

Report on the

# Lowndes County Commission

Lowndes County, Alabama

October 1, 2018 through September 30, 2019

Filed: September 3, 2021



## Department of Examiners of Public Accounts

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*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Valerie Hamm', is written in a cursive style.

Valerie Hamm  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

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

The Lowndes County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Lowndes County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 13. 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 to the citizens of Lowndes County.

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

An unmodified opinion was issued on the financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2019.

Financial statements for the fiscal year ending September 30, 2019 were not prepared by management until March 4, 2021. The Commission’s failure to prepare timely financial statements may impact the relevance of the financial information presented to users of the financial statements.

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

**EXIT CONFERENCE**

Commission members and administrative personnel, as reflected on Exhibit 13, were invited to discuss the results of this report at an exit conference held at the Commission's conference room. Individuals in attendance were: County Administrator: Jacquelyn J. Thomas; and County Commissioners: Joseph Barganier and Robert Harris. Representing the Department of Examiners of Public Accounts were: Teresa Dekle, Audit Manager, and Valerie Hamm, Examiner. Results of the report were discussed by telephone with Joshua Simmons, County Commissioner.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Lowndes County Commission and County Administrator  
Hayneville, Alabama

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County Commission, as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

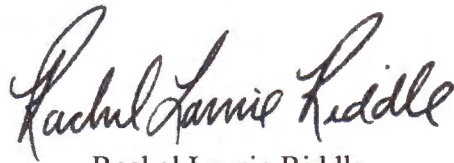
#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), Schedule of Changes in the Employer's Net Pension Liability, Schedule of the Employer's Contributions – Pension, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, (Exhibits 9 through 12) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 August 11, 2021, on our consideration of the Lowndes 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 Lowndes 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 Lowndes County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

August 11, 2021

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# *Basic Financial Statements*

**Statement of Net Position**  
**September 30, 2019**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 1,802,784.42
Cash with Fiscal Agent	1,136,902.61
Receivables (Note 4)	515,939.36
Ad Valorem Taxes Receivable	3,211,211.22
Capital Assets (Note 5):	
Nondepreciable	2,602,480.80
Depreciable, Net	<u>4,493,006.98</u>
Total Assets	<u>13,762,325.39</u>
<b><u>Deferred Outflows of Resources</u></b>	
Employer Pension Contribution	167,887.78
Deferred Outflows Related to Defined Benefits Pension Plan	<u>177,513.00</u>
Total Deferred Outflows of Resources	<u>345,400.78</u>
<b><u>Liabilities</u></b>	
Payables (Note 7)	380,947.48
Unearned Revenue	86,361.29
Accrued Wages Payable	86,145.46
Accrued Interest Payable	77,295.19
Long-Term Liabilities (Note 9):	
Portion Due Within One Year:	
Warrants Payable	604,970.00
Capital Lease Payable	146,142.33
Compensated Absences	26,439.51
Portion Due After One Year:	
Warrants Payable	10,090,470.00
Capital Lease Payable	493,165.16
Compensated Absences	502,350.76
Net Pension Asset	<u>(312,467.00)</u>
Total Liabilities	<u>12,181,820.18</u>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes	3,211,211.22
Revenue Received in Advance - Motor Vehicle Taxes	154,319.29
Deferred Inflows Related to Net Pension Liability	<u>826,486.00</u>
Total Deferred Inflows of Resources	<u>\$ 4,192,016.51</u>

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



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	<b>Governmental Activities</b>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	\$ (4,239,259.71)
Restricted for:	
Debt Service	1,172,643.37
Highways, Roads and Bridges	357,914.23
Other Purposes	95,287.47
Unrestricted	<u>347,304.12</u>
Total Net Position	<u><u>\$ (2,266,110.52)</u></u>

**Statement of Activities**  
**For the Year Ended September 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	and Changes in Net Position Total Governmental Activities
<b>Governmental Activities</b>					
General Government	\$ 4,156,248.06	\$ 189,160.86	\$ 90,619.44	\$ 215,672.30	\$ (3,660,795.46)
Public Safety	1,716,100.97	7,438.00	49,860.67		(1,658,802.30)
Highways and Roads	2,601,166.97		2,686,283.19		85,116.22
Sanitation		14,453.00			14,453.00
Welfare	107,462.18		27,301.69		(80,160.49)
Interest and Fiscal Charges	403,871.75				(403,871.75)
Total Governmental Activities	<u>\$ 8,984,849.93</u>	<u>\$ 211,051.86</u>	<u>\$ 2,854,064.99</u>	<u>\$ 215,672.30</u>	<u>(5,704,060.78)</u>
<b>General Revenues:</b>					
Taxes:					
Property Taxes for General Purposes					2,905,403.42
General Sales Tax					1,904,784.09
Other County Sales and Use Taxes					194,013.54
Miscellaneous Taxes					958,922.19
Grants and Contributions Not Restricted for Specific Programs					223,420.47
Investment Earnings					29,752.49
Gain on Disposition of Capital Assets					56,365.44
Miscellaneous					519,500.87
Total General Revenues					<u>6,792,162.51</u>
Changes in Net Position					1,088,101.73
Net Position - Beginning of Year					<u>(3,354,212.25)</u>
Net Position - End of Year					<u>\$ (2,266,110.52)</u>

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

**Balance Sheet**  
**Governmental Funds**  
**September 30, 2019**

	General Fund	Gasoline Tax Fund	2005 Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,232,627.52	\$ 191,436.19	\$	\$ 378,720.71	\$ 1,802,784.42
Cash with Fiscal Agent			1,136,902.61		1,136,902.61
Receivables (Note 4)	324,891.03	82,524.75		108,523.58	515,939.36
Ad Valorem Taxes Receivable	2,914,833.52			296,377.70	3,211,211.22
Interfund Receivables				50,000.00	50,000.00
Total Assets	<u>4,472,352.07</u>	<u>273,960.94</u>	<u>1,136,902.61</u>	<u>833,621.99</u>	<u>6,716,837.61</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Payables (Note 7)	210,753.51	51,941.59		118,252.38	380,947.48
Interfund Payables		50,000.00			50,000.00
Unearned Revenues				86,361.29	86,361.29
Accrued Wages Payable	28,521.99	17,471.42		40,152.05	86,145.46
Total Liabilities	<u>239,275.50</u>	<u>119,413.01</u>		<u>244,765.72</u>	<u>603,454.23</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue - Property Taxes	2,914,833.52			296,377.70	3,211,211.22
Revenue Received in Advance - Motor Vehicle Taxes	154,319.29				154,319.29
Total Deferred Inflows of Resources	<u>3,069,152.81</u>			<u>296,377.70</u>	<u>3,365,530.51</u>
<b>Fund Balances</b>					
Restricted for:					
Debt Service			1,136,902.61	35,740.76	1,172,643.37
Highways, Roads and Bridges		154,547.93		203,366.30	357,914.23
Other Purposes				95,287.47	95,287.47
Assigned to:					
Other Purposes				913.46	913.46
Unassigned	1,163,923.76			(42,829.42)	1,121,094.34
Total Fund Balances	<u>1,163,923.76</u>	<u>154,547.93</u>	<u>1,136,902.61</u>	<u>292,478.57</u>	<u>2,747,852.87</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,472,352.07</u>	<u>\$ 273,960.94</u>	<u>\$ 1,136,902.61</u>	<u>\$ 833,621.99</u>	<u>\$ 6,716,837.61</u>

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

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 2,747,852.87

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 the governmental funds. 7,095,487.78

Deferred outflows and inflows of resources related to the pension plan are applicable to  
future periods and, therefore, are not reported in the governmental funds. (481,085.22)

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	\$ 604,970.00	\$ 10,090,470.00	
Capital Leases Payable	146,142.33	493,165.16	
Compensated Absences	26,439.51	502,350.76	
Net Pension Liability/(Asset)		(312,467.00)	
	<u>\$ 777,551.84</u>	<u>\$ 10,773,518.92</u>	(11,551,070.76)

Interest on long-term debt is not accrued in the governmental funds but rather is  
recognized as an expenditure when due. (77,295.19)

Total Net Position - Governmental Activities (Exhibit 1) \$ (2,266,110.52)

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

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2019**

	General Fund	Gasoline Tax Fund	2005 Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 5,557,804.78	\$ 23,651.48	\$	\$ 381,666.98	\$ 5,963,123.24
Licenses and Permits	25,099.81				25,099.81
Intergovernmental	1,227,061.22	1,134,529.15		931,567.39	3,293,157.76
Charges for Services	38,786.58	135,447.47		11,718.00	185,952.05
Miscellaneous	104,080.12	178,974.69	19,063.93	247,134.62	549,253.36
Total Revenues	<u>6,952,832.51</u>	<u>1,472,602.79</u>	<u>19,063.93</u>	<u>1,572,086.99</u>	<u>10,016,586.22</u>
<b>Expenditures</b>					
Current:					
General Government	3,258,312.72	86.69		830,302.17	4,088,701.58
Public Safety	1,754,458.12				1,754,458.12
Highways and Roads		1,504,083.59		991,282.83	2,495,366.42
Welfare	111,628.35				111,628.35
Capital Outlay	68,264.10	725,507.99			793,772.09
Debt Service:					
Principal Retirement		601,378.54	570,000.00	14,970.00	1,186,348.54
Interest and Fiscal Charges		22,549.41	367,500.00	14,122.81	404,172.22
Total Expenditures	<u>5,192,663.29</u>	<u>2,853,606.22</u>	<u>937,500.00</u>	<u>1,850,677.81</u>	<u>10,834,447.32</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,760,169.22</u>	<u>(1,381,003.43)</u>	<u>(918,436.07)</u>	<u>(278,590.82)</u>	<u>(817,861.10)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	100,000.00	287,559.00	1,059,867.50	199,976.88	1,647,403.38
Proceeds from Sale of Capital Assets		552,849.00			552,849.00
Long-Term Debt Issued		596,862.00			596,862.00
Transfers Out	(1,547,403.38)	(100,000.00)			(1,647,403.38)
Total Other Financing Sources (Uses)	<u>(1,447,403.38)</u>	<u>1,337,270.00</u>	<u>1,059,867.50</u>	<u>199,976.88</u>	<u>1,149,711.00</u>
Net Changes in Fund Balances	312,765.84	(43,733.43)	141,431.43	(78,613.94)	331,849.90
Fund Balances - Beginning of Year	<u>851,157.92</u>	<u>198,281.36</u>	<u>995,471.18</u>	<u>371,092.51</u>	<u>2,416,002.97</u>
Fund Balances - End of Year	<u>\$ 1,163,923.76</u>	<u>\$ 154,547.93</u>	<u>\$ 1,136,902.61</u>	<u>\$ 292,478.57</u>	<u>\$ 2,747,852.87</u>

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

***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2019***

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 331,849.90

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 (\$793,772.09) differed from depreciation (\$383,701.31) in the current period. 410,070.78

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the changes in net position differ from changes in fund balances by the cost of the capital assets sold.

Proceeds From the Sale of Capital Assets	\$	(552,849.00)	
Gain (Loss) on the Sale of Capital Assets		56,365.44	
Book Value of Assets Sold			(496,483.56)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,186,348.54

Issuance of long-term debt provides current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Capital Leases Payable (596,862.00)

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 Change in Accrued Interest Payable	\$	(300.47)	
Net Change in Compensated Absences		(20,498.88)	
Net Change in Pension Expense		(232,378.72)	253,178.07

Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,088,101.73

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

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**Statement of Fiduciary Net Position**  
**September 30, 2019**

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	<b>Private-Purpose Trust Funds</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 983,447.29
Receivables (Note 4)	2,751.04
Total Assets	<u>986,198.33</u>
<b><u>Liabilities</u></b>	
Accounts Payable	42.40
Due to External Parties	96,161.41
Total Liabilities	<u>96,203.81</u>
<b><u>Net Position</u></b>	
Held in Trust for Individuals, Organizations and Other Governments	<u>\$ 889,994.52</u>

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

***Statement of Changes in Fiduciary Net Position  
For the Year Ended September 30, 2019***

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Contributions from:	
Taxes	\$ 105,935.06
Sales Tax	34,990.71
Interest	771.13
Total Additions	<u>141,696.90</u>
<b><u>Deductions</u></b>	
Fire Protection	110,898.00
Juvenile Services	35,008.67
Total Deductions	<u>145,906.67</u>
Changes in Net Position	(4,209.77)
Net Position - Beginning of Year	<u>894,204.29</u>
Net Position - End of Year	<u>\$ 889,994.52</u>

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



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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

The financial statements of the Lowndes 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 Lowndes County Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of the above criteria, there are no component units that 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, 2019*

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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 fund is used to report the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges as well as the expenditure of motor vehicle license taxes and fees and drivers' license revenues for public buildings and furnishings.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of the gasoline taxes for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges, and rights-of-way.
- ◆ **2005 Reserve Fund** – This fund is to account for the accumulation of resources for and the payment of general long-term debt principal and interest for the General Obligation Warrants, Series 2011, and General Obligation Refunding Warrants, Series 2014-A and B.

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

#### **Governmental Fund Types**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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The Commission reports the following fiduciary fund type:

#### **Fiduciary Fund Type**

- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.

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

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

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

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

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

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

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

***1. Deposits***

Cash and cash equivalents include cash on hand and demand deposits.

***2. Receivables***

All sales tax receivables are based on the amounts collected within 60 days after year-end. Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

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

Receivables due from other governments include amounts due from state and local governments.

***3. Capital Assets***

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

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

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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
Buildings and Improvements	\$ 50,000	20-50 years
Buildings Under Lease	\$ 50,000	20-50 years
Infrastructure – Roads	\$250,000	40 years
Infrastructure – Bridges	\$ 50,000	40 years
Equipment and Furniture	\$ 5,000	20-50 years
Equipment Under Lease	\$ 5,000	40-50 years

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

**4. Deferred Outflows of Resources**

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

**5. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities on the Statement of Net Position.

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

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**6. Compensated Absences**

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

**Annual Leave**

Annual (vacation) leave accrues to permanent full-time employees according to the following schedule:

Continuous Years Service Completed	Per Pay Period
Less than One Year	2 hours
Over One Year through Three Years	3 hours
Over Three Years through Ten Years	4 hours
Over Ten Years	5 hours

Upon separation or retirement an employee may be paid for any accrued/unused annual leave at his/her rate of pay, not to exceed 480 hours.

**Sick Leave**

The Commission uses the vesting method to accrue its sick leave liability. Under this method an accrual for sick leave liability is based on the sick leave accumulated at the balance sheet date by those employees who are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments. Sick leave accrues to permanent full-time employees at the same rates established for annual leave. Upon separation or retirement, an employee may be paid for any accrued/unused sick leave at his/her rate of pay, not to exceed 240 hours.

**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 or emergency response activity may accumulate 480 hours and all other employees, 240 hours. 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **7. Deferred Inflows of Resources**

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

#### **8. Net Position/Fund Balances**

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

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

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

- ◆ Nonspendable 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, 2019*

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- ◆ 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 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 fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission authorized the County Administrator to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- ◆ Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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

#### **E. Pensions**

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



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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

##### *Budgets*

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds, except ad valorem taxes are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. All annual appropriations lapse at year-end.

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

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

#### *Note 3 – Deposits and Investments*

##### *A. Deposits*

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

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

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**B. Cash with Fiscal Agent**

The *Code of Alabama 1975*, Section 11-8-11 and Section 11-81-20, authorizes the Commission 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.

As of September 30, 2019, the Commission’s cash with fiscal agent was invested as follows:

Investments	Maturities	Value
Fidelity Money Market Funds – Treasury Class III	Average 51 days	\$1,136,902.61
Total		<u>\$1,136,902.61</u>

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

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor’s Corporation and Moody’s Investors Service, Inc. The Commission has not adopted a policy. Fidelity Money Market Funds-Treasury Class III was rated AAAM by Standard & Poor’s Ratings Group and Moody’s Investor’s Services, Inc was rated AAA-mf.

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

**Concentrations of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Commission does not have a formal investment policy that limits the amount the Commission may invest in any one issuer.

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

**Note 4 – Receivables**

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

	Governmental Activities			Total Governmental Funds	Fiduciary Funds
	General Fund	Gasoline Tax Fund	Other Governmental Funds		
<b>Receivables:</b>					
Intergovernmental	\$139,302.86	\$71,769.18	\$108,523.58	\$319,595.62	\$
Sales Tax Receivable	152,244.45			152,244.45	
Accounts Receivable	33,343.72	10,755.57		44,099.29	2,751.04
<b>Total Receivables</b>	<b>\$324,891.03</b>	<b>\$82,524.75</b>	<b>\$108,523.58</b>	<b>\$515,939.36</b>	<b>\$2,751.04</b>

**Note 5 – Capital Assets**

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

	Balance 10/01/2018	Additions	Deletions	Balance 09/30/2019
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land and Improvements – Inexhaustible	\$ 2,602,480.80	\$	\$	\$ 2,602,480.80
<b>Total Capital Assets, Not Being Depreciated</b>	<b>2,602,480.80</b>			<b>2,602,480.80</b>
<b>Capital Assets Being Depreciated:</b>				
Infrastructure	1,141,409.85			1,141,409.85
Buildings and Improvements	5,056,258.93			5,056,258.93
Equipment and Furniture	5,312,001.86	196,910.09	(563,226.00)	4,945,685.95
Equipment Under Lease	141,029.00	596,862.00		737,891.00
<b>Total Capital Assets Being Depreciated</b>	<b>11,650,699.64</b>	<b>793,772.09</b>	<b>(563,226.00)</b>	<b>11,881,245.73</b>
<b>Less Accumulated Depreciation for:</b>				
Infrastructure	(355,730.67)	(28,535.24)		(384,265.91)
Buildings and Improvements	(2,730,897.29)	(117,665.76)		(2,848,563.05)
Equipment and Furniture	(3,957,914.31)	(199,277.70)	66,742.44	(4,090,449.57)
Equipment Under Lease	(26,737.61)	(38,222.61)		(64,960.22)
<b>Total Accumulated Depreciation</b>	<b>(7,071,279.88)</b>	<b>(383,701.31)</b>	<b>66,742.44</b>	<b>(7,388,238.75)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>4,579,419.76</b>	<b>410,070.78</b>	<b>(496,483.56)</b>	<b>4,493,006.98</b>
<b>Total Governmental Activities Capital Assets, Net</b>	<b>\$ 7,181,900.56</b>	<b>\$ 410,070.78</b>	<b>\$(496,483.56)</b>	<b>\$ 7,095,487.78</b>

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

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$162,629.30
Public Safety	56,070.40
Highways and Roads	163,846.61
Welfare	1,155.00
Total Depreciation Expense – Governmental Activities	<u>\$383,701.31</u>

**Note 6 – Defined Benefit Pension Plan**

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

**Plan Description**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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

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

#### **Benefits Provided**

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

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

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

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

The ERS serves approximately 905 local participating employers. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

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

**Contributions**

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2019, the Commission's active employee contribution rate was 5.46 percent of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 5.19 percent of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2019, was 5.58 percent of pensionable pay for Tier 1 employees, and 3.40 percent of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$167,887.78 for the year ended September 30, 2019.

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

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

	Expected	Actual	Actual
(a) Total Pension Liability as of September 30, 2017	\$10,323,401	\$ 9,925,815	\$ 9,980,867
(b) Discount Rate	7.75%	7.75%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2017 - September 30, 2018	252,770	252,770	254,989
(d) Transfers Among Employers		(86,702)	(86,702)
(e) Actual Benefit Payments and Refunds for the period October 1, 2017 - September 30, 2018	(441,415)	(441,415)	(441,415)
(f) Total Pension Liability as of September 30, 2018 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	\$10,917,715	\$10,402,614	\$10,459,272
(g) Difference Between Expected and Actual		\$ (515,101)	
(h) Less Liability Transferred for Immediate Recognition		(86,702)	
(i) Experience (Gain)/Loss = (g) - (h)		\$ (428,399)	
(j) Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain)/Loss] =			\$ 56,658

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### Actuarial Assumptions

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

Inflation	2.75%
Salary Increases	3.25 – 5.00%
Investment Rate of Return (*)	7.70%

(\*) Net of pension plan investment expense

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

The actuarial assumptions used in the September 30, 2017, valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.



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

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

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

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

**Discount Rate**

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

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

**C. Changes in Net Pension Liability/(Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2017	\$10,323,401	\$10,061,441	\$ 261,960
Changes for the Year:			
Service Cost	252,770		252,770
Interest	782,959		782,959
Changes of Assumptions	56,658		56,658
Difference between Expected and Actual Experience	(428,399)		(428,399)
Contributions – Employer		143,865	(143,865)
Contributions – Employee		173,160	(173,160)
Net Investment Income		921,390	(921,390)
Benefit Payments, including Refunds of Employee Contributions	(441,415)	(441,415)	
Transfers Among Employers	(86,702)	(86,702)	
Net Changes	135,871	710,298	(574,427)
Balances at September 30, 2018	\$10,459,272	\$10,771,739	\$(312,467)

**Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate**

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

	1%Decrease (6.70%)	Current Rate (7.70%)	1%Increase (8.70%)
Commission’s Net Pension Liability/(Asset)	\$933,296	\$(312,467)	\$(1,369,703)

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated September 17, 2019, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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

For the year ended September 30, 2019, the Commission recognized pension income of \$75,911. At September 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,820	\$473,353
Changes of assumptions	175,693	
Net differences between projected and actual earnings on plan investments		353,133
Employer contributions subsequent to the measurement date	167,888	
Total	\$345,401	\$826,486

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

Year Ending:	
September 30, 2020	\$(109,244)
2021	\$(219,039)
2022	\$(163,771)
2023	\$ (71,373)
2024	\$ (56,951)
Thereafter	\$ (28,595)

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

**Note 7 – Payables**

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

	Vendors	Due to Other Governments	Due to External Parties	Total Payables
<b>Governmental Activities:</b>				
General Fund	\$133,632.34	\$77,121.17	\$	\$210,753.51
Gasoline Tax Fund	51,941.59			51,941.59
Other Governmental Funds	118,252.38			118,252.38
Total Governmental Activities	<u>303,826.31</u>	<u>77,121.17</u>		<u>380,947.48</u>
<b>Fiduciary Activities:</b>				
Private-Purpose Trust Fund	42.40		96,161.41	96,203.81
Total Fiduciary Activities	<u>\$ 42.40</u>	<u>\$</u>	<u>\$96,161.41</u>	<u>\$ 96,203.81</u>

**Note 8 – Lease Obligations**

**Capital Leases**

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$737,891.00 for governmental activities at September 30, 2019. 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 payments. Until that time, the leased equipment will be identified separately on the balance sheet. 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<sup>th</sup>.

Fiscal Year Ending	Governmental Activities
September 30, 2020	\$171,596.29
2021	140,851.95
2022	134,703.07
2023	134,703.07
2024	134,703.07
Total Minimum Lease Payments	<u>716,557.45</u>
Less: Amount Representing Interest	<u>77,249.96</u>
Present Value of Net Minimum Lease Payments	<u>\$639,307.49</u>

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

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**Note 9 – Long-Term Debt**

The Commission issued \$81,800 in General Obligation Warrants, Series 2009, to provide funds for the construction and equipping of the Collirene Fire Station and to satisfy the Anticipation Note, Series 2007, with First Lowndes Bank.

The Commission issued \$3,530,000 in General Obligation Warrants, Series 2011, to provide funds to purchase the Hayneville Plaza.

On July 1, 2014, the Commission issued the General Obligation Refunding Warrants, Series 2014-A, in the amount of \$8,060,000 to advance refund the General Obligation Warrants, Series 2005 (August 1, 2005) and to provide for capital improvements.

On July 1, 2014, the Commission issued the General Obligation Refunding Warrants, Series 2014-B, in the amount of \$1,870,000 to advance refund the General Obligation Refunding Warrants, Series 2005 (October 1, 2005) and to provide for capital improvements.

On March 21, 2016, the Commission issued General Obligation Warrants, Series 2016-USDA to purchase E-911 equipment and six weather sirens in the amount of \$389,100.

On October 12, 2016, the Commission entered into a capital lease agreement for \$141,029 to purchase an excavator for the Highway Department.

On July 13, 2018, the Commission entered into a note payable for \$284,836.54 to purchase 2 dump trucks. This was paid off in the current fiscal year.

On July 23, 2018, the Commission entered into a note payable for \$281,031.88 to purchase 2 dump trucks. This was paid off in the current fiscal year.

On June 20, 2019, the Commission entered into a capital lease agreement for \$596,862 to purchase four dump trucks for the Highway Department.

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

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

	Debt Outstanding 10/01/2018	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2019	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Notes and Warrants Payable:					
Notes Payable	\$ 565,868.42	\$	\$ (565,868.42)	\$	\$
General Obligation Warrants, Series 2009	67,250.00		(2,000.00)	65,250.00	2,000.00
General Obligation Warrants, Series 2011	2,390,000.00		(185,000.00)	2,205,000.00	190,000.00
General Obligation Refunding, Warrant Series 2014-A	7,290,000.00		(200,000.00)	7,090,000.00	210,000.00
General Obligation Refunding, Warrant Series 2014-B	1,170,000.00		(185,000.00)	985,000.00	190,000.00
General Obligation Warrants, Series 2016-USDA	363,160.00		(12,970.00)	350,190.00	12,970.00
Total Notes and Warrants Payable	<u>11,846,278.42</u>		<u>(1,150,838.42)</u>	<u>10,695,440.00</u>	<u>604,970.00</u>
<b>Other Liabilities:</b>					
Capital Lease Contracts Payable	77,955.61	596,862.00	(35,510.12)	639,307.49	146,142.33
Compensated Absences	549,289.15		(20,498.88)	528,790.27	26,439.51
Net Pension Liability/(Asset)	261,960.00		(574,427.00)	(312,467.00)	
Total Other Liabilities	<u>889,204.76</u>	<u>596,862.00</u>	<u>(630,436.00)</u>	<u>855,630.76</u>	<u>172,581.84</u>
Total Governmental Activities Long-Term Liabilities	<u>\$12,735,483.18</u>	<u>\$596,862.00</u>	<u>\$(1,781,274.42)</u>	<u>\$11,551,070.76</u>	<u>\$777,551.84</u>

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the 2005 Reserve Fund and debt service funds. The long-term notes payable were repaid by the General Fund and the Gasoline Tax Fund. The capital lease contracts payable liability for the governmental activities will be liquidated by the Gasoline Tax Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by the General Fund (57%), Gasoline Tax Fund (31%), the Reappraisal Fund (4%), and the E-911 Fund (8%).

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

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

Fiscal Year Ending	Governmental Activities				Total Principal and Interest Requirements
	Warrants Payable		Capital Lease Contracts Payable		
	Principal	Interest	Principal	Interest	
September 30, 2020	\$ 604,970.00	\$ 367,098.63	\$146,142.33	\$25,453.96	\$ 1,143,664.92
2021	610,220.00	351,468.32	120,537.44	20,314.51	1,102,540.27
2022	635,220.00	334,128.94	119,173.63	15,529.44	1,104,052.01
2023	645,470.00	315,199.57	124,140.25	10,562.82	1,095,372.64
2024	665,470.00	294,727.38	129,313.84	5,389.23	1,094,900.45
2025-2029	2,529,100.00	1,228,675.66			3,757,775.66
2030-2034	2,986,850.00	765,329.40			3,752,179.40
2035-2039	1,927,350.00	192,379.44			2,119,729.44
2040-2044	64,850.00	10,132.82			74,982.82
2045-2046	25,940.00	1,215.94			27,155.94
<b>Total</b>	<b>\$10,695,440.00</b>	<b>\$3,860,356.10</b>	<b>\$639,307.49</b>	<b>\$77,249.96</b>	<b>\$15,272,353.55</b>

**Note 10 – Pledged Revenues**

The Commission issued General Obligation Warrants, Series 2011, which are pledged to be repaid from the office building rentals as the primary source of payment, then the three mill tax, the remaining county ad valorem tax proceeds, and the pledged county sales and use tax revenues. The proceeds were used for the purchase of the Hayneville Plaza building. Future revenues in the amount of \$3,395,781.25 are pledged to repay the principal and interest on the warrants. Pledged funds in the amount of \$287,462.50 were used to pay principal and interest on the warrants during the fiscal year ended September 30, 2019. This represents 7.24% of revenues received. The General Obligation Warrants, Series 2011, will mature in fiscal year 2037.

The Commission issued General Obligation Refunding Warrants, Series 2014-A, which are pledged to be repaid from county sales and use tax revenues levied by the county. Proceeds were used to refund the General Obligation Warrants, Series 2005 (August 1, 2005), which were used for the acquisition and construction of the County's Industrial Development Park. Future revenues in the amount of \$9,509,377.50 are pledged to repay the principal and interest on the warrants. Pledged funds in the amount of \$439,175.00 were used to pay principal and interest on the warrants during the fiscal year ended September 30, 2019. This represents 23.06% of revenues received. The General Obligation Refunding Warrants, Series 2014-A, will mature in fiscal year 2035.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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The Commission issued General Obligation Refunding Warrants, Series 2014-B, which are pledged to be repaid from ad valorem taxes levied by the county. Proceeds were used to refund the General Obligation Refunding Warrants, Series 2005 (October 1, 2005), which were used to refund the jail capital lease contract payable. Future revenues in the amount of \$1,049,731.25 are pledged to repay the principal and interest on the warrants. Pledged funds in the amount of \$210,862.50 were used to pay principal and interest on the warrants during the fiscal year ended September 30, 2019. This represents 10.2% of revenues received. The General Obligation Warrants, Series 2014-B, will mature in fiscal year 2024.

#### **Note 11 – Risk Management**

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. Premiums are based on a rate per \$100 of remuneration for each class of employee which is adjusted by an experience modifier for the individual county. At year-end, pool participants are eligible to receive refunds of unused premiums and the related investment earnings. The Commission may qualify for additional discounts based on losses and premium size. Employment-related practices damage protection is limited to \$2,000,000 per incident with a \$25,000 deductible. Defense expenses are payable within the limits of insurance.

The Commission is exposed to various risk 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 purchased general liability insurance through a commercial insurance carrier. Coverage is provided up to \$1,000,000 per claim for a maximum total coverage of \$3,000,000. The Commission also purchases commercial insurance for other risks of loss, including property and casualty insurance. Settled claims resulting from these claims have not exceeded commercial insurance coverage in any of the past three years.

The Commission has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB).

Employees may choose to participate in a plan administered by Blue Cross/Blue Shield which functions as a public entity risk pool. The plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.



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

**Note 12 – Interfund Transactions**

**Due To/From Other Funds**

The amounts due to/from other funds at September 30, 2019, were as follows:

	Interfund Receivables Other Governmental Funds	Totals
<b>Interfund Payables:</b>		
Gasoline Tax Fund	\$50,000.00	\$50,000.00
<b>Totals</b>	<b>\$50,000.00</b>	<b>\$50,000.00</b>

**Interfund Transfers**

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

	Transfers In				Totals
	General Fund	Gasoline Tax Fund	2005 Reserve Fund	Other Governmental Funds	
<b>Transfers Out:</b>					
General Fund	\$	\$287,559.00	\$1,059,867.50	\$199,976.88	\$1,547,403.38
Gasoline Tax Fund	100,000.00				100,000.00
<b>Totals</b>	<b>\$100,000.00</b>	<b>\$287,559.00</b>	<b>\$1,059,867.50</b>	<b>\$199,976.88</b>	<b>\$1,647,403.38</b>

The Commission typically used transfers to fund ongoing operating subsidies.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **Note 13 – Related Organizations**

The Commission appoints a majority of the members to the Board for several entities, which are summarized for reporting purposes: water authorities created under the *Code of Alabama 1975*, Section 11-88-1; fire departments created under the *Code of Alabama 1975*, Section 10-3A-1; Lowndes County Industrial Development Board, and Lowndes County Public Building Authority. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship for these entities, and they are not considered part of the Commission's financial reporting entity. They are considered related organizations of the County Commission.

#### **Note 14 – Subsequent Events**

On May 21, 2020, the Commission entered into a capital lease agreement to purchase an asphalt paver in the amount of \$327,689.00.

On April 7, 2021, the Commission issued General Obligation Warrants Series, 2021-A in the amount of \$9,285,000 to refund the General Obligation Warrants, Series 2011 and the General Obligation Refunding Warrants, Series 2014-A and to obtain additional funding for capital improvement projects. The Commission also issued General Obligation Warrants (Federally Taxable), Series 2021-B in the amount of \$905,000 to refund the 2014-B Warrants and to obtain additional funding for capital improvements.

The United States encountered a COVID-19 pandemic which adversely affected 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 citizenry as well as employees. As a result of the pandemic, there was not a substantial impact on the Commission's revenues from several key sources. The Commission's gasoline taxes decreased by \$92,484.49 during the 2020 fiscal year, but the Commission began receiving the Rebuild Alabama Gasoline taxes. The Commission received \$340,960.60 during the 2020 fiscal year. The Commission voted to begin using an independent sales tax collection agency instead of the Alabama Department of Revenue and saw a significant increase in sales and use tax in the amount of \$845,146.21. There is new economic development in the Town of Hayneville which contributed to the increase in sales tax. Also, the Commission's ad valorem collections increased by \$146,439.11 in the 2020 fiscal year. Overall, the Commission did not suffer a significant financial impact due to the COVID-19 pandemic.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### Note 15 – Tax Abatements

The Commission enters into property tax abatement agreements with local businesses under the State Tax Incentive Reform Act of 1992, *Code of Alabama 1975*, Sections 40-9B-(1-13). Under the Act, localities may grant property tax abatements for all state and local noneducational property taxes, all construction related transaction taxes, except those local construction taxes levied for educational purposes or for capital improvement for education, and/or all mortgage and recording taxes. The abatements may be granted to any business located within or promising to relocate to Lowndes County. These programs have the stated purposes of increasing business activity and employment in the County.

For fiscal year ended September 30, 2019, total property taxes abated by the County were \$30,359.65 under this program, including the following tax abatement agreement that exceeded 10 percent of the total amount abated.

- ◆ An 87 percent property tax abatement to an automotive manufacturer for increasing the size of its facilities and increasing employment. The abatement amounted to \$20,442.65.

The County also is subject to tax abatements granted by the Town of Fort Deposit. These programs have the stated purpose of increasing business activity and employment in the Town.

Granting Jurisdiction	Type	Property Tax
Town of Fort Deposit	Automotive Parts Manufacturer	\$ 581.86
Town of Fort Deposit	Automotive Parts Manufacturer	10,595.68
Town of Fort Deposit	Automotive Parts Manufacturer	9,927.81
Total		\$21,105.35

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

- ◆ A 52 percent property tax abatement to an automotive parts manufacturer for increasing the size of its facilities and increasing employment. The abatement amounted to \$10,595.68.
- ◆ A 52 percent property tax abatement to an automotive parts manufacturer for increasing the size of its facilities and increasing employment. The abatement amounted to \$9,927.81.

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*Required Supplementary Information*

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

	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ 252,770	\$ 274,168	\$ 260,587	\$ 253,269	\$ 233,475
Interest	782,959	738,795	702,290	671,526	631,930
Differences between expected and actual experience	(428,399)	2,610	(84,100)	(176,450)	
Changes of assumptions	56,658		231,333		
Benefit payments, including refunds of employee contributions	(441,415)	(393,504)	(360,364)	(367,215)	(373,694)
Transfers among employers	(86,702)	(28,257)	21,031		
Net change in total pension liability	135,871	593,812	770,777	381,130	491,711
Total pension liability - beginning	10,323,401	9,729,589	8,958,812	8,577,682	8,085,971
Total pension liability - ending (a)	\$ 10,459,272	\$ 10,323,401	\$ 9,729,589	\$ 8,958,812	\$ 8,577,682
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 143,865	\$ 154,941	\$ 193,129	\$ 175,806	\$ 167,694
Contributions - employee	173,160	171,050	175,278	157,784	148,046
Net investment income	921,390	1,147,481	831,411	95,588	864,987
Benefit payments, including refunds of employee contributions	(441,415)	(393,504)	(360,364)	(367,215)	(373,694)
Transfers among employers	(86,702)	(28,257)	21,031	26,721	30,957
Net change in plan fiduciary net position	710,298	1,051,711	860,485	88,684	837,990
Plan fiduciary net position - beginning	10,061,441	9,009,730	8,149,245	8,060,561	7,222,571
Plan fiduciary net position - ending (b)	\$ 10,771,739	\$ 10,061,441	\$ 9,009,730	\$ 8,149,245	\$ 8,060,561
Commission's net pension (asset)/liability - ending (a) - (b)	\$ (312,467)	\$ 261,960	\$ 719,859	\$ 809,567	\$ 517,121
Plan fiduciary net position as a percentage of the total pension (asset)/liability	102.99%	97.46%	92.60%	90.96%	93.97%
Covered payroll (*)	\$ 3,165,162	\$ 3,151,305	\$ 3,224,543	\$ 2,981,542	\$ 2,818,684
Commission's net pension (asset)/liability as a percentage of covered payroll	-9.87%	8.31%	22.32%	27.15%	18.35%

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

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 167,888	\$ 155,285	\$ 154,941	\$ 193,129	\$ 175,806	\$ 167,694
Contributions in relation to the actuarially determined contribution	\$ 167,888	\$ 155,285	\$ 154,941	\$ 193,129	\$ 175,806	\$ 167,694
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 3,234,865	\$ 3,165,162	\$ 3,151,305	\$ 3,224,543	\$ 2,981,542	\$ 2,818,684
Contributions as a percentage of covered payroll	5.19%	4.91%	4.92%	5.99%	5.90%	5.95%

(\*) 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 2019 is the total covered payroll for the 12 month period of the underlying financial statement.

**Notes to Schedule**

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	13.3 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

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

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

	Budgeted Amounts		Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
<b>Revenues</b>						
Taxes	\$ 3,063,303.00	\$ 3,063,303.00	\$ 3,241,885.30	(1) (2)	\$ 2,315,919.48	\$ 5,557,804.78
Licenses and Permits	19,400.00	19,400.00	20,926.68	(2)	4,173.13	25,099.81
Intergovernmental	1,173,724.00	1,173,724.00	1,227,061.22			1,227,061.22
Charges for Services	37,400.00	37,400.00	38,786.58			38,786.58
Miscellaneous	32,195.00	32,195.00	56,024.84	(2)	48,055.28	104,080.12
Total Revenues	<u>4,326,022.00</u>	<u>4,326,022.00</u>	<u>4,584,684.62</u>		<u>2,368,147.89</u>	<u>6,952,832.51</u>
<b>Expenditures</b>						
Current:						
General Government	2,940,517.62	2,940,517.62	3,191,349.00	(3)	66,963.72	3,258,312.72
Public Safety	2,076,131.74	2,076,131.74	1,754,458.12			1,754,458.12
Welfare	123,209.16	123,209.16	111,628.35			111,628.35
Capital Outlay	30,000.00	30,000.00	68,264.10			68,264.10
Total Expenditures	<u>5,169,858.52</u>	<u>5,169,858.52</u>	<u>5,125,699.57</u>		<u>66,963.72</u>	<u>5,192,663.29</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(843,836.52)</u>	<u>(843,836.52)</u>	<u>(541,014.95)</u>		<u>2,301,184.17</u>	<u>1,760,169.22</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	1,766,438.00	1,766,438.00	1,051,959.00	(4)	(951,959.00)	100,000.00
Transfers Out	(662,141.00)	(662,141.00)	(589,613.00)	(4)	(957,790.38)	(1,547,403.38)
Total Other Financing Sources (Uses)	<u>1,104,297.00</u>	<u>1,104,297.00</u>	<u>462,346.00</u>		<u>(1,909,749.38)</u>	<u>(1,447,403.38)</u>
Net Change in Fund Balances	260,460.48	260,460.48	(78,668.95)		391,434.79	312,765.84
Fund Balances - Beginning of Year			(11,398.46)	(5)	862,556.38	851,157.92
Fund Balances - End of Year	<u>\$ 260,460.48</u>	<u>\$ 260,460.48</u>	<u>\$ (90,067.41)</u>		<u>\$ 1,253,991.17</u>	<u>\$ 1,163,923.76</u>



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

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

(1) The Commission budgets motor vehicle ad valorem tax when collected, rather than on the modified accrual basis (GAAP). \$ 1,073.57

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

(2) Revenues		
One Cent Sales Tax Fund	\$ 797,063.89	
Economic Development Fund	764,611.52	
Public Buildings, Roads and Bridges Fund	<u>805,398.91</u>	2,367,074.32
(3) Expenditures		
One Cent Sales Tax Fund	\$ (620.00)	
Economic Development Fund	(66,257.03)	
Public Buildings, Roads and Bridges Fund	<u>(86.69)</u>	(66,963.72)
(4) Other Financing Sources/(Uses), Net		
One Cent Sales Tax Fund	\$ (514,722.25)	
Economic Development Fund	(661,027.13)	
Public Buildings, Roads and Bridges Fund	<u>(734,000.00)</u>	<u>(1,909,749.38)</u>
Net Change in Fund Balance - Budget to GAAP		<u><u>\$ 391,434.79</u></u>

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

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

	Budgeted Amounts		Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
<b>Revenues</b>						
Taxes	\$	\$	\$	(1)	\$ 23,651.48	\$ 23,651.48
Intergovernmental	755,300.00	755,300.00	823,149.08	(1)	311,380.07	1,134,529.15
Charges for Services	39,000.00	39,000.00	135,447.47			135,447.47
Miscellaneous	217,848.00	217,848.00	82,891.88	(1)	96,082.81	178,974.69
Total Revenues	1,012,148.00	1,012,148.00	1,041,488.43		431,114.36	1,472,602.79
<b>Expenditures</b>						
Current:						
General Government				(2)	86.69	86.69
Highways and Roads	1,336,535.70	1,336,535.70	1,504,083.59			1,504,083.59
Capital Outlay			725,507.99			725,507.99
Debt Service:						
Principal Retirement			601,378.54			601,378.54
Interest and Fiscal Charges			22,549.41			22,549.41
Total Expenditures	1,336,535.70	1,336,535.70	2,853,519.53		86.69	2,853,606.22
Excess (Deficiency) of Revenues Over Expenditures	(324,387.70)	(324,387.70)	(1,812,031.10)		431,027.67	(1,381,003.43)
<b>Other Financing Sources (Uses)</b>						
Transfers In	424,300.00	424,300.00	607,871.77	(3)	(320,312.77)	287,559.00
Proceeds from Sale of Capital Assets			552,849.00			552,849.00
Long-Term Debt Issued			596,862.00			596,862.00
Transfers Out				(3)	(100,000.00)	(100,000.00)
Total Other Financing Sources (Uses)	424,300.00	424,300.00	1,757,582.77		(420,312.77)	1,337,270.00
Net Change in Fund Balances	99,912.30	99,912.30	(54,448.33)	(4)	10,714.90	(43,733.43)
Fund Balances - Beginning of Year			10,109.62		188,171.74	198,281.36
Fund Balances - End of Year	\$ 99,912.30	\$ 99,912.30	\$ (44,338.71)		\$ 198,886.64	\$ 154,547.93

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

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

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

(1) Revenues			
Public Highway and Traffic Fund	\$	57,350.22	
Capital Improvement Fund		215,672.30	
Severed Material Severance Tax Fund		158,091.84	\$ 431,114.36
		<u>                    </u>	
(2) Expenditures			
Capital Improvement Fund	\$	(86.69)	(86.69)
		<u>                    </u>	
(3) Other Financing Sources/(Uses), Net			
Public Highway and Traffic Fund	\$	(53,000.00)	
Capital Improvement Fund		(293,331.67)	
Severed Material Severance Tax Fund		(73,981.10)	(420,312.77)
		<u>                    </u>	<u>                    </u>
Net Change in Fund Balance - Budget to GAAP			<u>\$ 10,714.90</u>

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

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## *Additional Information*

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

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**Commission Members**

**Term Expires**

Hon. Carnell McAlpine	Chairman	November 2020
Hon. W. Dickson Farrior	Member	November 2020
Hon. Joseph Barganier	Member	November 2022
Hon. Robert Harris	Member	November 2022
Hon. Joshua Simmons	Member	November 2020

**Administrative Personnel**

Jacquelyn J. Thomas	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 Lowndes County Commission and County Administrator  
Hayneville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County Commission, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Lowndes County Commission's basic financial statements and have issued our report thereon dated August 11, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Lowndes County Commission's internal control over financial reporting (internal control) as a basis for designing 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 Lowndes County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lowndes County Commission's internal control.

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

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

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

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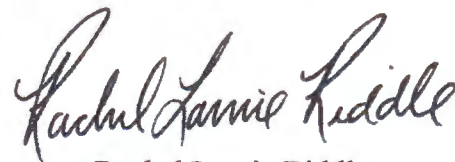
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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lowndes 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 financial statements. 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 Lowndes County Commission's internal control and compliance. Accordingly, this communication is not suitable for any purpose.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

August 11, 2021