122.40		26,132.47		314,070.72
Deferred Inflows of Resources							
Unavailable Revenue - Property Taxes	2,793,854.70				381,766.61		3,175,621.31
Revenue Received in Advance - Motor Vehicle Taxes	139,296.40						139,296.40
Total Deferred Inflows of Resources	2,933,151.10				381,766.61		3,314,917.71
Fund Balances							
Restricted for:							
Debt Service						479,702.93	479,702.93
Highways and Roads		267,751.59		476,416.92		761,131.58	1,505,300.09
Capital Improvement						325,012.36	325,012.36
Other Purposes	226,423.30		954,666.74			138,326.52	1,319,416.56
Assigned to:							
Emergency Management Operations	16,908.91						16,908.91
Highways and Roads		29,018.86					29,018.86
Unassigned	1,757,030.26						1,757,030.26
Total Fund Balances	2,000,362.47	296,770.45	954,666.74	476,416.92		1,704,173.39	5,432,389.97
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,145,127.65	\$ 372,972.22	\$ 954,789.14	\$ 476,416.92	\$ 407,899.08	\$ 1,704,173.39	\$ 9,061,378.40

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

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2019***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 5,432,389.97

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. 9,308,220.10

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

Deferred Outflows Related to Pension Plan	\$ 1,033,044.70	
Deferred Inflows Related to Pension Plan	<u>(402,415.00)</u>	
		630,629.70

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. 410,801.17

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

	Amounts Due or Payable Within One Year (Current)	Amounts Due or Payable After One Year (Noncurrent)	
	<u> </u>	<u> </u>	
Note Payable	\$	\$ 1,000,000.00	
Warrants Payable	580,000.00	5,070,000.00	
Compensated Absences	68,073.97	612,665.72	
Net Pension Liability		3,724,020.00	
Accrued Interest Payable	46,257.73		
Total Long-Term Liabilities	<u>\$ 694,331.70</u>	<u>\$ 10,406,685.72</u>	<u>(11,101,017.42)</u>

Total Net Position - Governmental Activities (Exhibit 1) \$ 4,681,023.52

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, 2019

	General Fund	Gasoline Tax Fund	Capital Improvement Fund	RRR Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 4,566,093.28	\$	\$	\$	\$ 403,208.38	\$ 41,974.60	\$ 5,011,276.26
Licenses and Permits	14,053.45	48,695.58					62,749.03
Intergovernmental	700,407.68	1,154,126.79	137,666.38	766,563.44		351,825.29	3,110,589.58
Charges for Services	745,580.68	62,887.50			76.00	179,849.06	988,393.24
Miscellaneous	162,942.04	124,527.63	943.28	400.20	1,353.91	241,033.97	531,201.03
Total Revenues	6,189,077.13	1,390,237.50	138,609.66	766,963.64	404,638.29	814,682.92	9,704,209.14
Expenditures							
Current:							
General Government	1,875,529.56		60,478.70		404,638.29	3,371.06	2,344,017.61
Public Safety	2,171,703.51		2,000.00			174,822.52	2,348,526.03
Highways and Roads		2,317,292.87		1,776,359.19		208,986.10	4,302,638.16
Sanitation	31,024.80						31,024.80
Health	5,000.00		26,468.80				31,468.80
Welfare	82,918.67					89,378.54	172,297.21
Culture and Recreation	115,770.24		2,650.00			1,560.00	119,980.24
Capital Outlay	42,016.64	573,064.00				12,000.00	627,080.64
Debt Service:							
Principal Retirement						215,000.00	215,000.00
Interest and Fiscal Charges						221,976.92	221,976.92
Intergovernmental	20,000.00						20,000.00
Total Expenditures	4,343,963.42	2,890,356.87	91,597.50	1,776,359.19	404,638.29	927,095.14	10,434,010.41
Excess (Deficiency) of Revenues Over Expenditures	1,845,113.71	(1,500,119.37)	47,012.16	(1,009,395.55)		(112,412.22)	(729,801.27)
Other Financing Sources (Uses)							
Transfers In		1,031,000.00		629,791.38		477,929.05	2,138,720.43
Sale of Capital Assets		126,945.00					126,945.00
Transfers Out	(1,508,929.05)					(629,791.38)	(2,138,720.43)
Total Other Financing Sources (Uses)	(1,508,929.05)	1,157,945.00		629,791.38		(151,862.33)	126,945.00
Net Changes in Fund Balances	336,184.66	(342,174.37)	47,012.16	(379,604.17)		(264,274.55)	(602,856.27)
Fund Balances - Beginning of Year	1,664,177.81	638,944.82	907,654.58	856,021.09		1,968,447.94	6,035,246.24
Fund Balances - End of Year	\$ 2,000,362.47	\$ 296,770.45	\$ 954,666.74	\$ 476,416.92	\$	\$ 1,704,173.39	\$ 5,432,389.97

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

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, 2019

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (602,856.27)

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 those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense differed from capital outlay in the current period.

Capital Outlay Expenditures	\$ 627,080.64	
Depreciation Expense	<u>(557,830.11)</u>	69,250.53

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 215,000.00

Revenues for donated assets are recorded in the Statement of Activities, but do not provide current financial resources and, therefore, are not reported as revenues in governmental funds. 45,000.00

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

Amortization of Deferred Amount on Refunding	\$ (41,080.12)	
Net Increase in Compensated Absences	(4,814.49)	
Net Decrease in Accrued Interest Payable	14,161.03	
Net Change in Pension Expense	<u>(101,505.30)</u>	
Total Additional Expenses		<u>(133,238.88)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ (406,844.62)

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

Statement of Fiduciary Net Position
September 30, 2019

	Private-Purpose Trust Funds
<hr/>	
<u>Assets</u>	
Cash and Cash Equivalents	\$ 458,282.69
Investments	1,101,580.69
Receivables (Note 4)	12,753.01
Total Assets	<u>1,572,616.39</u>
<u>Net Position</u>	
Held in Trust for Other Purposes	<u>1,572,616.39</u>
Total Net Position	<u>\$ 1,572,616.39</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, 2019***

	Private-Purpose Trust Funds
<u>Additions</u>	
Contributions from:	
Interest	\$ 2,234.70
Excess Land Sales	19,775.51
Park and Recreation Receipts	87,382.14
Fiduciary Fund Receipts	<u>627,844.39</u>
Total Additions	<u>737,236.74</u>
<u>Deductions</u>	
Parks and Recreation Disbursements	91,833.78
Payments to Beneficiaries	1,199,552.55
Land Redemption	<u>12,429.14</u>
Total Deductions	<u>1,303,815.47</u>
Change in Net Position	(566,578.73)
Net Position - Beginning of Year	<u>2,139,195.12</u>
Net Position - End of Year	<u>\$ 1,572,616.39</u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2019

Note 1 – Summary of Significant Accounting Policies

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

Notes to the Financial Statements

For the Year Ended September 30, 2019

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. The expenditures of special county property taxes for building and maintaining public buildings, roads and bridges are also accounted for in the General Fund.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges, and rights-of-ways. The Gasoline Tax Fund is also used to account for the expenditures of motor vehicle license taxes and fees and drivers license revenues for the construction, improvement and maintenance of public highways and streets.
- ◆ **Capital Improvement Fund** – This fund is used to account for expenditures of funds received from the Alabama Trust Fund. Funds may be used for public buildings, solid waste, public utilities, road and bridges (up to 50% of funds received may be used), bonds and warrants, public health and pensions and security.
- ◆ **RRR Gasoline Tax Fund** – This fund is used to account for the Commission's share of the statewide four-cent gasoline tax and five cent gasoline tax. Revenues are earmarked for resurfacing, restoration, and rehabilitation of county roads.
- ◆ **Reappraisal Fund** – This fund is used to account for property taxes and other revenues required to be expended for the costs of the County's property reappraisal program.

Notes to the Financial Statements

For the Year Ended September 30, 2019

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 financial resources 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 type:

Fiduciary Fund Type

- ◆ **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.

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2019

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, 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 is 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 and demand deposits.

State statutes authorize the County Commission to invest in obligations of the U. S. Treasury and securities of federal agencies and certificates of deposit. The Commission's only investments are certificates of deposit, which are reported at cost.

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

Notes to the Financial Statements

For the Year Ended September 30, 2019

Receivables due from other governments include revenues collected by the State and shared with the Commission.

3. Restricted Assets

Certain general obligation debt proceeds, as well as certain resources set aside for their repayment, are included in cash or cash with fiscal agent on the balance sheet but are considered restricted because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. The General Obligation Warrants Series 2018-A and General Obligation Warrants Series 2018-B accounts are used to segregate resources accumulated for debt service payments.

4. 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
Infrastructure – Roads	\$250,000	20 years
Infrastructure – Bridges	\$ 50,000	40 years
Buildings	\$ 50,000	20 – 40 years
Building Improvements	\$ 50,000	7 – 30 years
Equipment and Furniture	\$ 5,000	5 – 15 years

Notes to the Financial Statements
For the Year Ended September 30, 2019

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.

5. 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.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

7. Compensated Absences

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

Annual Leave

Eligible employees shall earn leave according to the following schedule:

Completed Service	Annual Leave Earned
Fewer than 5 years	13 days per year
5 but less than 10 years	16 days and 2 hours per year
10 but less than 15 years	19 days and 4 hours per year
15 but less than 20 years	22 days and 6 hours per year
20 but less than 25 years	26 days per year
25 years or more	29 days and 2 hours per year

Employees may accumulate and carry up to sixty days of annual leave into the next leave year. Accumulated leave in excess of sixty days at the end of the leave year is forfeited by the employee. Upon separation from county service, an employee will be paid for his unused accrued annual leave, not to exceed sixty days. 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.

Notes to the Financial Statements

For the Year Ended September 30, 2019

Sick Leave

Eligible employees earn sick leave credit at the rate of 4 hours for each bi-weekly period of service. Eligible county employees may accumulate but not exceed a maximum of 150 days of sick leave. An employee who retires shall be entitled to be paid for fifty percent of his accumulated sick leave at the time of his retirement.

The Commission used the termination method to accrue its sick leave liability. Under this method, an accrual for earned sick leave is made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

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.

The *Code of Alabama 1975*, Section 36-21-4.1, provides that any non-elected law enforcement officer in the service of a county who has worked overtime be given the choice of overtime pay or compensatory leave. Under this statute, officers must make an election at the end of each month with regard to overtime earned during that month. Any overtime to be received as salary is to be paid the following month and any overtime to be taken as compensatory leave must be taken in the calendar year in which it is earned. Under this provision, deputies may accrue compensatory leave, but it must be used in the calendar year in which it is earned and there is no provision to pay out any unused compensatory leave.

8. Deferred Inflows of Resources

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

Notes to the Financial Statements

For the Year Ended September 30, 2019

9. 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 net position categories:

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

Fund balance is reported in governmental funds on the fund financial statements. Fund balances of governmental funds are reported in classifications to indicate the level of constraint on the use of the fund balances. Those classifications and associated constraints are as follows.

- ◆ **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.

Notes to the Financial Statements
For the Year Ended September 30, 2019

- ◆ **Committed** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal resolution of the County 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 resolution to remove or modify the restraint.

- ◆ **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission Chairman or County Administrator makes a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

- ◆ **Unassigned** – Unassigned fund balances include all spendable amounts not contained in one of the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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

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.

Notes to the Financial Statements

For the Year Ended September 30, 2019

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) for the General Fund with the exception of motor vehicle ad valorem taxes, which are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. The Gasoline Tax Fund, Capital Improvement Fund, RRR Gasoline Tax Fund and Reappraisal Fund budget on a basis of accounting consistent with GAAP. The remaining governmental funds budget on the modified accrual basis of accounting (GAAP). All appropriations lapse at year-end.

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

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

Note 3 – Deposits and Investments

Deposits

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

Notes to the Financial Statements
For the Year Ended September 30, 2019

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

Note 4 – Receivables

On September 30, 2019, receivables for the Commission’s individual major and nonmajor funds, and fiduciary funds in the aggregate, are as follows:

	Accounts Receivable	Due from Other Governmental Units	Total Receivables
<u>Governmental Activities:</u>			
General Fund	\$207,837.89	\$ 98,975.87	\$306,813.76
Gasoline Tax Fund	35.83	80,934.11	80,969.94
Capital Improvement Fund		15,000.00	15,000.00
RRR Gasoline Tax Fund		69,767.31	69,767.31
Reappraisal Fund	50.00		50.00
Other Governmental Funds		17,633.22	17,633.22
Total Governmental Activities	<u>207,923.72</u>	<u>282,310.51</u>	<u>490,234.23</u>
<u>Fiduciary Activities:</u>			
Private-Purpose Trust Funds	12,753.01		12,753.01
Total Fiduciary Activities	<u>\$ 12,753.01</u>	<u>\$</u>	<u>\$ 12,753.01</u>

Notes to the Financial Statements
For the Year Ended September 30, 2019

Note 5 – Capital Assets

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

	Balance 10/01/2018	Additions	Retirements	Balance 09/30/2019
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Improvements – Inexhaustible	\$ 261,822.50	\$ 55,000.00	\$	\$ 316,822.50
Total Capital Assets, Not Being Depreciated	261,822.50	55,000.00		316,822.50
Capital Assets Being Depreciated:				
Buildings	6,347,422.54			6,347,422.54
Building Improvements	4,800,279.80			4,800,279.80
Infrastructure	3,163,379.36			3,163,379.36
Equipment and Furniture	4,927,016.60	617,080.64	(196,876.00)	5,347,221.24
Total Capital Assets Being Depreciated	19,238,098.30	617,080.64	(196,876.00)	19,658,302.94
Less Accumulated Depreciation for:				
Buildings	(3,642,541.54)	(137,434.41)		(3,779,975.95)
Building Improvements	(1,415,635.55)	(119,779.58)		(1,535,415.13)
Infrastructure	(1,011,238.78)	(79,084.48)		(1,090,323.26)
Equipment and Furniture	(4,236,535.36)	(221,531.64)	196,876.00	(4,261,191.00)
Total Accumulated Depreciation	(10,305,951.23)	(557,830.11)	196,876.00	(10,666,905.34)
Total Capital Assets Being Depreciated, Net	8,932,147.07	59,250.53		8,991,397.60
Governmental Activities Capital Assets, Net	\$ 9,193,969.57	\$ 114,250.53	\$	\$ 9,308,220.10

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$142,515.78
Public Safety	174,549.33
Highway and Roads	233,613.33
Culture and Recreation	7,151.67
Total Depreciation Expense – Governmental Activities	<u>\$557,830.11</u>

Notes to the Financial Statements

For the Year Ended September 30, 2019

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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2019

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.

Notes to the Financial Statements
For the Year Ended September 30, 2019

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,818
Terminated employees entitled to but not yet receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Active Members	56,760
Post-DROP participants who are still in active service	141
Total	<u>90,999</u>

Contributions

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2019

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, 2019, the Commission's active employee contribution rate was 5.45% of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 13.68% of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2019, was 14.06% of pensionable pay for Tier 1 employees, and 11.65% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, 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 \$400,273.70 for the year ended September 30, 2019.

B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2017, rolled forward to September 30, 2018, using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward		
	Expected	Actual 2017	Actual 2018
(a) Total Pension Liability as of September 30, 2017	\$13,648,338	\$13,576,357	\$13,645,066
(b) Discount Rate	7.75%	7.75%	7.70%
(c) Entry Age Normal Cost for October 1, 2017 through September 30, 2018	229,324	229,324	231,348
(d) Transfers Among Employers		9,189	9,189
(e) Actual Benefit Payments and Refunds for October 1, 2017 through September 30, 2018	(854,550)	(854,550)	(854,550)
(f) Total Pension Liability as of September 30, 2018 =[(a) x (1+(b))] + (c) +(d) +[(e) x (1+.05 * (b))]	\$14,047,744	\$13,979,374	\$14,048,824
(g) Difference between Expected and Actual		\$ (68,370)	
(h) Less Liability Transferred for Immediate Recognition		9,189	
(i) Experience (Gain)/Loss = (g) - (h)		\$ (77,559)	
(j) Difference between Actual at 7.70% and Actual 7.75% (Assumption Change (Gain)/Loss)=			\$ 69,450

Notes to the Financial Statements

For the Year Ended September 30, 2019

Actuarial Assumptions

The total pension liability at September 30, 2018, was determined based on the annual actuarial valuation funding report prepared as of September 30, 2017, which was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases	3.25% - 5.00%
Investment Rate of Return (*)	7.70%
(*) Net of pension plan investment expense	

Mortality rates for ERS 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, 2016, valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

Notes to the Financial Statements
For the Year Ended September 30, 2019

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

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

(*) Includes assumed rate of inflation of 2.75%.

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements
For the Year Ended September 30, 2019

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, 2017	\$13,648,338	\$ 9,814,374	\$3,833,964
Changes for the year:			
Service cost	229,324		229,324
Interest	1,024,632		1,024,632
Changes of assumptions	69,450		69,450
Difference between expected and actual experience	(77,559)		(77,559)
Contributions – Employer		313,977	(313,977)
Contributions – Employee		151,117	(151,117)
Net investment income		890,697	(890,697)
Benefit payments, including refunds of employee contributions	(854,550)	(854,550)	
Transfers among employers	9,189	9,189	
Net changes	400,486	510,430	(109,944)
Balances at September 30, 2018	\$14,048,824	\$10,324,804	\$3,724,020

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 7.70%, as well as what the Commission’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Commission’s Net Pension Liability	\$5,239,871	\$3,724,020	\$2,433,516

Notes to the Financial Statements

For the Year Ended September 30, 2019

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, 2018. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated September 17, 2019, 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.

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

For the year ended September 30, 2019, the Commission recognized pension expense of \$491,392. At September 30, 2019, 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	\$ 423,459.00	\$ 61,401.00
Changes of assumptions	209,312.00	
Net difference between projected and actual earnings on pension plan investments		341,014.00
Employer contributions subsequent to the measurement date	400,273.70	
Total	\$1,033,044.70	\$402,415.00

Notes to the Financial Statements
For the Year Ended September 30, 2019

The \$400,273.70 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending	
September 30, 2020	\$198,970.00
2021	\$ 71,173.00
2022	\$ (9,472.00)
2023	\$ (30,315.00)
2024	\$ 0.00
Thereafter	\$ 0.00

Note 7 – Long-Term Debt

In June 2018, the Commission issued Series 2018-A General Obligation Warrants in the amount of \$3,770,000.00 with interest rates ranging from 2.00 to 3.00 percent. The purpose of the debt was to refund on a current basis the 2011-B General Obligation Warrant and finance road improvements.

In June 2018, the Commission issued Series 2018-B General Obligation Warrants in the amount of \$2,095,000.00 with interest rates ranging from 2.75 to 4.00 percent. The purpose of the debt was to retire a loan obtained to assist a local hospital.

In September of 2018, the Commission co-signed an agreement with Tombigbee Healthcare Authority in the amount of \$1,000,350.00 with 4.09% interest rate.

Notes to the Financial Statements
For the Year Ended September 30, 2019

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2019:

	Debt Outstanding 10/01/2018	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2019	Amounts Due Within One Year
Governmental Activities:					
Warrants and Notes Payable:					
2018-A General Obligation Refunding Warrants	\$ 3,770,000.00	\$	\$(215,000.00)	\$ 3,555,000.00	\$400,000.00
2018-B General Obligation Refunding Warrants	2,095,000.00			2,095,000.00	180,000.00
Total Warrants Payable	5,865,000.00		(215,000.00)	5,650,000.00	580,000.00
Long-Term Notes Payable	1,000,000.00			1,000,000.00	
Total Warrants and Notes Payable	6,865,000.00		(215,000.00)	6,650,000.00	580,000.00
Other Liabilities:					
Compensated Absences	675,925.20	4,814.49		680,739.69	68,073.97
Net Pension Liability	3,833,964.00		(109,944.00)	3,724,020.00	
Total Other Liabilities	4,509,889.20	4,814.49	(109,944.00)	4,404,759.69	68,073.97
Total Governmental Activities Long-Term Liabilities	\$11,374,889.20	\$4,814.49	\$(324,944.00)	\$11,054,759.69	\$648,073.97

Payments on the warrants payable are made by the Debt Service Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 55% has been paid by the General Fund and 43% by the Gasoline Tax Fund and 2% by the Reappraisal Fund.

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

Fiscal Year Ending	Governmental Activities						Total Principal and Interest Requirements to Maturity
	2018-A General Obligation Warrants		2018-B General Obligation Warrants		Hospital Note Payable		
	Principal	Interest	Principal	Interest	Principal	Interest	
September 30, 2020	\$ 400,000.00	\$ 98,650.00	\$ 180,000.00	\$ 70,467.50		\$ 41,596.26	\$ 790,713.76
2021	410,000.00	88,500.00	185,000.00	65,217.50		41,482.60	790,200.10
2022	425,000.00	75,975.00	190,000.00	59,402.50		41,482.60	791,860.10
2023	435,000.00	63,075.00	200,000.00	53,112.50	1,000,000.00	41,482.60	1,792,670.10
2024	450,000.00	49,800.00	205,000.00	46,403.13			751,203.13
2025-2029	1,435,000.00	65,325.00	1,135,000.00	113,115.66			2,748,440.66
Total	\$3,555,000.00	\$441,325.00	\$2,095,000.00	\$407,718.79	\$1,000,000.00	\$166,044.06	\$7,665,087.85

Notes to the Financial Statements
For the Year Ended September 30, 2019

Deferred Charge on Refunding

The Commission has deferred outflows on refunding as a result of a loss on early extinguishment of debt in connection with the issuance of its 2018A General Obligation Warrants. The deferred outflow on refunding is being amortized using a straight-line method over a period of twelve years.

	Deferred Loss On Refunding
Total Deferred Loss on Refunding	\$492,961.41
Amount Amortized Prior Years	(41,080.12)
Remaining Amount	451,881.29
Current Amount Amortized	(41,080.12)
Balance September 30, 2019	\$410,801.17

Note 8 – Risk Management

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

The Commission has workers’ compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers’ Compensation Self Insurance Fund, a public entity risk pool. The premium level for the Fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per \$100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

Notes to the Financial Statements
For the Year Ended September 30, 2019

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

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

Note 9 – Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2019, were as follows:

	Transfers Out		Totals
	General Fund	Other Governmental Funds	
Transfers In:			
Gasoline Tax Fund	\$1,031,000.00	\$	\$1,031,000.00
RRR Gasoline Tax Fund		629,791.38	629,791.38
Other Governmental Funds	477,929.05		477,929.05
Totals	\$1,508,929.05	\$629,791.38	\$2,138,720.43

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 10 – Related Organizations

A majority of the members of the Boards of the organizations listed below are appointed by the Commission:

- ◆ South Marengo Water Authority
- ◆ Library Board
- ◆ Park and Recreation Board
- ◆ E911 Board
- ◆ Department of Human Resources
- ◆ Marengo County Economic Development Authority

Notes to the Financial Statements

For the Year Ended September 30, 2019

The Commission, however, is not financially accountable for these organizations because the Commission does not impose its will and have a financial benefit or burden relationship for the entities. Likewise, the organizations listed above are not considered to be part of the Commission's financial reporting entity. These entities are, however, considered to be related organizations of the Marengo County Commission.

Note 11 – Tax Abatements

The Commission enters into property tax abatement agreements with local businesses under the State Tax Incentive Reform Act of 1992, *Code of Alabama 1975*, Section 40-9B-1 through Section 40-9B-13. Under the Act, localities may grant property tax abatements for all state and local noneducational 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 Marengo County. These programs have the stated purpose of increasing business activity and employment in the County.

For the fiscal year ended September 30, 2019, total property taxes abated were \$465,164.00, including the following tax abatement agreements.

The County also is subject to tax abatements granted by (1) the City of Demopolis Industrial Development Board and (2) City of Linden. These programs have the stated purpose of increasing business activity and employment in the cities.

Granting Jurisdiction	Type	Property Tax
City of Linden	Manufacturing	\$ 310.80
Industrial Development Board of Demopolis	Hardwood Mill	291.60
Industrial Development Board of Demopolis	Poultry Farm	8,664.00
Industrial Development Board of Demopolis	Manufacturing	4,861.92
Industrial Development Board of Demopolis	Manufacturing	240,009.92
Industrial Development Board of Demopolis	Manufacturing	45,454.56
Industrial Development Board of Demopolis	Manufacturing	165,571.20
Total		\$465,164.00

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

- ◆ A 29 percent property tax abatement to a manufacturing business for increasing the size of its facilities and increasing employment was granted in the amount of \$240,009.92.
- ◆ A 29 percent property tax abatement to a manufacturing business for increasing the size of its facilities and increasing employment was granted in the amount of \$165,571.20.

Notes to the Financial Statements
For the Year Ended September 30, 2019

Note 12 – Subsequent Events

At a meeting on April 3, 2020, the Commission authorized the issuance of General Obligation Warrants, Series 2020, in the amount of \$16,500,000. The warrants were issued in order to enable the Commission to lend its credit to the Tombigbee Healthcare Authority, which operates Whitfield Regional Hospital in the County. Proceeds of the warrants shall be used by or on behalf of the Tombigbee Healthcare Authority for the purposes of the retirement of debt; payment of accounts payable; paying the costs of certain hospital improvements and equipment; paying interest on the warrants through February 1, 2021; and providing working capital for the Tombigbee Healthcare Authority for hospital and public health purposes.

Recently, the United States has encountered a COVID-19 pandemic which is adversely affecting the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions have been modified to ensure the safety of its citizenry as well as its employees. It is highly anticipated that revenues from all sources, including taxes and federal grants that are received by the Marengo County Commission will be severely impacted by this pandemic. Additionally, it is anticipated that there will be a significant increase in costs associated with the aftermath of COVID-19. Because so much is unknown at this time, it will be extremely difficult for the Marengo County Commission to prepare budgets for the upcoming fiscal year to anticipate the impact of the pandemic. The Marengo County Commission anticipates that its financial operations will be adversely impacted by this pandemic; however, the duration and severity of its effects is indeterminable at this time.

Required Supplementary Information

***Schedule of Changes in the Employer's Net Pension Liability
For the Year Ended September 30, 2019***

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 229,324	\$ 227,295	\$ 226,327	\$ 246,109	\$ 242,835
Interest	1,024,632	961,546	916,007	888,697	857,137
Difference between expected and actual experience	(77,559)	542,136	224,070	47,934	
Changes of assumptions	69,450		374,804		
Benefit payments, including refunds of employee contributions	(854,550)	(864,981)	(870,356)	(812,366)	(598,580)
Transfers among employers	9,189	(57,195)	83,417		
Net change in total pension liability	400,486	808,801	954,269	370,374	501,392
Total pension liability - beginning	13,648,338	12,839,537	11,885,268	11,514,894	11,013,502
Total pension liability - ending (a)	\$ 14,048,824	\$ 13,648,338	\$ 12,839,537	\$ 11,885,268	\$ 11,514,894
Plan fiduciary net position					
Contributions - employer	\$ 313,977	\$ 274,536	\$ 278,464	\$ 264,616	\$ 277,832
Contributions - employee	151,117	157,745	148,439	143,769	149,225
Net investment income	890,697	1,141,803	863,510	103,892	968,309
Benefit payments, including refunds of employee contributions	(854,550)	(864,981)	(870,356)	(812,366)	(598,580)
Other (Transfers among employers)	9,189	(57,195)	83,417		12,688
Net change in plan fiduciary net position	510,430	651,908	503,474	(300,089)	809,474
Plan fiduciary net positions - beginning	9,814,374	9,162,466	8,658,992	8,959,081	8,149,607
Plan fiduciary net positions - ending (b)	\$ 10,324,804	\$ 9,814,374	\$ 9,162,466	\$ 8,658,992	\$ 8,959,081
Commission's net pension liability - ending (a) - (b)	\$ 3,724,020	\$ 3,833,964	\$ 3,677,071	\$ 3,226,276	\$ 2,555,813
Plan fiduciary net position as a percentage of the total pension liability	73.49%	71.91%	71.36%	72.85%	77.80%
Covered payroll (*)	\$ 2,810,324	\$ 2,718,363	\$ 2,653,141	\$ 2,564,175	\$ 2,805,982
Commission's net pension liability as a percentage of covered payroll	132.51%	141.04%	138.59%	125.82%	91.08%

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2019, the measurement period is October 1, 2017 through September 30, 2018. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with 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, 2019***

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 400,274	\$ 324,364	\$ 284,661	\$ 278,464	\$ 264,616	\$ 277,832
Contributions in relation to the actuarially determined contribution	\$ 400,274	\$ 324,364	\$ 284,661	\$ 278,464	\$ 264,616	\$ 277,832
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 2,926,640	\$ 2,810,324	\$ 2,718,363	\$ 2,653,141	\$ 2,564,175	\$ 2,805,982
Contributions as a percentage of covered payroll	13.68%	11.54%	10.47%	10.50%	10.32%	9.90%

(*) 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 Employer Contributions is based on the 12 month period of the underlying financial statement.

(**) Employer's covered payroll for fiscal year 2019 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 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2018 through September 30, 2019:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	22.2 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, 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, 2019

	Budgeted Amounts		Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
Taxes	\$ 3,085,252.00	\$ 3,085,252.00	\$ 3,601,571.27	(1) (2)	\$ 964,522.01	\$ 4,566,093.28
Licenses and Permits	16,425.00	16,425.00	14,053.45			14,053.45
Intergovernmental	614,567.00	614,567.00	665,785.94	(2)	34,621.74	700,407.68
Charges for Services	623,540.00	623,540.00	682,693.18	(2)	62,887.50	745,580.68
Miscellaneous	159,254.85	159,254.85	158,766.98	(2)	4,175.06	162,942.04
Total Revenues	4,499,038.85	4,499,038.85	5,122,870.82		1,066,206.31	6,189,077.13
Expenditures						
Current:						
General Government	2,137,816.08	2,137,816.08	1,873,929.56	(3)	1,600.00	1,875,529.56
Public Safety	2,241,387.37	2,241,387.37	2,127,096.55	(3)	44,606.96	2,171,703.51
Sanitation	36,348.26	36,348.26	31,024.80			31,024.80
Health	5,000.00	5,000.00	5,000.00			5,000.00
Welfare	73,702.53	73,702.53	82,918.67			82,918.67
Culture and Recreation	123,327.78	123,327.78	115,691.73	(3)	78.51	115,770.24
Capital Outlay	68,821.66	68,821.66	42,016.64			42,016.64
Intergovernmental	20,000.00	20,000.00	20,000.00			20,000.00
Total Expenditures	4,706,403.68	4,706,403.68	4,297,677.95		46,285.47	4,343,963.42
Excess (Deficiency) of Revenues Over Expenditures	(207,364.83)	(207,364.83)	825,192.87		1,019,920.84	1,845,113.71
Other Financing Sources (Uses)						
Transfers In			170,000.00	(4)	(170,000.00)	
Transfers Out	(480,000.00)	(480,000.00)	(857,929.05)	(4)	(651,000.00)	(1,508,929.05)
Total Other Financing Sources (Uses)	(480,000.00)	(480,000.00)	(687,929.05)		(821,000.00)	(1,508,929.05)
Net Change in Fund Balances	(687,364.83)	(687,364.83)	137,263.82		198,920.84	336,184.66
Fund Balances - Beginning of Year	750,000.00	750,000.00	1,326,652.00	(5)	337,525.81	1,664,177.81
Fund Balances - End of Year	\$ 62,635.17	\$ 62,635.17	\$ 1,463,915.82		\$ 536,446.65	\$ 2,000,362.47

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2019***

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

(1) The Commission budgets for motor vehicle ad valorem taxes only to the extent they are expected to be received in the current fiscal period, rather than on the modified accrual basis (GAAP). \$ (23,292.40)

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

(2) Revenues		
General Special Fee Fund	\$ 62,982.76	
General Obligation Depository Fund	1,605.87	
Chickasaw State Park Fund	2,279.68	
Public Buildings, Roads and Bridges Fund	1,022,490.68	
Emergency Agency Fund	41.51	
Jail Construction Fund	98.21	1,089,498.71

(3) Expenditures		
General Special Fee Fund	\$ (1,600.00)	
Chickasaw State Park Fund	(78.51)	
Jail Construction Fund	(44,606.96)	(46,285.47)

(4) Other Financing Sources		
General Obligation Depository Fund	\$ 210,000.00	
Public Buildings, Roads and Bridges Fund	(1,031,000.00)	(821,000.00)

Net Increase in Fund Balance - Budget to GAAP	\$ 198,920.84
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(5) 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.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
License and Permits	\$	\$	\$	(1)	\$ 48,695.58	\$ 48,695.58
Intergovernmental	915,920.24	915,920.24	970,110.20	(1) (3)	184,016.59	1,154,126.79
Charges for Services				(1)	62,887.50	62,887.50
Miscellaneous	26,850.00	26,850.00	124,410.07	(1)	117.56	124,527.63
Total Revenues	942,770.24	942,770.24	1,094,520.27		295,717.23	1,390,237.50
Expenditures						
Current:						
Highways and Roads	2,782,120.24	2,782,120.24	2,317,292.87			2,317,292.87
Capital Outlay			573,064.00			573,064.00
Total Expenditures	2,782,120.24	2,782,120.24	2,890,356.87			2,890,356.87
Excess (Deficiency) of Revenues Over Expenditures	(1,839,350.00)	(1,839,350.00)	(1,795,836.60)		295,717.23	(1,500,119.37)
Other Financing Sources (Uses)						
Transfers In	1,839,350.00	1,839,350.00	1,260,666.38	(2) (3)	(229,666.38)	1,031,000.00
Proceeds from Sale of Capital Assets			126,945.00			126,945.00
Total Other Financing Sources (Uses)	1,839,350.00	1,839,350.00	1,387,611.38		(229,666.38)	1,157,945.00
Net Change in Fund Balances			(408,225.22)		66,050.85	(342,174.37)
Fund Balances - Beginning of Year			437,244.08	(4)	201,700.74	638,944.82
Fund Balances - End of Year	\$	\$	\$ 29,018.86		\$ 267,751.59	\$ 296,770.45

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2019***

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

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

(1) Revenues			
Public Highway and Traffic Fund	\$	110,052.57	
Gasoline Special Revenue Fund		<u>62,998.28</u>	\$ 173,050.85
(2) Other Financing Sources			
Public Highway and Traffic Fund			(107,000.00)
(3) The Commission transfers money among certain funds rather than recording the revenue in accordance with GASB Statement Number 54.			(122,666.38)
			<u>122,666.38</u>
Net Increase in Fund Balance - Budget to GAAP			<u>\$ 66,050.85</u>
(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.			

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Capital Improvement Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Intergovernmental	\$ 200,000.00	\$ 200,000.00	\$ 260,332.76 (1)	\$ (122,666.38)	\$ 137,666.38
Miscellaneous	500.00	500.00	943.28		943.28
Total Revenues	<u>200,500.00</u>	<u>200,500.00</u>	<u>261,276.04</u>	<u>(122,666.38)</u>	<u>138,609.66</u>
Expenditures					
Current:					
General Government	26,500.00	26,500.00	60,478.70		60,478.70
Public Safety	2,500.00	2,500.00	2,000.00		2,000.00
Health	26,500.00	26,500.00	26,468.80		26,468.80
Culture and Recreation			2,650.00		2,650.00
Total Expenditures	<u>55,500.00</u>	<u>55,500.00</u>	<u>91,597.50</u>		<u>91,597.50</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>145,000.00</u>	<u>145,000.00</u>	<u>169,678.54</u>	<u>(122,666.38)</u>	<u>47,012.16</u>
Other Financing Sources (Uses)					
Transfers Out	(100,000.00)	(100,000.00)	(122,666.38) (1)	122,666.38	
Total Other Financing Sources (Uses)	<u>(100,000.00)</u>	<u>(100,000.00)</u>	<u>(122,666.38)</u>	<u>122,666.38</u>	
Net Change in Fund Balances	45,000.00	45,000.00	47,012.16 (2)		47,012.16
Fund Balances - Beginning of Year	<u>907,502.91</u>	<u>907,502.91</u>	<u>907,654.58</u>		<u>907,654.58</u>
Fund Balances - End of Year	<u>\$ 952,502.91</u>	<u>\$ 952,502.91</u>	<u>\$ 954,666.74</u>	<u>\$</u>	<u>\$ 954,666.74</u>

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

- (1) The Commission transfers money among certain funds rather than recording the revenue in accordance with GASB Statement Number 54. \$ 122,666.38
(122,666.38)
- (2) Net Change in Fund Balance - Budget to GAAP \$

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - RRR Gasoline Tax Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Intergovernmental	\$ 695,000.00	\$ 695,000.00	\$ 766,563.44	\$	\$ 766,563.44
Miscellaneous	300.00	300.00	400.20		400.20
Total Revenues	695,300.00	695,300.00	766,963.64		766,963.64
Expenditures					
Current:					
Highways and Roads	1,500,000.00	1,500,000.00	1,776,359.19		1,776,359.19
Total Expenditures	1,500,000.00	1,500,000.00	1,776,359.19		1,776,359.19
Excess (Deficiency) of Revenues Over Expenditures	(804,700.00)	(804,700.00)	(1,009,395.55)		(1,009,395.55)
Other Financing Sources (Uses)					
Transfers In	1,666,841.26	1,666,841.26	629,791.38		629,791.38
Transfers Out	(695,300.00)	(695,300.00)			
Total Other Financing Sources (Uses)	971,541.26	971,541.26	629,791.38		629,791.38
Net Change in Fund Balances	166,841.26	166,841.26	(379,604.17)		(379,604.17)
Fund Balances - Beginning of Year	775,782.77	775,782.77	856,021.09		856,021.09
Fund Balances - End of Year	\$ 942,624.03	\$ 942,624.03	\$ 476,416.92	\$	\$ 476,416.92

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2019***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Taxes	\$ 380,542.61	\$ 380,542.61	\$ 403,208.38	\$	\$ 403,208.38
Charges for Services	1,250.00	1,250.00	76.00		76.00
Miscellaneous	1,060.00	1,060.00	1,353.91		1,353.91
Total Revenues	382,852.61	382,852.61	404,638.29		404,638.29
Expenditures					
Current:					
General Government	418,731.36	418,731.36	404,638.29		404,638.29
Capital Outlay	2,000.00	2,000.00			
Total Expenditures	420,731.36	420,731.36	404,638.29		404,638.29
Excess (Deficiency) of Revenues Over Expenditures	(37,878.75)	(37,878.75)			
Net Change in Fund Balances	(37,878.75)	(37,878.75)			
Fund Balances - Beginning of Year	37,878.75	37,878.75			
Fund Balances - End of Year	\$	\$	\$	\$	\$

Additional Information

Commission Members and Administrative Personnel
October 1, 2018 through September 30, 2019

<u>Commission Members</u>		<u>Term Expires</u>
Hon. Michael Thompson	Chairman	2022
Hon. Fred Armstead	Member	2022
Hon. Jason Windham	Member	2020
Hon. John Crawford, Jr.	Member	2018
Hon. Terry W. Hinton	Member	2022
Hon. Calvin Martin	Member	2020
<u>Administrative Personnel</u>		
Meredith Hammond	County Administrator	Indefinite

***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***

Independent Auditor's Report

Members of the Marengo County Commission and County Administrator
Linden, 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 Marengo County Commission (the "Commission") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 21, 2020.

Internal Control Over Financial Reporting

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

***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***

Compliance and Other Matters

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

Purpose of this Report

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

October 21, 2020