

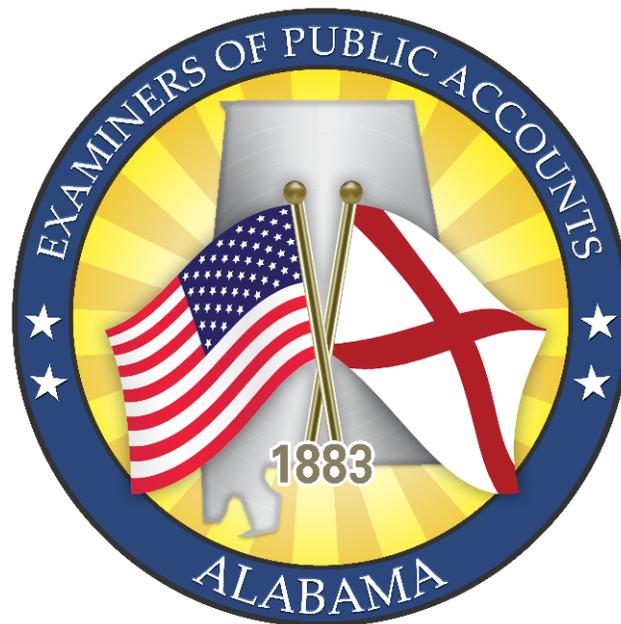
Report on the

# Choctaw County Commission

Choctaw County, Alabama

October 1, 2016 through September 30, 2017

Filed: February 19, 2021



## Department of Examiners of Public Accounts

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*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

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**Examiners of Public Accounts**

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

Dear Madam:

An audit was conducted on the Choctaw County Commission, Choctaw County, Alabama, for the period October 1, 2016 through September 30, 2017. 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,

A handwritten signature in cursive script that reads 'Cindy R. Wilson'.

Cindy R. Wilson  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

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

The Choctaw County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Choctaw 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, and health and welfare services and educational services to the citizens of Choctaw 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.

Financial statements for the fiscal year ending September 30, 2017, were not prepared by management until May 16, 2019. The Commission’s failure to prepare timely financial statements may impact the relevance of the financial information presented to users of the financial statements.

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

Tests performed during the audit did not disclose any significant instances of noncompliance with 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. Individuals in attendance were: Michael W. Armistead, Chairman of the County Commission; Jessica Hare, County Administrator; and County Commissioner: Tony Cherry. Representing the Department of Examiners of Public Accounts were: Sherry Owen, Audit Manager; and Cindy R. Wilson, Accounts Examiner.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Choctaw County Commission and County Administrator  
Butler, Alabama

### **Report on Financial Statements**

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

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Choctaw County Commission, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

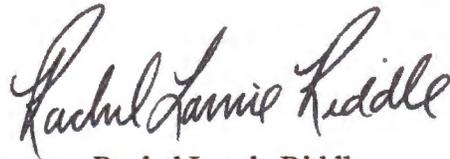
#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Net Pension Liability, the Schedule of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 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 February 4, 2021, on our consideration of the Choctaw 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 Choctaw 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 Choctaw County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

February 4, 2021

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# *Basic Financial Statements*

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

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 6,015,582.68
Cash with Fiscal Agent	522,033.44
Ad Valorem Taxes Receivable	2,534,078.06
Sales Tax Receivable	105,617.60
Due From Other Governments	109,864.32
Capital Assets (Note 4):	
Nondepreciable	781,233.95
Depreciable, Net	8,755,293.86
Total Assets	<u>18,823,703.91</u>
<b><u>Deferred Outflows of Resources</u></b>	
Deferred Outflows Related to Net Pension Liability	<u>1,201,338.00</u>
Total Deferred Outflows of Resources	<u>1,201,338.00</u>
<b><u>Liabilities</u></b>	
Payables (Note 7)	192,082.95
Unearned Revenue	245,652.51
Accrued Wages Payable	596,312.11
Accrued Interest Payable	102,677.17
Long-Term Liabilities (Note 9):	
Portion Due Within One Year:	
Warrants Payable	320,000.00
Capital Leases Payable	364,557.78
Portion Payable After One Year:	
Warrants Payable	8,080,000.00
Capital Leases Payable	1,291,009.67
Compensated Absences	65,507.20
Estimated Liability of Landfill Closure and Postclosure Care Costs	2,166,517.94
Net Pension Liability	3,035,356.00
Total Liabilities	<u>\$ 16,459,673.33</u>

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

	<b>Governmental Activities</b>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes	\$ 2,507,448.47
Revenue Received in Advance - Motor Vehicle Taxes	94,307.56
Deferred Inflows Related to Net Pension Liability	<u>248,828.00</u>
Total Deferred Inflows of Resources	<u>2,850,584.03</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	230,185.68
Restricted for:	
Sanitation	988,340.86
Highways and Roads	878,400.42
Debt Service	176,258.53
Other Purposes	1,028,195.16
Unrestricted	<u>(2,586,596.10)</u>
Total Net Position	<u>\$ 714,784.55</u>

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

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
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
General Government	\$ 3,279,839.44	\$ 479,684.06	\$ 90,347.88	\$ 67.83	\$ (2,709,739.67)
Public Safety	1,405,494.91	9,643.82	14,067.16	11,975.00	(1,369,808.93)
Highways and Roads	2,724,712.44		1,859,160.36	283,451.73	(582,100.35)
Sanitation	1,844,413.65				(1,844,413.65)
Health	19,570.86		3,369.48		(16,201.38)
Welfare	500.00				(500.00)
Culture and Recreation	9,220.49				(9,220.49)
Education	80,636.55				(80,636.55)
Interest on Long-Term Debt	290,044.53				(290,044.53)
Total Governmental Activities	<u>\$ 9,654,432.87</u>	<u>\$ 489,327.88</u>	<u>\$ 1,966,944.88</u>	<u>\$ 295,494.56</u>	<u>(6,902,665.55)</u>

**General Revenues:**

Taxes:		
Property Taxes for General Purposes		1,744,200.57
Property Taxes for Specific Purposes		886,527.70
Solid Waste Sales Tax		1,583,102.10
County Beer Tax		81,768.35
Miscellaneous Taxes		22,775.88
Grants and Contributions Not Restricted for Specific Purposes		391,124.45
Investment Earnings		3,603.27
Gain on Sale of Capital Assets		374,410.83
Miscellaneous Revenue		180,447.09
Total General Revenues		<u>5,267,960.24</u>
Changes in Net Position		(1,634,705.31)
Net Position - Beginning of Year		<u>2,349,489.86</u>
Net Position - End of Year		<u>\$ 714,784.55</u>

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

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

	General Fund	Solid Waste Sales Tax Fund	Gasoline Tax Fund	RRR Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and Cash Equivalents	\$ 2,016,655.89	\$ 889,327.72	\$ 97,431.00	\$ 748,011.30	\$ 291,611.40	\$ 1,972,545.37	\$ 6,015,582.68
Cash with Fiscal Agent	328,196.80					193,836.64	522,033.44
Ad Valorem Taxes Receivable	2,251,110.89				282,967.17		2,534,078.06
Sales Tax Receivable		105,617.60					105,617.60
Due from Other Governments			59,608.65	50,255.67			109,864.32
Total Assets	4,595,963.58	994,945.32	157,039.65	798,266.97	574,578.57	2,166,382.01	9,287,176.10
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities</b>							
Payables (Note 7)	170,295.68	6,604.46	3,974.95		2,835.57	8,372.29	192,082.95
Unearned Revenue					245,652.51		245,652.51
Accrued Wages Payable	316,476.09		215,192.61		43,123.32	21,520.09	596,312.11
Total Liabilities	486,771.77	6,604.46	219,167.56		291,611.40	29,892.38	1,034,047.57
<b>Deferred Inflows of Resources</b>							
Unavailable Revenue - Property Taxes	2,224,481.30				282,967.17		2,507,448.47
Revenue Received in Advance - Motor Vehicle Taxes	94,307.56						94,307.56
Total Deferred Inflows of Resources	2,318,788.86				282,967.17		2,601,756.03
<b>Fund Balances</b>							
Restricted for:							
Sanitation		988,340.86					988,340.86
Highways and Roads				798,266.97		80,133.45	878,400.42
Capital Projects						749,225.32	749,225.32
Debt Service						278,935.70	278,935.70
Other Purposes						1,028,195.16	1,028,195.16
Assigned for:							
Sheriff's Supernumerary Retirement	10,901.83						10,901.83
Unassigned	1,779,501.12		(62,127.91)				1,717,373.21
Total Fund Balances	1,790,402.95	988,340.86	(62,127.91)	798,266.97		2,136,489.63	5,651,372.50
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,595,963.58	\$ 994,945.32	\$ 157,039.65	\$ 798,266.97	\$ 574,578.57	\$ 2,166,382.01	\$ 9,287,176.10

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, 2017***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 5,651,372.50

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. (See Note 4)

The Cost of Capital Assets is	\$ 18,389,901.44	
Accumulated Depreciation is	<u>(8,853,373.63)</u>	9,536,527.81

Deferred outflows and inflows of resources related to pensions are applicable to future  
periods and, therefore, are not reported in the governmental funds. 952,510.00

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

	Current Liabilities	Noncurrent Liabilities	
Warrants Payable	\$ 320,000.00	\$ 8,080,000.00	
Capital Leases	364,557.78	1,291,009.67	
Accrued Interest Payable	102,677.17		
Compensated Absences		65,507.20	
Landfill Closure and Postclosure Care Costs		2,166,517.94	
Net Pension Liability		<u>3,035,356.00</u>	
Total Long-Term Liabilities	<u>\$ 787,234.95</u>	<u>\$ 14,638,390.81</u>	<u>(15,425,625.76)</u>

Total Net Position - Governmental Activities (Exhibit 1) \$ 714,784.55

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

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

	General Fund	Solid Waste Sales Tax Fund	Gasoline Tax Fund	RRR Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 2,412,512.01	\$ 1,583,102.10	\$	\$	\$ 322,760.49	\$	\$ 4,318,374.60
Licenses and Permits	1,654.00						1,654.00
Intergovernmental	503,041.81		863,781.97	924,396.96		368,500.32	2,659,721.06
Charges for Services	478,573.88					2,875.00	481,448.88
Miscellaneous	108,513.27	711.83	61,705.45	2,651.07	2.50	10,534.07	184,118.19
Total Revenues	3,504,294.97	1,583,813.93	925,487.42	927,048.03	322,762.99	381,909.39	7,645,316.73
<b>Expenditures</b>							
Current:							
General Government	2,012,219.24				322,762.99	215,026.62	2,550,008.85
Public Safety	1,259,871.58					82,249.57	1,342,121.15
Highways and Roads	3,776.40		1,493,970.08	862,874.60		38,122.12	2,398,743.20
Sanitation	404,629.51	1,069,017.86				27,982.73	1,501,630.10
Health	19,570.86						19,570.86
Welfare	500.00						500.00
Culture and Recreation	9,220.49						9,220.49
Education	60,786.75					19,849.80	80,636.55
Capital Outlay	352,215.84		1,042,355.50			168,424.00	1,562,995.34
Debt Service:							
Principal Retirement	137,447.28		105,451.20			1,067,150.00	1,310,048.48
Interest and Fiscal Charges	11,460.39		11,947.00			306,041.91	329,449.30
Payments to Refunded Debt Escrow Agent						252,924.54	252,924.54
Debt Issuance Costs	58,475.00					137,861.00	196,336.00
Total Expenditures	4,330,173.34	1,069,017.86	2,653,723.78	862,874.60	322,762.99	2,315,632.29	11,554,184.86
Excess (Deficiency) of Revenues Over Expenditures	(825,878.37)	514,796.07	(1,728,236.36)	64,173.43		(1,933,722.90)	(3,908,868.13)
<b>Other Financing Sources (Uses)</b>							
Transfers In	237,094.28		728,198.20			1,710,947.05	2,676,239.53
Debt Issued	2,265,000.00					4,830,000.00	7,095,000.00
Proceeds of Capital Leases	372,204.24		1,120,670.01				1,492,874.25
Sale of Capital Assets	174,659.76		857,950.00			8,802.00	1,041,411.76
Bond Discounts	(19,103.20)					(66,981.75)	(86,084.95)
Payments to Refunded Debt Escrow Agent	(1,859,225.00)					(3,906,957.17)	(5,766,182.17)
Transfers Out	(843,604.38)	(531,555.71)	(991,975.34)	(115,905.90)		(193,198.20)	(2,676,239.53)
Total Other Financing Sources (Uses)	327,025.70	(531,555.71)	1,714,842.87	(115,905.90)		2,382,611.93	3,777,018.89
Net Changes in Fund Balances	(498,852.67)	(16,759.64)	(13,393.49)	(51,732.47)		448,889.03	(131,849.24)
Fund Balances - Beginning of Year	2,289,255.62	1,005,100.50	(48,734.42)	849,999.44		1,687,600.60	5,783,221.74
Fund Balances - End of Year	\$ 1,790,402.95	\$ 988,340.86	\$ (62,127.91)	\$ 798,266.97	\$	\$ 2,136,489.63	\$ 5,651,372.50

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, 2017***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (131,849.24)

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

Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$1,562,995.34) exceeded depreciation (\$810,772.00) in the current period. 752,223.34

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,310,048.48

In the Statement of Activities, only the gain or loss on the capital assets is recognized, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by the book value of assets disposed.

Proceeds from Sale of Capital Assets	\$ (1,041,411.76)	
Gain on Disposition of Assets	<u>374,410.83</u>	(667,000.93)

Proceeds from debt issuance are reported as other financing sources in governmental funds and thus contribute to the changes in fund balance. However, in the Statement of Net Position issuing debt increases long term liabilities and does not affect the Statement of Activities. Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Debt Issued:		
Capital Leases	\$ (1,492,874.25)	
Warrants Payable	(7,095,000.00)	
Repayments:		
Payments to Refunding Bond Escrow Agent	<u>5,766,182.17</u>	
Net Debt Issued		(2,821,692.08)

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

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

Net Increase in Landfill Closure and Postclosure Care Costs	\$	(45,460.51)	
Net Increase in Compensated Absences		(3,783.97)	
Net Decrease in Accrued Interest Payable		39,404.77	
Loss on 2017 Gasoline Tax Refunding Warrants		(173,536.54)	
Gain on 2017-A General Obligation Refunding Warrants		41,579.37	
Loss on 2017-B General Obligation Refunding Warrants		(59,225.00)	
Net Change in Pension Expense		124,587.00	
Total Additional Expenses			<u>(76,434.88)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ (1,634,705.31)

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

	Pension Trust Fund	Private-Purpose Trust Funds	Agency Funds
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$	\$ 217,031.57	\$ 2.45
Investments	3,148,324.00		
Total Assets	<u>3,148,324.00</u>	<u>217,031.57</u>	<u>2.45</u>
<b><u>Liabilities</u></b>			
Payables (Note 7)		87,513.18	2.45
Total Liabilities		<u>87,513.18</u>	<u>\$ 2.45</u>
<b><u>Net Position</u></b>			
Held in Trust for Pension Benefits	3,148,324.00		
Held in Trust for Other Purposes		129,518.39	
Total Net Position	<u>\$ 3,148,324.00</u>	<u>\$ 129,518.39</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, 2017***

	Pension Trust Fund	Private-Purpose Trust Funds
<b><u>Additions</u></b>		
Contributions:		
Employer Contributions	\$ 641,916.00	\$
Fiduciary Fund Receipts		15,125.28
Worthless Check Charges		9,482.06
Charges for Services		3,419.15
Court Fees		5,075.11
Interest		13.06
Total Contributions	641,916.00	33,114.66
<b><u>Investment Income</u></b>		
Investment Income, Realized Gains and Unrealized Appreciation	216,550.00	
Total Investment Income	216,550.00	
Total Additions	858,466.00	33,114.66
<b><u>Deductions</u></b>		
Insurance Premiums Paid	56,592.00	
Administrative Expenses:		
Fiduciary Fund Disbursements		15,002.34
District Attorney		5,219.56
Worthless Check Unit		9,482.06
Law Library		1,444.46
Total Deductions	56,592.00	31,148.42
<b><u>Changes in Net Position Held in Trust for</u></b>		
Employees' Pension Benefits	801,874.00	
Individuals, Organization and Other Governments		1,966.24
Net Position - Beginning of Year	2,346,450.00	127,552.15
Net Position - End of Year	\$ 3,148,324.00	\$ 129,518.39

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

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## *Notes to the Financial Statements*

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

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

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

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

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

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

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

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

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

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## *Notes to the Financial Statements*

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

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#### **Fund Financial Statements**

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, the General Fund is used to account for the expenditures of special county property taxes for buildings and maintaining public buildings, roads and bridges.
- ◆ **Solid Waste Sales Tax Fund** – This fund is used to account for revenues generated by a special sales and use tax which may be expended for the purpose of paying operational costs of the county mandatory solid waste disposal program.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of the seven-cent State gasoline tax revenue for the construction, improvement, maintenance, and supervision of highways, bridges, and streets.
- ◆ **RRR Gasoline Tax Fund** – This fund is used to account for the county's share of statewide four-cent gasoline tax. Revenues are earmarked for the resurfacing, restoration, and rehabilitation of county roads.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures of property taxes restricted for the Commission's reappraisal program.

The Commission reports the following 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.

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## *Notes to the Financial Statements*

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

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- ◆ **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 types:

#### **Fiduciary Fund Types**

- ◆ **Pension Trust Fund** – This fund is used to account for resources that are required to be held in trust for the members and beneficiaries of the Commission’s defined benefit pension plans.
- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.
- ◆ **Agency Funds** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

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

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

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

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

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

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

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

***1. Deposits and Investments***

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Commission to invest in obligations of the U. S. Treasury and securities of federal agencies and certificates of deposit.

Investments are reported at fair value, based on quoted market prices.

***2. Receivables***

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

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## *Notes to the Financial Statements*

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

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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.

Receivables due from other governments include amounts due from the State of Alabama and local governments.

### **3. Restricted Assets**

Certain general obligation and special revenue warrants, as well as certain resources set aside for their repayment, shown in cash are considered restricted assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Various debt service accounts are used to segregate resources accumulated for debt service payments. Cash with fiscal agent is restricted for capital projects.

### **4. Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column 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.

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

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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
Roads	\$250,000	20 years
Bridges	\$ 50,000	40 years
Buildings	\$ 50,000	25 – 40 years
Building Improvements	\$ 50,000	30 years
Improvements Other Than Buildings	\$ 5,000	20 – 50 years
Motor Vehicles	\$ 5,000	5 years
Equipment and Furniture	\$ 5,000	5-10 years
Land Improvements – Exhaustible	\$ 50,000	20 years

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

**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 governmental activities Statement of Net Position. In the fund financial statements, the face amount of debt issued is reported as other financial sources.

**7. Compensated Absences**

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

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

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**Annual Leave**

Eligible employees shall earn annual leave according to the following schedule:

Completed Continuous Service	Earned Leave Per Year
Less Than One Year	Seven Days Per Year
One Through Nine Years	Ten Days Per Year
Ten Through Twenty Years	Thirteen Days Per Year
Over Twenty Years	Sixteen Days Per Year

Up to one year of accrued annual leave may be carried forward into the next leave year. Leave not taken by December 31 of the year in which it is carried forward will be forfeited unless the employee is required to work by the Commission. In such situations, the employee may be either allowed to carry any unused days forward to the next year or be paid for the unused days, at the discretion of the Commission. Upon separation from county service, an individual may be either paid for all unused annual leave at his/her current rate of pay or be required to take his/her leave, at the discretion of the department head and the Commission.

**Sick Leave**

Employees earn credit for paid sick leave at the rate of four (4) hours of leave for each full bi-weekly pay period worked for a total of thirteen (13) days per year. County employees may accumulate up to ninety (90) days total sick leave. Upon separation, an employee is not paid for his/her accumulated sick leave credits. However, all individuals who are separated in good standing may receive up to ninety (90) days credit for unused sick leave accrued from the prior employment if they are reinstated within twelve (12) calendar months from the effective date of separation.

**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 may accumulate 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.

At September 30, 2017, no liability for unpaid sick leave is accrued in the financial statements since employees do not receive termination payments for sick leave balances.

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## *Notes to the Financial Statements*

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

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#### **8. Deferred Inflows of Resources**

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

#### **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 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 in the fund financial statements under the following five categories:

- ◆ **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include inventories, prepaid items, and long-term receivables.

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## *Notes to the Financial Statements*

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

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- ◆ **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- ◆ **Committed** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- ◆ **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission Chairman or County Treasurer 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 the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

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

#### **E. Pensions**

The financial statements of the Choctaw County Pension Plan and Trust (the “Plan”) are prepared under the accrual method of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administrative expenses of the Plan are paid by the Commission’s General Fund.

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

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

**A. 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 salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. Also, ad valorem taxes are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. The Gasoline Tax Fund budgets on a basis of accounting consistent with GAAP with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. All other governmental funds are budgeted on a basis of accounting consistent with GAAP. All appropriations lapse at fiscal year-end.

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

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

**B. Deficit Fund Balances/Net Position of Individual Funds**

At September 30, 2017, the following governmental fund had a deficit fund balance:

Gasoline Tax Fund	<u>\$62,127.91</u>
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The deficit in the Gasoline Tax Fund occurred as a result of accruing salaries at September 30, 2017.

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

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**Note 3 – Deposits and Investments**

**A. Deposits**

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

**B. Investments**

The *Code of Alabama 1975*, Section 11-8-11 and Section 11-81-20, authorizes the Pension Trust Fund to invest in obligations of the U. S. Treasury and federal agency securities along with certain pre-refunded public obligation such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state.

The Commission categorizes its fair value measurements within the fair value hierarchy established by the Governmental Accounting Standards Board (GASB) Statement Number 72, ***Fair Value Measurement and Application***. The hierarchy is based on the valuation inputs used to measure their value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant observable inputs.

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

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As of September 30, 2017, the Commission’s Pension Trust Fund (Retirement System Fund) had the following investments and maturities in investments:

Investment Type	Maturities	Fair Value	Fair Value Hierarchy
Common Stock	N/A	\$ 586,233.00	Level 1
Insurance Annuities	N/A	2,562,091.00	Level 2
Total		<u>\$3,148,324.00</u>	
N/A – Not Applicable			

The common stock was given to the Commission from a previous administrator of the Commission’s retirement plan and the Commission has no cost basis in the stock. The Commission purchases insurance annuities for the retirement plan as provided for by the *Code of Alabama 1975*, Section 11-91-1.

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

**Credit Risk** – State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Pension Trust Fund invests in be rated in the highest rated category of Standard’s and Poor’s Corporation and Moody’s Investors Service, Inc. The Commission does not have formal investment policy that requires the investments to be rated in the highest rating category. As of September 30, 2017, the pension Trust Fund’s investments in common stock were rated A by Standard & Poor’s and Baa3 by Moody’s Investors Service, Inc. The Pension Trust Fund’s insurance annuities investments were rated A- by Standard and Poor’s and A3 by Moody’s Investors Service, Inc.

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

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Pension Trust Fund does not have a formal investment policy that limits investments in any one issuer.

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

**Note 4 – Capital Assets**

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

	Balance 10/01/2016	Additions/ Reclassifications	Retirements/ Reclassifications	Balance 09/30/2017
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 781,233.95	\$	\$	\$ 781,233.95
Total Capital Assets, Not Being Depreciated	781,233.95			781,233.95
Capital Assets Being Depreciated:				
Land Improvements - Exhaustible	5,345,749.23			5,345,749.23
Infrastructure	5,998,028.12			5,998,028.12
Buildings and Building Improvements	539,794.70			539,794.70
Equipment and Motor Vehicles	3,831,222.78	187,904.00	(215,696.93)	3,803,429.85
Assets Under Capital Lease	1,389,844.25	1,375,091.34	(843,270.00)	1,921,665.59
Total Capital Assets Being Depreciated	17,104,639.08	1,562,995.34	(1,058,966.93)	17,608,667.49
Less Accumulated Depreciation for:				
Land Improvements – Exhaustible	(1,895,005.00)	(267,287.00)		(2,162,292.00)
Infrastructure	(2,363,367.63)	(149,950.00)		(2,513,317.63)
Buildings and Building Improvements	(539,794.00)			(539,794.00)
Equipment and Motor Vehicles	(3,344,281.00)	(113,553.00)	223,326.00	(3,234,508.00)
Assets Under Capital Lease	(292,120.00)	(279,982.00)	168,640.00	(403,462.00)
Total Accumulated Depreciation	(8,434,567.63)	(810,772.00)	391,966.00	(8,853,373.63)
Total Capital Assets Being Depreciated, Net	8,670,071.45	752,223.34	(667,000.93)	8,755,293.86
Total Governmental Activities Capital Assets, Net	\$ 9,451,305.40	\$ 752,223.34	\$ (667,000.93)	\$ 9,536,527.81

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 46,840.00
Public Safety	90,683.00
Highways and Roads	364,718.00
Sanitation	308,531.00
Total Depreciation Expense - Governmental Activities	<u>\$810,772.00</u>

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

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**Note 5 – Defined Benefit Pension Plan**

**A. Plan Description**

The *Code of Alabama 1975*, Section 11-91-1, gives the Commission the power and authority to contract for and obtain and maintain individual annuity contracts, retirement income policies or group annuity contracts to provide a retirement plan for the benefit of the officers and employees of the Commission.

The Choctaw County Commission’s retirement plan, the Choctaw County Pension Plan and Trust (the “Plan”), was established for the Commission on October 1, 1972, and the Commission continues to authorize its activities. The Plan is a single-employer defined benefit pension plan that provides pension benefits for employees who meet all of the following eligibility requirements:

- a. Is a full-time permanent employee who is regularly employed for more than 30 hours in any one week and more than 5 months in any one year;
- b. Has attained the age 20
- c. Has completed one year of continuous service
- d. Is under the direct supervision of the Commission or is serving at the behest of the Commission

The Commission contributes to a private insurance company that acts as a common investment and administrative agent for the county’s plan and departments. The private insurance company was State Mutual of America prior to October 1, 1992, then it was The Travelers Insurance Company to September 30, 2012, and now it is Met Life Group Choice.

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

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**Benefits Provided**

Membership is provided for covered or eligible employees of the Commission. Benefits vest at 20 percent after 3 years, 40 percent after 4 years, 60 percent after 5 years, 80 percent after 6 years, and fully vest after 7 years of creditable service. Also, effective October 1, 1992, vested elected public officials may retire with full benefits upon completion of five four-year terms. The five four-year terms shall be equivalent to twenty years of service. On his or her normal retirement date, a participant is entitled to a monthly benefit equal to 2.013% of his average monthly earnings multiplied by his years of credited service. In the event of early retirement, a participant who has completed at least 5 years of service may elect to retire on the first day of the month coincident with or next following his or her 60<sup>th</sup> birthday. The monthly benefit is based on years of credited service completed as of his early retirement date and shall be actuarially reduced from age 65 to the early retirement date. In the event of late retirement, a participant who works beyond his normal retirement date will be entitled to a monthly pension equal to the normal retirement benefit increased actuarially to the actual date of retirement, plus any additional amounts due to increased years of credited service and increased average monthly earnings after his normal retirement date. The retirement plan also provides death benefits. Benefit provisions are established and amended by the Commission.

**Employees Covered by Benefit Terms**

At September 30, 2017, the membership consisted of approximately 93 employees identified as follows:

Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving them	45
Active Members	47
Totals	<u>93</u>

**Investments**

The members of the Choctaw County Commission have full power to invest and reinvest the assets of the Retirement System for Employees of Choctaw County in certificates of deposit, federal securities, bonds, notes, debentures, other debt securities or participation certificates, repurchase agreements, money market funds, State issued bonds, notes or warrants, commercial paper, equity securities and high grade corporate bonds. The Choctaw County Commission also has the authority to designate the Administrator or a bank or trust company, or both, as custodian of the assets of the retirement system. The Commission has elected since 1992, that Business Planning, Inc., serve as the Investment Advisor of the funds and handle all of the investing and monitoring of the investments.

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

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The Commission received 6,048 shares of stock in Allmerica Financial Corporation from the previous administrator of their retirement plan. The stock was given to them from prior participation. The Commission has no cost basis in the stock. On September 30, 2017, the stock was valued at \$96.93 per share for a total value of \$586,233.

Business Planning, Inc., was paid \$7,875.00 to administer the Retirement System's investments for the 2017 fiscal year.

**Investment Valuation**

Plan investments are stated at fair value. Quoted market prices are used for all investments.

**Contributions**

Covered employees are not required to make contributions to the plan. The Commission makes all contributions to the plan.

For the year ended September 30, 2017, the Commission's annual pension contribution of \$641,916.00 was equal to the present value of future normal cost payments and the present value of future salaries. These values were used to calculate a normal cost accrual rate, which was used to determine the normal cost amounts of the required contributions.

The Schedule of Employer Contributions, which is required supplementary information, is contained in Exhibit 10.

**B. Net Pension Liability**

The Choctaw County Commission's net pension liability was for the measurement date for fiscal year ending September 30, 2017.

Total Pension Liability	\$6,183,680
Market Value of Assets Held in Trust	3,148,324
Net Pension Liability	<u>\$3,035,356</u>

## *Notes to the Financial Statements*

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

#### Actuarial Assumptions

The actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	5.00%
Long-Term Rate of Return	3.40%
Salary Increases	None

Mortality rates were based on the Optional Small Plan Combined Tables based on RP-2000 projected to 2017, sex distinct.

#### Discount Rate

The discount rate used to measure the total pension liability was 5.00 percent and the long-term rate of return on assets was 3.40 percent. The projection of cash flows used to determine the discount rate assumed that the Commission will make the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### C. Changes in Net Pension Liability

	(Increase/Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2016	\$5,842,417.00	\$2,346,450.00	\$3,495,967.00
Changes for the Year:			
Service Cost	200,100.00		200,100.00
Interest	290,357.00		290,357.00
Differences Between Expected and Actual Experience	(92,602.00)		(92,602.00)
Contributions - Employer		641,916.00	(641,916.00)
Net Investment Income		216,550.00	(216,550.00)
Benefit Payments, including Refunds of Employee Contributions	(56,592.00)	(56,592.00)	
Net Changes	341,263.00	801,874.00	(460,611.00)
Balances at September 30, 2017	<u>\$6,183,680.00</u>	<u>\$3,148,324.00</u>	<u>\$3,035,356.00</u>

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

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

The following table presents the Choctaw County Commission's net pension liability calculated using the discount rate of 5%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4%) or 1-percentage point higher (6%) than the current rate:

	1% Decrease (4.00%)	Current Rate (5.00%)	1% Increase (6.00%)
Commission's Net Pension Liability	\$4,315,819	\$3,035,356	\$2,048,943

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

For the year ended September 30, 2017, the Commission recognized pension expense of \$643,397.00. At September 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$1,124,494.00	\$ (92,602.00)
Net difference between projected and actual earnings on pension plan investments	76,844.00	(156,226.00)
Total	<u>\$1,201,338.00</u>	<u>\$ (248,828.00)</u>

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

Year Ending:	Deferred Outflows of Resources	Deferred Inflows of Resources
September 30, 2018	\$122,183.28	\$43,434.79
2019	\$122,183.28	\$43,434.79
2020	\$122,183.28	\$40,595.39
2021	\$122,183.28	\$33,977.99
2022	\$102,972.28	\$33,977.99
Thereafter	\$609,632.60	\$53,407.05

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

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**Note 6 – Contingent Liabilities**

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The Choctaw County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total contribution which at September 30, 2017, amounted to \$10,901.83.

**Note 7– Payables**

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

	Vendors	Due to Other Governments	Other Payables	Total Payables
<b>Governmental Activities:</b>				
General Fund	\$54,020.88	\$116,274.80	\$	\$170,295.68
Solid Waste Sales Tax Fund	6,604.46			6,604.46
Gasoline Tax Fund	3,974.95			3,974.95
Reappraisal Fund	2,835.57			2,835.57
Other Governmental Funds	8,372.29			8,372.29
Total – Governmental Activities	<u>75,808.15</u>	<u>116,274.80</u>		<u>192,082.95</u>
<b>Fiduciary Activities:</b>				
Private-Purpose Trust Funds			87,513.18	87,513.18
Agency Funds			2.45	2.45
Total – Fiduciary Activities	<u>\$</u>	<u>\$</u>	<u>\$87,515.63</u>	<u>\$ 87,515.63</u>

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

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**Note 8 – Capital Leases**

The Commission is obligated under certain leases accounted for as capital leases. Road equipment and motor vehicles under capital leases totaling \$1,921,665.59 was reported in governmental activities at September 30, 2017. If the Commission completes the lease payments according to the schedule below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease-purchase contracts give the Commission the right to cancel the lease with 30 days' written notice and payment of a pro rata share of the current year's lease payment. Until that time, the leased equipment will be identified separately in the Notes to the Financial Statements. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2017:

Fiscal Year Ending	Governmental Activities
September 30, 2018	\$ 405,017.33
2019	405,017.33
2020	320,777.33
2021	320,777.33
2022	320,780.16
Total Minimum Lease Payments	<u>1,772,369.48</u>
Less: Amount Representing Interest	<u>(116,802.03)</u>
Present Value of Net Minimum Lease Payments	<u>\$1,655,567.45</u>

**Note 9 – Long-Term Debt**

The Commission issues General Obligation Warrants to provide funds for the acquisition and construction of major capital facilities. In December 2009 the Commission issued General Obligation Refunding Warrants in the amount of \$2,545,000.00 with interest rates of 6.25 to 7.00 percent to refund, on a current basis, the Series 2002 General Obligation Warrants, which were used to provide funds for renovation of the county's landfill.

In March 2011, General Obligation Warrants, with interest rates of 4.40 to 6.50 percent, were issued to provide funds to construct a new cell of the County's landfill.

In September 2013, State Gasoline Tax Anticipation Refunding Warrants, with interest rates of 1.00 to 5.25 percent, were issued to provide funds to refund warrants that had been used to make improvements in the County's roads and bridges and to provide funds for new improvements in the County's roads and bridges.

## *Notes to the Financial Statements*

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

In January 2017, State Gasoline Tax Anticipation Refunding Warrants, with interest rates of 2.45 to 3.80 percent, were issued to provide funds to refund part of the Series 2013 State Gasoline Tax Anticipation Refunding Warrants and to provide funds for new improvements in the County's roads and bridges.

In February 2017, General Obligation Refunding Warrants, Series 2017-A, with interest rates of 1.60 to 3.50 percent, were issued to provide funds to refund part of the General Obligation 2011 warrants and for acquisition and construction of a solid waste depository cell at the existing county landfill.

In February 2017, Taxable General Obligation Refunding Warrants, Series 2017-B, with interest rates of 1.90 to 3.65 percent, were issued to provide funds to refund part of the General Obligation 2009 warrants and for General Fund purposes.

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

	Debt Outstanding 10/01/2016	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2017	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Warrants Payable:					
General Obligation Refunding Warrants, Series 2017-A	\$	\$2,135,000.00	\$ (10,000.00)	\$ 2,125,000.00	\$ 35,000.00
Taxable General Obligation Refunding Warrants, Series 2017-B		2,265,000.00	(25,000.00)	2,240,000.00	55,000.00
State Gasoline Tax Anticipation Refunding Warrants, Series 2017		2,695,000.00		2,695,000.00	15,000.00
State Gasoline Tax Anticipation Refunding Warrants, Series 2013	3,455,000.00		(2,320,000.00)	1,135,000.00	80,000.00
General Obligation Warrants, Series 2011	1,660,000.00		(1,560,000.00)	100,000.00	30,000.00
General Obligation Refunding Warrants, Series 2009	2,005,000.00		(1,900,000.00)	105,000.00	105,000.00
Capital Lease Contracts Payable	1,235,516.68	1,492,874.25	(1,072,823.48)	1,655,567.45	364,557.78
Estimated Liability for Payment of Landfill Closure and Postclosure Care Costs	2,121,057.43	45,460.51		2,166,517.94	
Estimated Liability for Compensated Absences	61,723.23	3,783.97		65,507.20	
Net Pension Liability	3,495,967.00		(460,611.00)	3,035,356.00	
Total Governmental Activities Long-Term Liabilities	<u>\$14,034,264.34</u>	<u>\$8,637,118.73</u>	<u>\$(7,348,434.48)</u>	<u>\$15,322,948.59</u>	<u>\$684,557.78</u>

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the General Fund and Debt Service Funds. The capital lease liability for the governmental activities will be liquidated by the General Fund, Gasoline Tax Fund and Equipment Fund.

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

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

Fiscal Year Ending	Warrants Payable		Capital Lease Contracts Payable		Total Principal and Interest Requirements To Maturity
	Principal	Interest	Principal	Interest	
September 30, 2018	\$ 320,000.00	\$ 272,598.75	\$ 364,557.78	\$ 40,459.55	\$ 997,616.08
2019	345,000.00	261,330.00	373,797.48	31,219.85	1,011,347.33
2020	345,000.00	253,320.00	298,392.79	22,384.54	919,097.33
2021	360,000.00	244,215.00	305,679.71	15,097.62	924,992.33
2022	370,000.00	234,211.25	313,139.69	7,640.47	924,991.41
2023-2027	1,990,000.00	1,005,642.50			2,995,642.50
2028-2032	1,605,000.00	691,913.16			2,296,913.16
2033-2037	1,345,000.00	462,005.64			1,807,005.64
2038-2042	1,495,000.00	192,386.25			1,687,386.25
2043	225,000.00	4,528.75			229,528.75
<b>Total</b>	<b>\$8,400,000.00</b>	<b>\$3,622,151.30</b>	<b>\$1,655,567.45</b>	<b>\$116,802.03</b>	<b>\$13,794,520.78</b>

**Pledged Revenues**

**State Gasoline Tax Anticipation Refunding Warrants, Series 2013**

The Commission has pledged tax revenues from the state gasoline tax proceeds to repay the State Gasoline Tax Anticipation Refunding Warrants, Series 2013, issued on September 1, 2013, to refund the Commission's Series 2001 Five and Seven Cents Gasoline Tax Warrants and to pay the costs of rehabilitation work. Future revenues in the amount of \$1,634,992.50 are pledged to repay principal and interest on the warrants at September 30, 2017. Proceeds of the state gasoline taxes in the amount of \$968,490.42 were received by the Commission during the fiscal year ended September 30, 2017, of which \$172,627.50 was used to pay principal and interest on the warrants. These warrants are scheduled to mature in fiscal year 2043.

**State Gasoline Tax Anticipation Refunding Warrants, Series 2017**

The Commission has pledged tax revenues from the state gasoline tax proceeds to repay the State Gasoline Tax Anticipation Refunding Warrants, Series 2017, issued on January 1, 2017, to refund part of the Commission's Series 2013 Five and Seven Cents Gasoline Tax Warrants and to pay the costs of rehabilitation work. Future revenues in the amount of \$4,295,346.30 are pledged to repay principal and interest on the warrants at September 30, 2017. Proceeds of the state gasoline tax in the amount of \$968,490.42 were received by the Commission during the fiscal year ended September 30, 2017, of which \$34,611.00 was used to pay interest on the warrants. These warrants are scheduled to mature in fiscal year 2043.

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## *Notes to the Financial Statements*

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

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#### *Defeased Debt*

On January 12, 2017, the Commission issued \$2,695,000.00 in State Gasoline Tax Anticipation Warrants to refund in advance of its maturity, a portion of the outstanding Series 2013 Five and Seven Cents Gasoline Tax Warrants, provide additional proceeds of \$160,092.46 to be used for improvements in the County's roads and bridges and to pay certain costs of issuance of the Series 2017 Warrants. The net proceeds of \$2,418,536.54 (after payment of \$75,035.00 in issuance costs and discount of \$41,336.00) were used to refund \$2,245,000.00 of the Series 2013 Gasoline Tax Warrants. As a result, that portion of Series 2013 Gasoline Tax Warrants are considered to be defeased and the liability for those warrants has been removed.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$173,536.54. This difference is being expensed in the current year. As a result of the current refunding, the Commission decreased its total debt service requirements by \$311,225.77. The result of this refunding was an economic gain of \$159,062.67.

On February 1, 2017, the Commission issued \$2,135,000.00 in General Obligation Refunding Warrants, Series 2017-A to refund in advance of its maturity, the outstanding General Obligation Warrants, Series 2011, provide additional proceeds of \$556,107.62 and to pay certain costs of issuance of the Series 2017-A Warrants. The net proceeds of \$1,488,420.63 (after payment of \$26,500.00 in issuance costs and discounts in the amount of \$63,971.75) were used to refund \$1,530,000.00 of the Series 2011 General Obligation Warrants. As a result, that portion of Series 2011 General Obligation Warrants are considered to be defeased and the liability for those warrants has been removed.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$41,579.37. This difference is being expensed in the current year. As a result of the current refunding, the Commission decreased its total debt service requirements by \$628,899.21. The result of this refunding was an economic gain of \$251,505.44.

On February 1, 2017, the Commission issued \$2,265,000.00 in Taxable General Obligation Refunding Warrants, Series 2017-B to refund in advance of its maturity, the outstanding General Obligation Warrants, Series 2009, provide additional proceeds of \$326,196.80 and to pay certain costs of issuance of the Series 2017-B Warrants. The net proceeds of \$1,859,225.00 (after payment of \$26,500.00 in issuance costs and discounts in the amount of \$53,078.20) were used to refund \$1,800,000.00 of the Series 2009 General Obligation Warrants. As a result, that portion of Series 2009 General Obligation Warrants are considered to be defeased and the liability for those warrants has been removed.

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## *Notes to the Financial Statements*

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

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The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$59,225.00. This difference is being expensed in the current year. As a result of the current refunding, the Commission decreased its total debt service requirements by \$415,592.62. The result of this refunding was an economic gain of \$326,891.06.

#### **Note 10 – Landfill Closure and Postclosure Care Costs**

State and federal laws and regulations require that the Commission place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,166,517.94, as of September 30, 2017, which is based on 80% usage (filled) of Cell 1, 58% usage (filled) of Cell 2A, and 5% usage (filled) of Cell 2B of the landfill. It is estimated that an additional \$1,730,097.06 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure care (\$3,896,615.00) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2017. However, the actual cost of closure may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

#### **Note 11 – 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 limited to \$100,000. Employment-related practices damage protection is limited to \$1,000,000 per incident with a \$5,000 deductible and each defense expense is limited to \$100,000. County specific coverages and limits can be added by endorsement.

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## *Notes to the Financial Statements*

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

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

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

#### **Note 12 – Interfund Transfers**

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

	Transfers Out					Totals
	General Fund	Solid Waste Sales Tax Fund	Gasoline Tax Fund	RRR Gasoline Tax Fund	Other Governmental Funds	
<u>Transfers In:</u>						
General Fund	\$	\$237,094.28	\$	\$	\$	\$ 237,094.28
Gasoline Tax Fund	535,000.00				193,198.20	728,198.20
Other Governmental Funds	308,604.38	294,461.43	991,975.34	115,905.90		1,710,947.05
Total Governmental Funds	<u>\$843,604.38</u>	<u>\$531,555.71</u>	<u>\$991,975.34</u>	<u>\$115,905.90</u>	<u>\$193,198.20</u>	<u>\$2,676,239.53</u>

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

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## *Notes to the Financial Statements*

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

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#### Note 13 – Tax Abatements

The Choctaw County Commission is subject to tax abatements granted by the City of Pennington. The government entered into property tax abatement agreements with local businesses under the State Tax Incentive Reform Act of 1992 (*Code of Alabama 1975*, Section 40-9B-1-13). Under the Act, localities may grant property tax abatements for all state and local non-educational property taxes, all construction related transaction taxes, except those local construction taxes levied for educational purposes or for capital improvement for education, and/or all mortgage and recording taxes. The abatements may be granted to any business located within or promising to relocate to Choctaw County.

For fiscal year ended September 30, 2017, total property taxes abated were \$79,655.74, including the following tax abatement agreements that exceeded 10 percent of the total amount abated:

Granting Jurisdiction	Type	Property Tax	Percentage of Abatements
Town of Pennington	Paper Products Manufacturing	<u>\$79,655.47</u>	100%

#### Note 14 – Related Organizations

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

Related Organizations
Choctaw County Emergency 911 Choctaw County Department of Human Resources North Choctaw Water Authority Choctaw-Edna Water Authority Choctaw County Public Library Choctaw County Parks and Recreation Board

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

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**Note 15 – Subsequent Events**

On September 12, 2019, the Commission issued State Gasoline Tax Anticipation Refunding Warrants, Series 2019, in the amount of \$1,135,000. The proceeds of the warrants will be used to refund the State Gasoline Tax Anticipation Refunding Warrants, Series 2013, and for the construction, improvements, maintenance and supervision and the resurfacing, restoration and rehabilitation of the public highways, roads, bridges and streets within the corporate limits of the Issuer.

On April 29, 2020, the Commission approved a General Obligation Warrant in the amount of \$872,737. The proceeds of the warrant will be used to purchase five dump trucks and one lowboy trailer.

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 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 Commission to prepare budgets for the upcoming fiscal year to anticipate the impact of the pandemic. The 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.

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*Required Supplementary Information*

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

	2017	2016	2015
<b><u>Total pension liability</u></b>			
Service cost	\$ 200,100	\$ 172,925	\$ 164,408
Interest	290,357	275,211	232,452
Difference between actual and expected experience	(92,602)	302,092	958,495
Benefit payments, including refunds of employee contributions	(56,592)	(443,788)	(488,767)
Net change in total pension liability	341,263	306,440	866,588
Total pension liability - beginning	5,842,417	5,535,977	4,669,289
Total pension liability - ending (a)	<u>\$ 6,183,680</u>	<u>\$ 5,842,417</u>	<u>\$ 5,535,977</u>
<b><u>Plan fiduciary net position</u></b>			
Contributions - employer	\$ 641,916	\$ 469,149	\$ 719,529
Net investment income	216,550	53,461	160,445
Benefit payments, including refunds of employee contributions	(56,592)	(443,788)	(488,767)
Net change in plan fiduciary net position	801,874	78,822	391,207
Plan fiduciary net position - beginning	2,346,450	2,267,628	1,876,421
Plan fiduciary net position - ending (b)	<u>\$ 3,148,324</u>	<u>\$ 2,346,450</u>	<u>\$ 2,267,628</u>
Commission's Net Pension Liability - ending (a) - (b)	\$ 3,035,356	\$ 3,495,967	\$ 3,268,349
Plan fiduciary net position as a percentage of the total pension liability	50.91%	40.16%	40.96%
Covered payroll (*)	\$ 1,688,737	\$ 1,587,126	\$ 1,521,504
Commission's net pension liability as a percentage of covered payroll	179.74%	220.27%	214.81%

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

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

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

	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 427,600	\$ 401,864	\$ 350,078	\$ 398,952
Contributions in relation to the actuarially determined contribution (*)	\$ 641,916	\$ 469,149	\$ 719,529	\$ 660,766
Contribution deficiency (excess)	\$ (214,316)	\$ (67,285)	\$ (369,451)	\$ (261,814)
Covered payroll (**)	\$ 1,688,737	\$ 1,587,126	\$ 1,521,504	\$ 1,419,282
Contributions as a percentage of covered payroll	25.32%	25.32%	23.01%	28.11%

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

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

**Notes to Schedule:**

Valuation date:

Actuarially determined contribution rates are calculated as of October 1st prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2017 were based on the October 1, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Not Available
Remaining amortization period	Not Available
Asset valuation method	Fair Market Value
Inflation	Not Available
Salary increases	None
Investment rate of return	3.40%, net of pension plan investment expense

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

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

	Budgeted Amounts		Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
<b>Revenues</b>						
Taxes	\$ 1,960,042.80	\$ 1,960,042.80	\$ 1,845,239.63	(1) (3)	\$ 567,272.38	\$ 2,412,512.01
Licenses and Permits	1,650.00	1,650.00	1,654.00			1,654.00
Intergovernmental	539,560.00	539,560.00	498,039.22	(3)	5,002.59	503,041.81
Charges for Services	476,750.00	476,750.00	478,573.88			478,573.88
Miscellaneous	40,600.00	40,600.00	107,413.50	(3)	1,099.77	108,513.27
Total Revenues	<u>3,018,602.80</u>	<u>3,018,602.80</u>	<u>2,930,920.23</u>		<u>573,374.74</u>	<u>3,504,294.97</u>
<b>Expenditures</b>						
Current:						
General Government	2,025,291.63	2,025,291.63	2,060,537.91	(2)	48,318.67	2,012,219.24
Public Safety	1,229,087.92	1,229,087.92	1,295,532.71	(2)	35,661.13	1,259,871.58
Highways and Roads	3,800.00	3,800.00	3,776.40			3,776.40
Sanitation	397,776.28	397,776.28	415,588.40	(2)	10,958.89	404,629.51
Health	32,420.00	32,420.00	19,570.86			19,570.86
Welfare	2,600.00	2,600.00	500.00			500.00
Culture and Recreation	8,666.67	8,666.67	9,220.49			9,220.49
Education	65,620.00	65,620.00	60,786.75			60,786.75
Capital Outlay	154,020.21	154,020.21	352,215.84			352,215.84
Debt Service:						
Principal Retirement	64,781.31	64,781.31	137,447.28			137,447.28
Interest	5,417.35	5,417.35	11,460.39			11,460.39
Debt Issuance Costs			58,475.00			58,475.00
Total Expenditures	<u>3,989,481.37</u>	<u>3,989,481.37</u>	<u>4,425,112.03</u>		<u>94,938.69</u>	<u>4,330,173.34</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(970,878.57)</u>	<u>(970,878.57)</u>	<u>(1,494,191.80)</u>		<u>668,313.43</u>	<u>(825,878.37)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	1,030,821.49	1,030,821.49	737,094.28	(4)	(500,000.00)	237,094.28
Debt Issued			2,265,000.00			2,265,000.00
Proceeds of Capital Lease			372,204.24			372,204.24
Sale of Capital Assets			174,659.76			174,659.76
Bond Discounts			(19,103.20)			(19,103.20)
Payment to Refunded Bond Escrow Agent			(1,859,225.00)			(1,859,225.00)
Transfers Out	(59,942.92)	(59,942.92)	(308,604.38)	(3)	(535,000.00)	(843,604.38)
Total Other Financing Sources (Uses)	<u>970,878.57</u>	<u>970,878.57</u>	<u>1,362,025.70</u>		<u>(1,035,000.00)</u>	<u>327,025.70</u>
Net Changes in Fund Balances			(132,166.10)		(366,686.57)	(498,852.67)
Fund Balances - Beginning of Year			821,063.70	(5)	1,468,191.92	2,289,255.62
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 688,897.60</u>		<u>\$ 1,101,505.35</u>	<u>\$ 1,790,402.95</u>

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

**Explanation of differences:**

(1) The Commission budgets for motor vehicle ad valorem tax as it is collected, rather than on the modified accrual basis (GAAP).	\$	3,505.17
(2) The Commission budgets for salaries only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).		94,938.69
(3) Some amounts are combined with the General Fund for reporting purposes, but are budgeted separately.		
Public Roads, Buildings and Bridges Fund		
Revenues	\$	569,869.57
Other Financing Sources(Uses), Net		<u>(535,000.00)</u>
		34,869.57
(4) The Commission does not budget for intrafund eliminations that are required when combining funds for reporting purposes.		<u>(500,000.00)</u>
Net Decrease in Fund Balance - Budget to GAAP	\$	<u><u>(366,686.57)</u></u>
(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 - Solid Waste Sales Tax Fund***  
***For the Year Ended September 30, 2017***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Taxes	\$ 1,415,000.00	\$ 1,415,000.00	\$ 1,583,102.10	\$	\$ 1,583,102.10
Miscellaneous			711.83		711.83
Total Revenues	1,415,000.00	1,415,000.00	1,583,813.93		1,583,813.93
<b>Expenditures</b>					
Current:					
Sanitation	988,215.72	988,215.72	1,069,017.86		1,069,017.86
Capital Outlay	20,000.00	20,000.00			
Total Expenditures	1,008,215.72	1,008,215.72	1,069,017.86		1,069,017.86
Excess (Deficiency) of Revenues Over Expenditures	406,784.28	406,784.28	514,796.07		514,796.07
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(606,784.28)	(606,784.28)	(531,555.71)		(531,555.71)
Total Other Financing Sources (Uses)	(606,784.28)	(606,784.28)	(531,555.71)		(531,555.71)
Net Changes in Fund Balances	(200,000.00)	(200,000.00)	(16,759.64)		(16,759.64)
Fund Balances - Beginning of Year	200,000.00	200,000.00	1,005,100.50		1,005,100.50
Fund Balances - End of Year	\$	\$	\$ 988,340.86	\$	\$ 988,340.86

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Intergovernmental	\$ 827,377.00	\$ 827,377.00	\$ 863,781.97	\$	\$ 863,781.97
Miscellaneous	811,052.50	811,052.50	61,705.45		61,705.45
Total Revenues	1,638,429.50	1,638,429.50	925,487.42		925,487.42
<b>Expenditures</b>					
Current:					
Highways and Roads	1,701,977.00	1,701,977.00	1,515,098.94	(1) 21,128.86	1,493,970.08
Capital Outlay			1,042,355.50		1,042,355.50
Debt Service:					
Principal Retirement	175,477.50	175,477.50	105,451.20		105,451.20
Interest and Fiscal Charges	19,975.61	19,975.61	11,947.00		11,947.00
Total Expenditures	1,897,430.11	1,897,430.11	2,674,852.64	21,128.86	2,653,723.78
Excess (Deficiency) of Revenues Over Expenditures	(259,000.61)	(259,000.61)	(1,749,365.22)	21,128.86	(1,728,236.36)
<b>Other Financing Sources (Uses)</b>					
Transfers In	372,948.11	372,948.11	728,198.20		728,198.20
Proceeds of Capital Lease			1,120,670.01		1,120,670.01
Sale of Capital Assets			857,950.00		857,950.00
Transfers Out	(113,947.50)	(113,947.50)	(991,975.34)		(991,975.34)
Total Other Financing Sources (Uses)	259,000.61	259,000.61	1,714,842.87		1,714,842.87
Net Changes in Fund Balances	(518,001.22)	(518,001.22)	(34,522.35)	21,128.86	(13,393.49)
Fund Balances - Beginning of Year			187,587.05	(2) (236,321.47)	(48,734.42)
Fund Balances - End of Year	\$	\$	\$ 153,064.70	\$ (215,192.61)	\$ (62,127.91)

**Explanation of differences:**

(1) The Commission budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).

\$ 21,128.86

Net Increase in Fund Balance - Budget to GAAP

\$ 21,128.86

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

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Intergovernmental	\$ 875,000.00	\$ 875,000.00	\$ 924,396.96	\$	\$ 924,396.96
Miscellaneous			2,651.07		2,651.07
Total Revenues	875,000.00	875,000.00	927,048.03		927,048.03
<b>Expenditures</b>					
Current:					
Highways and Roads	1,111,052.50	1,111,052.50	862,874.60		862,874.60
Total Expenditures	1,111,052.50	1,111,052.50	862,874.60		862,874.60
Excess (Deficiency) of Revenues Over Expenditures	(236,052.50)	(236,052.50)	64,173.43		64,173.43
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(113,947.50)	(113,947.50)	(115,905.90)		(115,905.90)
Total Other Financing Sources (Uses)	(113,947.50)	(113,947.50)	(115,905.90)		(115,905.90)
Net Changes in Fund Balances	(350,000.00)	(350,000.00)	(51,732.47)		(51,732.47)
Fund Balances - Beginning of Year	350,000.00	350,000.00	849,999.44		849,999.44
Fund Balances - End of Year	\$	\$	\$ 798,266.97	\$	\$ 798,266.97

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Taxes	\$ 568,413.00	\$ 568,413.00	\$ 322,760.49	\$	\$ 322,760.49
Miscellaneous			2.50		2.50
Total Revenues	568,413.00	568,413.00	322,762.99		322,762.99
<b>Expenditures</b>					
Current:					
General Government	568,413.00	568,413.00	322,762.99		322,762.99
Total Expenditures	568,413.00	568,413.00	322,762.99		322,762.99
Excess (Deficiency) of Revenues Over Expenditures					
Net Change in Fund Balances					
Fund Balances - Beginning of Year					
Fund Balances - End of Year	\$	\$	\$	\$	\$

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## *Additional Information*

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

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**Commission Members**

**Term Expires**

Hon. Michael W. Armistead	Chairman	January 2019
Hon. Tony Cherry	Member	November 2020
Hon. Cornelius D. “Budd” Ruffin	Member	November 2018
Hon. Sammy G. Bonner, Jr.	Member	November 2020
Hon. McKinley G. “Mack” Mosley	Member	November 2018

**Administrative Personnel**

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

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**Independent Auditor's Report**

Members of the Choctaw County Commission and County Administrator  
Butler, 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 Choctaw County Commission, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Choctaw County Commission's basic financial statements, and have issued our report thereon dated February 4, 2021.

**Internal Control Over Financial Reporting**

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

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

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

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

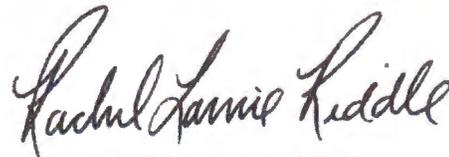
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**Compliance and Other Matters**

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

**Purpose of this Report**

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



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

February 4, 2021