

Report on the

Marengo County Commission

Marengo County, Alabama

October 1, 2019 through September 30, 2020

Filed: October 1, 2021



Department of Examiners of Public Accounts

401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
Telephone (334) 242-9200
FAX (334) 242-1775

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

Dear Madam:

An audit was conducted on the Marengo County Commission, Marengo County, Alabama, for the period October 1, 2019 through September 30, 2020. 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 that reads 'Cindy R. Wilson'.

Cindy R. Wilson
Examiner of Public Accounts

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Table of Contents

	<i>Page</i>
Summary	A
Contains items pertaining to state and local legal compliance, Commission operations and other matters.	
Schedule of State and Local Compliance and Other Findings	C
Contains detailed information about findings pertaining to state and local legal compliance and other findings.	
Independent Auditor's Report	F
Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).	
<u>Basic Financial Statements</u>	1
Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Commission's financial position and results of operations in accordance with GAAP.	
Exhibit #1 Statement of Net Position	2
Exhibit #2 Statement of Activities	4
Exhibit #3 Balance Sheet – Governmental Funds	5
Exhibit #4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	6
Exhibit #5 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7
Exhibit #6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Exhibit #7 Statement of Fiduciary Net Position	9
Exhibit #8 Statement of Changes in Fiduciary Net Position	10
Notes to the Financial Statements	11

Table of Contents

	<i>Page</i>
<u>Required Supplementary Information</u>	39
Provides information required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #9 Schedule of Changes in the Employer’s Net Pension Liability	40
Exhibit #10 Schedule of the Employer’s Contributions – Pension	41
Exhibit #11 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	42
Exhibit #12 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Gasoline Tax Fund	44
<u>Additional Information</u>	46
Provides basic information related to the Commission, including reports and items required by generally accepted government auditing standards.	
Exhibit #13 Commission Members and Administrative Personnel – a listing of the Commission members and administrative personnel.	47
Exhibit #14 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – a report on internal controls related to the financial statements and on whether the Commission complied with laws and regulations which could have a direct and material effect on the Commission’s financial statements.	48
Exhibit #15 Auditee Response – a response by the Commission on the results of the audit.	50



Department of
Examiners of Public Accounts

SUMMARY

**Marengo County Commission
October 1, 2019 through September 30, 2020**

The Marengo County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Marengo County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 13. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Marengo County.

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

An unmodified opinion was issued on the financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2020.

AUDIT FINDINGS

Instances of noncompliance with state and local laws and regulations and other matters were found during the examination, as shown on the Schedule of State and Local Compliance and Other Findings and they are summarized below.

- ◆ 2020-001 relates to the Commission approving “hazard duty pay” after the services were rendered, which does not comply with Section 68 of the *Constitution of Alabama 1901*.
- ◆ 2020-002 relates to the Commission’s failure to adopt a budget for the Hospital Tax Fund, as required by the *Code of Alabama 1975*, Section 11-8-3.
- ◆ 2020-003 relates to the Commission’s failure to comply with the requirements of *Code of Alabama 1975*, Title 39, commonly referred to as the Public Works Law.

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 County Commission. Individuals in attendance were: Administrator of the County Commission: Meredith Hammond; and County Commissioners: Fred Armstead, Terry W. Hinton, Calvin Martin and Jason Windham. Representing the Department of Examiners of Public Accounts were: Cindy R. Wilson, Examiner and Sherry Owen, Audit Manager.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2020

Ref. No.	Finding/Noncompliance
2020-001	<p><u>Finding:</u> Pursuant to Section 68, <i>Constitution of Alabama 1901</i>, no county or municipal authority shall have the power to grant extra compensation to any public employee after service has been rendered. The Marengo County Commission (the “Commission”) paid employees a one time "hazard duty pay" bonus ranging from \$250 to \$2,000 based on the employee's job type and hours worked during the COVID-19 pandemic related courthouse closure. This extra compensation was in addition to their regular compensation. At a special called meeting held on March 19, 2020, the Commission voted to close the courthouse, annex, and library from March 23, 2020 through April 5, 2020. The closures were subsequently extended through May 11, 2020. During the courthouse closure, public safety and certain administrative personnel regularly reported to work, some employees periodically reported to work, and some employees did not report to work at all. At its meeting on July 14, 2020, the Commission approved "hazard duty pay" for all employees based on their job type and the hours worked during the courthouse closure. Payments to employees were made on July 23, 2020. The Commission failed to officially approve the "hazard duty pay" before the services were rendered. The Commission approved compensation be paid to employees after services were rendered; therefore, the Commission did not comply with Section 68 of the <i>Constitution of Alabama 1901</i>.</p> <p><u>Recommendation:</u> The Commission should ensure compliance with Section 68, <i>Constitution of Alabama 1901</i>, and approve all employee payments prior to the service being rendered.</p>
2020-002	<p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 11-8-3, provides the County Commission must adopt a budget that includes an estimate of anticipated revenues of the county for all public funds under its supervision and control and an estimate of expenditures and appropriations. The Commission failed to budget revenues and expenditures for the Hospital Tax Fund. Procedures were not in place to ensure a balanced budget was prepared for all funds held by the Commission. Without a budget, the Commission could spend more from the fund than is available.</p> <p><u>Recommendation:</u> The Commission should ensure budgets are properly adopted for all applicable funds in accordance with the <i>Code of Alabama 1975</i>, Section 11-8-3.</p>

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2020

Ref. No.	Finding/Noncompliance
2020-003	<p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Title 39, commonly referred to as the Public Works Law, contains various requirements for public works contracts in excess of fifty thousand dollars (\$50,000). During the audit period, the Commission awarded and completed three public works projects. These public works projects were selected for testing. The Commission did not have adequate procedures in place to ensure compliance with the Public Works Law. As a result, the Commission entered into public works contracts without adhering to the following requirements of the Public Works Law:</p> <ul style="list-style-type: none"> ✓ The awarding authority shall advertise for sealed bids at least once each week for three consecutive weeks in a newspaper of general circulation in the county in which the improvement is to be made. For all public works contracts in excess of \$500,000.00 awarding authorities shall also advertise for sealed bids at least once in three newspapers of general circulation throughout the state. The Commission awarded two road resurfacing projects, one exceeding \$500,000.00, without properly advertising for sealed bids. ✓ The bidder must provide a performance bond with a penalty equal to 100 percent of the amount of the contract price and a payment bond in an amount not less than 50 percent of the contract price to the awarding authority. The Commission failed to obtain a performance and payment bond for one contractor awarded a road resurfacing project. ✓ Construction contracts shall stipulate the contractor use steel produced within the United States, and agree to use materials, supplies, and products manufactured, mined, processed, or otherwise produced on the United States or its territories, if available at competitive prices. The Commission failed to provide documentation these stipulations were included in construction contracts for public works projects tested. ✓ Upon completion of the contract, the contractor shall give notice of completion by an advertisement in a newspaper of general circulation for a period of four successive weeks. Final payment on the contract cannot be made until 30 days after the completion of the notice. One of the public works projects tested was completed in the audit period. The Commission made final payment to the contractor before 30 days after the completion of notice. <p><u>Recommendation:</u> The Commission should implement procedures to ensure compliance with all aspects of the <i>Code of Alabama 1975</i>, Title 39.</p>

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Independent Auditor's Report

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marengo County Commission, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Marengo County Commission as listed in the table of contents as Exhibits 1 through 8.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marengo County Commission, as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

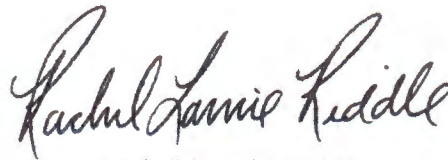
Required Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2021, on our consideration of the Marengo County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Marengo County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Marengo County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

September 2, 2021

Basic Financial Statements

Statement of Net Position
September 30, 2020

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 6,902,861.45
Investments	131,048.54
Receivables (Note 4)	806,458.70
Ad Valorem Taxes Receivable	4,145,040.14
Capital Assets (Note 5):	
Nondepreciable	316,822.50
Depreciable, Net	8,515,834.11
Total Assets	<u>20,818,065.44</u>
<u>Deferred Outflows of Resources</u>	
Employer Pension Contributions	408,116.00
Deferred Outflows Related to Pension Plan	493,198.00
Deferred Charges on Refunding	369,721.05
Total Deferred Outflows of Resources	<u>1,271,035.05</u>
<u>Liabilities</u>	
Payables (Note 7)	260,335.71
Accrued Wages Payable	89,731.88
Unearned Revenue	22,195.05
Accrued Interest Payable	87,111.19
Long-Term Liabilities (Note 8):	
Portion Due or Payable Within One Year:	
Note Payable	96,320.40
Warrants Payable	970,000.00
Compensated Absences	81,837.34
Portion Due or Payable After One Year:	
Note Payable	618,452.86
Warrants Payable	20,600,000.00
Compensated Absences	736,536.02
Net Pension Liability	3,949,519.00
Total Liabilities	<u>27,512,039.45</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Tax	4,145,040.14
Deferred Inflows Related to Pension Plan	242,928.00
Revenue Received in Advance - Motor Vehicle Tax	208,596.77
Total Deferred Inflows of Resources	<u>\$ 4,596,564.91</u>

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

	Governmental Activities
<hr/>	
<u>Net Position</u>	
Net Investment in Capital Assets	\$ 6,047,377.66
Restricted for:	
Highways and Roads	2,352,837.26
Capital Improvement	311,136.84
Debt Service	404,682.96
Other Purposes	1,531,576.50
Unrestricted	<u>(20,667,115.09)</u>
Total Net Position	<u><u>\$ (10,019,503.87)</u></u>

Statement of Activities
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	and Changes in Net Position Total Governmental Activities
Primary Government					
Governmental Activities:					
General Government	\$ 2,958,442.43	\$ 608,641.88	\$ 761,066.20	\$ 131,808.00	\$ (1,456,926.35)
Public Safety	2,613,982.61	356,766.11	281,669.99		(1,975,546.51)
Highways and Roads	3,348,931.83	164,115.81	2,374,123.36	96,853.31	(713,839.35)
Sanitation	30,591.40	23,640.00			(6,951.40)
Health	15,899,626.30		6,574.68		(15,893,051.62)
Welfare	217,525.92		190,284.18		(27,241.74)
Culture and Recreation	110,336.77				(110,336.77)
Interest on Long-Term Debt	668,330.08				(668,330.08)
Intergovernmental	20,000.00				(20,000.00)
Total Governmental Activities	<u>\$ 25,867,767.34</u>	<u>\$ 1,153,163.80</u>	<u>\$ 3,613,718.41</u>	<u>\$ 228,661.31</u>	<u>(20,872,223.82)</u>
General Revenues:					
Taxes:					
Property Taxes for General Purposes					2,147,496.31
Property Taxes for Specific Purposes					1,629,763.57
General Sales Tax					1,453,765.97
Miscellaneous Taxes					184,929.40
Grants and Contributions Not Restricted for Specific Programs					418,968.62
Interest Earned					9,409.52
Miscellaneous					327,363.04
Total General Revenues					<u>6,171,696.43</u>
Change in Net Position					(14,700,527.39)
Net Position - Beginning of Year					<u>4,681,023.52</u>
Net Position - End of Year					<u>\$ (10,019,503.87)</u>

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

Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Gasoline Tax Fund	Hospital Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 2,498,169.46	\$ 353,361.48	\$ 87,896.43	\$ 3,963,434.08	\$ 6,902,861.45
Investments	131,048.54				131,048.54
Receivables (Note 4)	614,251.73	72,998.72		119,208.25	806,458.70
Property Tax Receivable	2,843,033.94		940,780.19	361,226.01	4,145,040.14
Total Assets	6,086,503.67	426,360.20	1,028,676.62	4,443,868.34	11,985,408.83
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Payables (Note 7)	193,517.06	66,094.46		724.19	260,335.71
Accrued Wages Payable	49,879.36	34,761.96		5,090.56	89,731.88
Unearned Revenue				22,195.05	22,195.05
Total Liabilities	243,396.42	100,856.42		28,009.80	372,262.64
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	2,843,033.94		940,780.19	361,226.01	4,145,040.14
Revenue Received in Advance - Motor Vehicle Taxes	157,215.36		51,381.41		208,596.77
Total Deferred Inflows of Resources	3,000,249.30		992,161.60	361,226.01	4,353,636.91
Fund Balances					
Restricted for:					
Debt Service				490,112.18	490,112.18
Highways and Roads		310,457.84		2,042,379.42	2,352,837.26
Capital Improvement				311,136.84	311,136.84
Other Purposes	284,057.39		36,515.02	1,211,004.09	1,531,576.50
Assigned to:					
Emergency Management Operations	18,361.48				18,361.48
Highways and Roads		15,045.94			15,045.94
Unassigned	2,540,439.08				2,540,439.08
Total Fund Balances	2,842,857.95	325,503.78	36,515.02	4,054,632.53	7,259,509.28
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,086,503.67	\$ 426,360.20	\$ 1,028,676.62	\$ 4,443,868.34	\$ 11,985,408.83

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, 2020***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 7,259,509.28

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1)
are different because:

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported as assets in governmental funds. 8,832,656.61

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

Deferred Outflows Related to Pension Plan	\$	901,314.00	
Deferred Inflows Related to Pension Plan		(242,928.00)	
			658,386.00

Losses on refunding of debt are reported as Deferred Outflows of Resources and are not
available to pay for current period expenditures and, therefore, are deferred on the
Statement of Net Position. 369,721.05

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

	Amounts Due or Payable Within One Year (Current)	Amounts Due or Payable After One Year (Noncurrent)	
	(Current)	(Noncurrent)	
Note Payable	\$ 96,320.40	\$ 618,452.86	
Warrants Payable	970,000.00	20,600,000.00	
Compensated Absences	81,837.34	736,536.02	
Net Pension Liability		3,949,519.00	
Accrued Interest Payable	87,111.19		
Total Long-Term Liabilities	\$ 1,235,268.93	\$ 25,904,507.88	(27,139,776.81)

Total Net Position - Governmental Activities (Exhibit 1) \$ (10,019,503.87)

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, 2020

	General Fund	Gasoline Tax Fund	Hospital Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 4,928,431.08	\$	\$ 36,514.86	\$ 451,009.31	\$ 5,415,955.25
Licenses and Permits	17,963.31	46,825.47			64,788.78
Intergovernmental	1,091,623.29	1,175,443.05		1,874,824.04	4,141,890.38
Charges for Services	748,661.58	60,306.59		217,860.81	1,026,828.98
Miscellaneous	164,130.01	84,454.84	0.16	258,841.97	507,426.98
Total Revenues	6,950,809.27	1,367,029.95	36,515.02	2,802,536.13	11,156,890.37
Expenditures					
Current:					
General Government	2,016,674.04			567,165.18	2,583,839.22
Public Safety	2,248,004.77			153,282.88	2,401,287.65
Highways and Roads		2,399,646.20		617,054.72	3,016,700.92
Sanitation	30,591.40				30,591.40
Health	5,000.00		15,248,658.85	26,468.80	15,280,127.65
Welfare	84,489.00			133,036.92	217,525.92
Culture and Recreation	101,655.10			1,530.00	103,185.10
Capital Outlay	43,831.64			71,909.25	115,740.89
Debt Service:					
Principal Retirement				865,226.74	865,226.74
Interest and Fiscal Charges	1,734.00			404,787.00	406,521.00
Debt Issuance Costs			619,498.65		619,498.65
Intergovernmental	20,000.00				20,000.00
Total Expenditures	4,551,979.95	2,399,646.20	15,868,157.50	2,840,461.49	25,660,245.14
Excess (Deficiency) of Revenues Over Expenditures	2,398,829.32	(1,032,616.25)	(15,831,642.48)	(37,925.36)	(14,503,354.77)
Other Financing Sources (Uses)					
Transfers In		1,051,000.00		957,300.84	2,008,300.84
Sale of Capital Assets		10,349.58			10,349.58
Proceeds of Debt			16,500,000.00		16,500,000.00
Discount on Long-Term Debt			(179,875.50)		(179,875.50)
Transfers Out	(1,556,333.84)		(451,967.00)		(2,008,300.84)
Total Other Financing Sources (Uses)	(1,556,333.84)	1,061,349.58	15,868,157.50	957,300.84	16,330,474.08
Net Changes in Fund Balances	842,495.48	28,733.33	36,515.02	919,375.48	1,827,119.31
Fund Balances - Beginning of Year	2,000,362.47	296,770.45		3,135,257.05	5,432,389.97
Fund Balances - End of Year	\$ 2,842,857.95	\$ 325,503.78	\$ 36,515.02	\$ 4,054,632.53	\$ 7,259,509.28

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, 2020

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 1,827,119.31

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

Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense differed from capital outlay in the current period.

Capital Outlay Expenditures	\$ 115,740.89	
Depreciation Expense	<u>(591,304.38)</u>	(475,563.49)

Debt proceeds provide current financial resources in governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds exceeded repayments.

Debt Issuance:		
Warrants Issued	\$ (16,500,000.00)	
Discount on Warrants Issued	179,875.50	
Repayments:		
Warrants Payable	580,000.00	
Long-Term Notes Payable	<u>285,226.74</u>	
Total		(15,454,897.76)

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

Amortization of Deferred Amount on Refunding	\$ (41,080.12)	
Amortization of Discount on Debt	(179,875.50)	
Net Increase in Compensated Absences	(137,633.67)	
Net Increase in Accrued Interest Payable	(40,853.46)	
Net Change in Pension Expense	<u>(197,742.70)</u>	
Total Additional Expenses		<u>(597,185.45)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ (14,700,527.39)

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

Statement of Fiduciary Net Position
For the Year Ended September 30, 2020

	Private-Purpose Trust Funds
<u>Assets</u>	
Cash and Cash Equivalents	\$ 483,687.75
Investments	829,040.93
Receivables (Note 4)	17,901.21
Total Assets	<u>1,330,629.89</u>
<u>Net Position</u>	
Held in Trust for Other Purposes	1,330,629.89
Total Net Position	<u>\$ 1,330,629.89</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, 2020***

	Private-Purpose Trust Funds
<u>Additions</u>	
Contributions from:	
Interest	\$ 626.29
Excess Land Sales	25,951.13
Park and Recreation Receipts	89,295.18
Fiduciary Fund Receipts	404,993.28
Total Additions	<u>520,865.88</u>
<u>Deductions</u>	
Parks and Recreation Disbursements	41,000.00
Payments to Beneficiaries	715,129.92
Land Redemption	6,722.46
Total Deductions	<u>762,852.38</u>
Change in Net Position	(241,986.50)
Total Net Position - Beginning of Year	<u>1,572,616.39</u>
Total Net Position - End of Year	<u>\$ 1,330,629.89</u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Fund Financial Statements

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. The fund is also used to report the expenditures for building and maintaining public buildings, roads and bridges.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of 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. The Gasoline Tax Fund is also used to account for the expenditures of motor vehicle license taxes and fees and drivers license revenues for the construction, improvement and maintenance of public highways and streets. Special user fees for road system improvements collected pursuant to the *Code of Alabama 1975*, Section 45-46-210.01, are also accounted for in this fund.
- ◆ **Hospital Tax Fund** – This fund is used to account for the expenditures of special county property taxes for healthcare.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

- ◆ ***Capital Projects Funds*** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The Commission reports the following fiduciary fund type:

Fiduciary Fund Type

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

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

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

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

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 is reported as other financing sources.

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

Notes to the Financial Statements
For the Year Ended September 30, 2020

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

1. Deposits and Investments

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

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

2. Receivables

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

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

Receivables due from other governments include revenues collected by the State and shared with the Commission and amounts due from grantors for grants issued for specific programs.

3. Restricted Assets

Certain resources set aside for repayment of debt are included in cash and cash equivalents on the balance sheet but are considered restricted because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. The General Obligation Warrants Series 2018-A, General Obligation Warrants Series 2018-B and General Obligation Warrants Series 2020 accounts are used to segregate resources accumulated for debt service payments.

Notes to the Financial Statements
For the Year Ended September 30, 2020

4. Capital Assets

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

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Infrastructure – Roads	\$250,000.00	20 years
Infrastructure – Bridges	\$ 50,000.00	40 years
Buildings	\$ 50,000.00	20 – 40 years
Building Improvements	\$ 50,000.00	7 – 30 years
Equipment and Furniture	\$ 5,000.00	5 – 15 years

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

5. Deferred Outflows of Resources

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

Notes to the Financial Statements
For the Year Ended September 30, 2020

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Warrant discounts are typically deferred and amortized over the life of the warrants. Warrants payable are reported gross with the applicable warrant discount reported separately. The discount related to the issuance of the General Obligation Warrants, Series 2020, was expensed in its entirety in the current fiscal year due to its immaterial amount. Warrant issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize warrant discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Compensated Absences

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

Annual Leave

Eligible employees shall earn leave according to the following schedule:

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

Employees may accumulate and carry up to sixty days of annual leave into the next leave year. Accumulated leave in excess of sixty days at the end of the leave year is forfeited by the employee. Upon separation from county service, an employee will be paid for his unused accrued annual leave, not to exceed sixty days. Such entitlement will be calculated on the basis of the daily pay rate at the time of separation multiplied by the number of days leave due.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Sick Leave

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

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

Compensatory Leave

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

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

8. Deferred Inflows of Resources

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

9. Net Position/Fund Balances

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

- ◆ **Net Investment in Capital Assets** – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction and improvement of those assets should also be included in this component. Any significant unspent related debt proceeds, or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. 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 on the fund financial statements. Fund balances of governmental funds are reported in classifications to indicate the level of constraint on the use of the fund balances. Those classifications and associated constraints are as follows.

- ◆ **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include inventories, prepaid items, and long-term receivables.
- ◆ **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Notes to the Financial Statements

For the Year Ended September 30, 2020

- ◆ **Committed** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal resolution of the County Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal resolution to remove or modify the constraint.

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

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

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

E. Pensions

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

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 2 – Stewardship, Compliance, and Accountability

A. Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund with the exception of motor vehicle ad valorem taxes, which are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. The remaining governmental funds budget on the modified accrual basis of accounting (GAAP) with the exception of the Hospital Tax Fund, in which a budget was not adopted. All appropriations lapse at fiscal year-end.

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

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

B. Deficit Net Position

As of September 30, 2020, the government-wide financial statements reported a deficit net position of \$10,019,503.87. The deficit in net position is due to the implementation of GASB Statement Number 68, relating to Pensions.

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 3 – Deposits and Investments

Deposits

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 4 – Receivables

On September 30, 2020, receivables for the Commission’s individual major and nonmajor funds, and fiduciary funds in the aggregate are as follows:

	Accounts Receivable	Due from Other Governmental Units	Total Receivables
<u>Governmental Activities:</u>			
General Fund	\$251,909.10	\$362,342.63	\$614,251.73
Gasoline Tax Fund	18.53	72,980.19	72,998.72
Other Governmental Funds	275.00	118,933.25	119,208.25
Total Governmental Activities	<u>252,202.63</u>	<u>554,256.07</u>	<u>806,458.70</u>
<u>Fiduciary Activities:</u>			
Private-Purpose Trust Funds	17,901.21		17,901.21
Total Fiduciary Activities	<u>\$ 17,901.21</u>	<u>\$</u>	<u>\$ 17,901.21</u>

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance 10/01/2019	Additions	Retirements	Balance 09/30/2020
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Improvements – Inexhaustible	\$ 316,822.50	\$	\$	\$ 316,822.50
Total Capital Assets, Not Being Depreciated	316,822.50			316,822.50
Capital Assets Being Depreciated:				
Buildings	6,347,422.54			6,347,422.54
Building Improvements	4,800,279.80			4,800,279.80
Infrastructure	3,163,379.36			3,163,379.36
Equipment and Furniture	5,347,221.24	115,740.89	(519,088.75)	4,943,873.38
Total Capital Assets Being Depreciated	19,658,302.94	115,740.89	(519,088.75)	19,254,955.08
Less Accumulated Depreciation for:				
Buildings	(3,779,975.95)	(137,434.62)		(3,917,410.57)
Building Improvements	(1,535,415.13)	(118,149.58)		(1,653,564.71)
Infrastructure	(1,090,323.26)	(79,084.46)		(1,169,407.72)
Equipment and Furniture	(4,261,191.00)	(256,635.72)	519,088.75	(3,998,737.97)
Total Accumulated Depreciation	(10,666,905.34)	(591,304.38)	519,088.75	(10,739,120.97)
Total Capital Assets Being Depreciated, Net	8,991,397.60	(475,563.49)		8,515,834.11
Total Governmental Activities Capital Assets, Net	\$ 9,308,220.10	\$(475,563.49)	\$	\$ 8,832,656.61

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$141,075.76
Public Safety	168,652.18
Highway and Roads	274,424.77
Culture and Recreation	7,151.67
Total Depreciation Expense – Governmental Activities	<u>\$591,304.38</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

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.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Benefits Provided

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

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

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30th are paid to the beneficiary.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to but not yet receiving benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active Members	55,222
Post-DROP participants who are still in active service	98
Total	93,986

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 contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2020, the Commission's active employee contribution rate was 5.43% of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 13.45% of covered employee payroll.

Notes to the Financial Statements
For the Year Ended September 30, 2020

The Commission's contractually required contribution rate for the year ended September 30, 2020, was 14.04% of pensionable pay for Tier 1 employees, and 11.57% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, 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 \$408,116 for the year ended September 30, 2020.

B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2018, rolled forward to September 30, 2019, using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward	
	Expected	Assumptions
(a) Total Pension Liability as of September 30, 2018	\$14,048,824	\$13,815,664
(b) Discount Rate	7.70%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2018 through September 30, 2019	238,577	238,577
(d) Transfers Among Employers		(12,011)
(e) Actual Benefit Payments and Refunds for the period October 1, 2018 through September 30, 2019	(894,410)	(894,410)
(f) Total Pension Liability as of September 30, 2019 =[(a) x (1+(b))] + (c) +(d) +[(e) x (1+.05 * (b))]	\$14,440,316	\$14,177,191
(g) Difference between Expected and Actual		\$ (263,125)
(h) Less Liability Transferred for Immediate Recognition		(12,011)
(i) Experience (Gain)/Loss = (g) – (h)		\$ (251,114)

Notes to the Financial Statements

For the Year Ended September 30, 2020

Actuarial Assumptions

The total pension liability as of September 30, 2019, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018, which was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

(*) Net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, 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.

Notes to the Financial Statements
For the Year Ended September 30, 2020

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

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

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

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, 2020

C. Changes in Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2018	\$14,048,824	\$10,324,804	\$3,724,020
Changes for the Year:			
Service cost	238,577		238,577
Interest	1,047,325		1,047,325
Changes of assumptions			
Difference between expected and actual experience	(251,114)		(251,114)
Contributions – Employer		389,326	(389,326)
Contributions – Employee		159,434	(159,434)
Net investment income		260,529	(260,529)
Benefit payments, including refunds of employee contributions	(894,410)	(894,410)	
Transfers among employers	(12,011)	(12,011)	
Net changes	128,367	(97,132)	225,499
Balances at September 30, 2019	\$14,177,191	\$10,227,672	\$3,949,519

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

The following table presents the Commission’s net pension liability calculated using the discount rate of 7.70%, as well as what the Commission’s 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 Discount Rate (7.70%)	1% Increase (8.70%)
Commission’s Net Pension Liability	\$5,495,243	\$3,949,519	\$2,631,034

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, 2019. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2019. The auditor’s report dated August 27, 2020 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.

Notes to the Financial Statements
For the Year Ended September 30, 2020

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

For the year ended September 30, 2020, the Commission recognized pension expense of \$594,911. At September 30, 2020, 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	\$259,485.00	\$242,928.00
Changes of assumptions	121,352.00	
Net difference between projected and actual earnings on pension plan investments	112,361.00	
Employer contributions subsequent to the measurement date	408,116.00	
Total	\$901,314.00	\$242,928.00

The \$408,116 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending	
September 30, 2021	\$121,886.00
2022	\$ 41,241.00
2023	\$ 20,398.00
2024	\$ 66,745.00
2025	\$
Thereafter	\$

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 7 – Payables

On September 30, 2020, payables for the Commission’s individual major funds and nonmajor funds in the aggregate are as follows:

	Vendors	Due to Other Governments	Other Payables	Total Payables
<u>Governmental Activities:</u>				
General Fund	\$22,640.31	\$48,837.21	\$122,039.54	\$193,517.06
Gasoline Tax Fund	66,094.46			66,094.46
Other Governmental Funds	724.19			724.19
Total Governmental Activities	\$89,458.96	\$48,837.21	\$122,039.54	\$260,335.71

Note 8 – Long-Term Debt

In June 2018, the Commission issued Series 2018-A General Obligation Warrants in the amount of \$3,770,000.00 with interest rates ranging from 2.00 to 3.00 percent. The purpose of the debt was to refund on a current basis the 2011-B General Obligation Warrant and finance road improvements. The warrants are insured by a policy issued by Assured Guaranty Municipal Corporation. In the event of default by the Commission, the warrant holders would be paid with proceeds from the policy.

In June 2018, the Commission issued Series 2018-B General Obligation Warrants in the amount of \$2,095,000.00 with interest rates ranging from 2.75 to 4.00 percent. The purpose of the debt was to retire a loan obtained to assist a local hospital. The warrants are insured by a policy issued by Assured Guaranty Municipal Corporation. In the event of default by the Commission, the warrant holders would be paid with proceeds from the policy.

In September 2018, the Commission entered into a financial agreement, a direct borrowing from a financial institution in the amount of \$1,000,350.00, with an interest rate of 4.09%. The purpose of the loan was to provide financial assistance to Tombigbee Healthcare Authority. The outstanding note contains a provision that in the event of default, the financial institution may make any or all of the outstanding amount due immediately if (1) the Commission fails to make a payment in full when due; (2) upon the insolvency or bankruptcy of the Commission; (3) default occurs on any other debt or agreement with the financial institution.

Notes to the Financial Statements

For the Year Ended September 30, 2020

In April 2020, the Commission issued Series 2020 General Obligation Warrants in the amount of \$16,500,000 with interest rates ranging from 2.00 to 4.00 percent. The purpose of the debt was to make a grant to the Tombigbee Healthcare Authority and to pay off and retire a portion of the bank loan obtained in September 2018. A special ad valorem tax in the amount of four mills was approved by the electors of the county in December 2019. It is the intent of the Commission and the Tombigbee Healthcare Authority that the warrants will be repaid from the proceeds of the special tax although the proceeds of the tax are not pledged for the repayment of the debt. The warrants are insured by a policy issued by Assured Guaranty Municipal Corporation. In the event of default by the Commission, the warrant holders would be paid with proceeds from the policy.

The following is a summary of long-term obligations for the Commission for the year ended September 30, 2020:

	Debt Outstanding 10/01/2019	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2020	Amounts Due Within One Year
<u>Governmental Activities:</u>					
<u>Warrants and Notes Payable:</u>					
2018-A General Obligation Refunding Warrants	\$ 3,555,000.00	\$	\$ (400,000.00)	\$ 3,155,000.00	\$ 410,000.00
2018-B General Obligation Refunding Warrants	2,095,000.00		(180,000.00)	1,915,000.00	185,000.00
2020 General Obligation Warrants		16,500,000.00		16,500,000.00	375,000.00
Note From Direct Borrowing	1,000,000.00		(285,226.74)	714,773.26	96,320.40
Unamortized Discount		179,875.50	(179,875.50)		
Total Warrants and Notes Payable	6,650,000.00	16,679,875.50	(1,045,102.24)	22,284,773.26	1,066,320.40
<u>Other Liabilities:</u>					
Compensated Absences	680,739.69	137,633.67		818,373.36	81,837.34
Net Pension Liability	3,724,020.00	225,499.00		3,949,519.00	
Total Other Liabilities	4,404,759.69	363,132.67		4,767,892.36	81,837.34
Total Governmental Activities Long-Term Liabilities	\$11,054,759.69	\$17,043,008.17	\$(1,045,102.24)	\$27,052,665.62	\$1,148,157.74

Payments on the warrants payables and note from direct borrowing are made from the debt service funds with funds transferred from the General Fund and Hospital Tax Fund. The compensated absences liability attributable to the governmental activities will be liquidated by the General Fund (56%), Gasoline Tax Fund (42%), and Other Governmental Funds (2%).

Notes to the Financial Statements
For the Year Ended September 30, 2020

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

Fiscal Year Ending	Governmental Activities			
	2018-A General Obligation Warrants		2018-B General Obligation Warrants	
	Principal	Interest	Principal	Interest
September 30, 2021	\$ 410,000.00	\$ 88,500.00	\$ 185,000.00	\$ 65,217.50
2022	425,000.00	75,975.00	190,000.00	59,402.50
2023	435,000.00	63,075.00	200,000.00	53,112.50
2024	450,000.00	49,800.00	205,000.00	46,403.13
2025	465,000.00	36,075.00	210,000.00	39,268.76
2026-2030	970,000.00	29,250.00	925,000.00	73,846.90
2031-2035				
2036-2040				
2041-2045				
2046-2049				
Total	<u>\$3,155,000.00</u>	<u>\$342,675.00</u>	<u>\$1,915,000.00</u>	<u>\$337,251.29</u>

Deferred Outflows on Refunding and Discounts

The Commission has a deferred outflow on refunding as a result of a loss on early extinguishment of debt in connection with the issuance of its Series 2018-A General Obligation Warrants. The deferred outflow on refunding is being amortized using the straight-line method over a period of twelve years. The Commission also had a discount in connection with the issuance of the Series 2020 General Obligation Warrants. The discount was expensed in the current year.

	Discount	Deferred Loss on Refunding
Total Discount and Deferred Loss on Refunding	\$ 179,875.50	\$492,961.41
Amount Amortized Prior Years		(82,160.24)
Remaining Amount	179,875.50	410,801.17
Current Amount Amortized	(179,875.50)	(41,080.12)
Balance September 30, 2020	<u>\$</u>	<u>\$369,721.05</u>

Notes to the Financial Statements
For the Year Ended September 30, 2020

Governmental Activities				Total Principal and Interest Requirements to Maturity
2020 General Obligation Warrants		Note From Direct Borrowing		
Principal	Interest	Principal	Interest	
\$ 375,000.00	\$ 495,888.00	\$ 96,320.40	\$ 27,435.60	\$ 1,743,361.50
385,000.00	488,388.00	100,334.58	23,421.42	1,747,521.50
390,000.00	480,688.00	104,516.07	19,239.93	1,745,631.50
400,000.00	472,888.00	108,829.66	14,926.34	1,747,847.13
410,000.00	464,888.00	113,407.37	10,348.63	1,748,987.76
2,175,000.00	2,187,814.00	191,365.18	6,643.01	6,558,919.09
2,525,000.00	1,844,750.00			4,369,750.00
3,045,000.00	1,317,050.00			4,362,050.00
3,555,000.00	812,250.00			4,367,250.00
3,240,000.00	246,450.00			3,486,450.00
<u>\$16,500,000.00</u>	<u>\$8,811,054.00</u>	<u>\$714,773.26</u>	<u>\$102,014.93</u>	<u>\$31,877,768.48</u>

Note 9 – Risk Management

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2020

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

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

Note 10 – Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2020, were as follows:

	Transfers Out		Totals
	General Fund	Hospital Tax Fund	
<u>Transfers In:</u>			
Gasoline Tax Fund	\$1,051,000.00	\$	\$1,051,000.00
Other Governmental Funds	505,333.84	451,967.00	957,300.84
Totals	<u>\$1,556,333.84</u>	<u>\$451,967.00</u>	<u>\$2,008,300.84</u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 11 – Related Organizations

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

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

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

Note 12 – Tax Abatements

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

For fiscal year ended September 30, 2020, total property taxes abated were \$476,402.48 including the following tax abatement agreements.

Notes to the Financial Statements
For the Year Ended September 30, 2020

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

Granting Jurisdiction	Type	Property Tax
Linden	Manufacturing	\$ 310.80
IDB Demopolis	Hardwood Mill	291.60
IDB Demopolis	Poultry Farm	6,626.16
IDB Demopolis	Manufacturing	240,009.92
IDB Demopolis	Manufacturing	45,454.56
IDB Demopolis	Manufacturing	165,571.20
Marengo County Commission	Manufacturing	18,138.24
Totals		<u>\$476,402.48</u>

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

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

Note 13 – Subsequent Event

At a meeting on February 9, 2021, the Commission authorized the issuance of General Obligation Warrants, Series 2021, in the amount of \$2,625,000. The warrants were issued to fund road improvements in the County.

Required Supplementary Information

Schedule of Changes in the Net Pension Liability
For the Year Ended September 30, 2020

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 238,577	\$ 229,324	\$ 227,295	\$ 226,327	\$ 246,109	\$ 242,835
Interest	1,047,325	1,024,632	961,546	916,007	888,697	857,137
Difference between expected and actual experience	(251,114)	(77,559)	542,136	224,070	47,934	
Changes of assumptions		69,450		374,804		
Benefit payments, including refunds of employee contribution	(894,410)	(854,550)	(864,981)	(870,356)	(812,366)	(598,580)
Transfers among employers	(12,011)	9,189	(57,195)	83,417		
Net Change in total Pension Liability	128,367	400,486	808,801	954,269	370,374	501,392
Total Pension Liability - Beginning	14,048,824	13,648,338	12,839,537	11,885,268	11,514,894	11,013,502
Total Pension Liability - Ending (a)	\$ 14,177,191	\$ 14,048,824	\$ 13,648,338	\$ 12,839,537	\$ 11,885,268	\$ 11,514,894
Plan Fiduciary Net Position						
Contributions - employer	\$ 389,326	\$ 313,977	\$ 274,536	\$ 278,464	\$ 264,616	\$ 277,832
Contributions - employee	159,434	151,117	157,745	148,439	143,769	149,225
Net investment income	260,529	890,697	1,141,803	863,510	103,892	968,309
Benefit payments, including refunds of employee contributions	(894,410)	(854,550)	(864,981)	(870,356)	(812,366)	(598,580)
Other (Transfers among employers)	(12,011)	9,189	(57,195)	83,417		12,688
Net change in plan Fiduciary Net Position	(97,132)	510,430	651,908	503,474	(300,089)	809,474
Plan Fiduciary Net Position - Beginning	10,324,804	9,814,374	9,162,466	8,658,992	8,959,081	8,149,607
Plan Fiduciary Net Position - Ending (b)	\$ 10,227,672	\$ 10,324,804	\$ 9,814,374	\$ 9,162,466	\$ 8,658,992	\$ 8,959,081
Commission's Net Pension Liability - ending (a) - (b)	\$ 3,949,519	\$ 3,724,020	\$ 3,833,964	\$ 3,677,071	\$ 3,226,276	\$ 2,555,813
Plan Fiduciary Net Position as a percentage of the total pension liability	72.14%	73.49%	71.91%	71.36%	72.85%	77.80%
Covered payroll (*)	\$ 2,953,164	\$ 2,810,324	\$ 2,718,363	\$ 2,653,141	\$ 2,564,175	\$ 2,805,982
Commission's Net Pension Liability as a percentage of covered payroll	133.74%	132.51%	141.04%	138.59%	125.82%	91.08%

(*) Employer's covered payroll during the measurement period is the total covered payroll.
For fiscal year 2020, the measurement period is October 1, 2018 through September 30, 2019.
GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with fiscal year 2017.

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

***Schedule of the Employer's Contributions
For the Year Ended September 30, 2020***

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 408,116	\$ 400,274	\$ 324,364	\$ 284,661	\$ 278,464	\$ 264,616	\$ 277,832
Contributions in relation to the actuarially determined contribution	\$ 408,116	\$ 400,274	\$ 324,364	\$ 284,661	\$ 278,464	\$ 264,616	\$ 277,832
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 3,033,269	\$ 2,953,164	\$ 2,810,324	\$ 2,718,363	\$ 2,653,141	\$ 2,564,175	\$ 2,805,982
Contributions as a percentage of covered payroll	13.45%	13.55%	11.54%	10.47%	10.50%	10.32%	9.90%

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

(**) Employer's covered payroll for fiscal year 2020 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 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 through September 30, 2020:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	21.7 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, 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, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
Taxes	\$ 3,261,084.55	\$ 3,261,084.55	\$ 3,878,496.28	(1) (2) (3)	\$ 1,049,934.80	\$ 4,928,431.08
Licenses and Permits	16,500.00	16,500.00	17,963.31			17,963.31
Intergovernmental	651,167.00	651,167.00	1,056,741.88	(3)	34,881.41	1,091,623.29
Charges for Services	633,140.00	633,140.00	688,354.97	(3)	60,306.61	748,661.58
Miscellaneous	161,529.04	161,529.04	157,239.17	(3)	6,890.84	164,130.01
Total Revenues	<u>4,723,420.59</u>	<u>4,723,420.59</u>	<u>5,798,795.61</u>		<u>1,152,013.66</u>	<u>6,950,809.27</u>
Expenditures						
Current:						
General Government	2,214,122.21	2,214,122.21	2,013,877.19	(4)	(2,796.85)	2,016,674.04
Public Safety	2,314,189.60	2,314,189.60	2,233,280.77	(4)	(14,724.00)	2,248,004.77
Sanitation	36,391.50	36,391.50	30,591.40			30,591.40
Health	5,000.00	5,000.00	5,000.00			5,000.00
Welfare	46,702.53	46,702.53	84,489.00			84,489.00
Culture and Recreation	122,720.42	122,720.42	96,128.82	(4)	(5,526.28)	101,655.10
Capital Outlay	35,000.00	35,000.00	32,016.64	(4)	(11,815.00)	43,831.64
Debt Service:						
Interest and Fiscal Charges				(4)	(1,734.00)	1,734.00
Intergovernmental	20,000.00	20,000.00	20,000.00			20,000.00
Total Expenditures	<u>4,794,126.26</u>	<u>4,794,126.26</u>	<u>4,515,383.82</u>		<u>(36,596.13)</u>	<u>4,551,979.95</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(70,705.67)</u>	<u>(70,705.67)</u>	<u>1,283,411.79</u>		<u>1,115,417.53</u>	<u>2,398,829.32</u>
Other Financing Sources (Uses)						
Transfers Out	(684,000.00)	(684,000.00)	(685,333.84)	(5)	(871,000.00)	(1,556,333.84)
Total Other Financing Sources (Uses)	<u>(684,000.00)</u>	<u>(684,000.00)</u>	<u>(685,333.84)</u>		<u>(871,000.00)</u>	<u>(1,556,333.84)</u>
Net Change in Fund Balances	(754,705.67)	(754,705.67)	598,077.95		244,417.53	842,495.48
Fund Balances - Beginning of Year	<u>800,000.00</u>	<u>800,000.00</u>	<u>1,463,915.82</u>	(6)	<u>536,446.65</u>	<u>2,000,362.47</u>
Fund Balances - End of Year	<u>\$ 45,294.33</u>	<u>\$ 45,294.33</u>	<u>\$ 2,061,993.77</u>		<u>\$ 780,864.18</u>	<u>\$ 2,842,857.95</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020***

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

- | | | |
|---|----|-------------|
| (1) The Commission budgets for motor vehicle ad valorem taxes only to the extent they are expected to be received in the current fiscal period, rather than on the modified accrual basis (GAAP). | \$ | (11,532.35) |
| (2) The Commission budgets some revenues as they are received rather than on the modified accrual basis. | | 38,167.53 |

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

(3) Revenues			
General Special Fee Fund	\$	60,430.94	
General Obligation Depository Fund		1,266.10	
Chickasaw State Park Fund		3,914.63	
Public Buildings, Roads and Bridges Fund		1,058,247.20	
Emergency Agency Fund		1,452.57	
Jail Construction Fund		67.04	1,125,378.48
(4) Expenditures			
General Special Fee Fund	\$	(2,796.85)	
General Obligation Depository Fund		(1,734.00)	
Chickasaw State Park Fund		(5,526.28)	
Jail Construction Fund		(26,539.00)	(36,596.13)
(5) Other Financing Sources			
General Obligation Depository Fund	\$	180,000.00	
Public Buildings, Roads and Bridges Fund		(1,051,000.00)	(871,000.00)
Net Change in Fund Balance - Budget to GAAP			<u>\$ 244,417.53</u>

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
License and Permits	\$	\$	\$	(1)	\$ 46,825.47	\$ 46,825.47
Intergovernmental	934,852.64	934,852.64	988,496.15	(1) (4)	186,946.90	1,175,443.05
Charges for Services				(1)	60,306.59	60,306.59
Miscellaneous	27,375.00	27,375.00	84,316.70	(1)	138.14	84,454.84
Total Revenues	962,227.64	962,227.64	1,072,812.85		294,217.10	1,367,029.95
Expenditures						
Current:						
Highways and Roads	2,792,884.76	2,792,884.76	2,377,618.26	(2)	(22,027.94)	2,399,646.20
Total Expenditures	2,792,884.76	2,792,884.76	2,377,618.26		(22,027.94)	2,399,646.20
Excess (Deficiency) of Revenues Over Expenditures	(1,830,657.12)	(1,830,657.12)	(1,304,805.41)		272,189.16	(1,032,616.25)
Other Financing Sources (Uses)						
Transfers In	1,830,657.12	1,830,657.12	1,280,482.91	(3) (4)	(229,482.91)	1,051,000.00
Proceeds from Sale of Capital Assets			10,349.58			10,349.58
Total Other Financing Sources (Uses)	1,830,657.12	1,830,657.12	1,290,832.49		(229,482.91)	1,061,349.58
Net Change in Fund Balances			(13,972.92)		42,706.25	28,733.33
Fund Balances - Beginning of Year			29,018.86	(5)	267,751.59	296,770.45
Fund Balances - End of Year	\$	\$	\$ 15,045.94		\$ 310,457.84	\$ 325,503.78

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2020

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	\$	102,295.19	
Gasoline Special Revenue Fund		<u>60,439.00</u>	\$ 162,734.19
(2) Expenditures			
Gasoline Special Revenue Fund			(22,027.94)
(3) Other Financing Sources			
Public Highway and Traffic Fund			(98,000.00)
(4) The Commission transfers money among certain funds rather than recording the revenue in accordance with GASB Statement Number 54.			(131,482.91)
			<u>131,482.91</u>
Net Change in Fund Balance - Budget to GAAP			<u>\$ 42,706.25</u>
(5) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.			

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Additional Information

Commission Members and Administrative Personnel
October 1, 2019 through September 30, 2020

Commission Members **Term Expires**

Hon. Fred Armstead	Chairman	2022
Hon. Jason Windham	Member	2020
Hon. Terry W. Hinton	Member	2022
Hon. Calvin Martin	Member	2020
Hon. Michael Thompson	Member	2022

Administrative Personnel

Meredith Hammond	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***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marengo County Commission (the "Commission") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated September 2, 2021.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

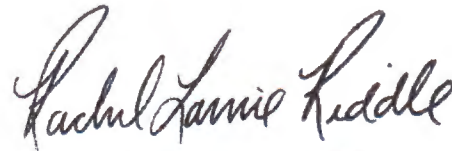
As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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***. However, we noted certain matters that we have reported to the management of the Commission in the Schedule of State and Local Compliance and Other Findings.

The Commission's Response to Findings

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

Purpose of this Report

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



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

September 2, 2021

Auditee Response

MARENGO COUNTY COMMISSION

P.O. Box 480715
Linden, Alabama 36748
Phone (334) 295-2200
Fax (334) 295-2254

SHANNON PARTEN
ADMINISTRATOR

BILLY JO WEBB
ENGINEER

MEMBERS

FREDDIE ARMSTEAD
DISTRICT 1

JASON WINDHAM
DISTRICT 2

TERRY HINTON
DISTRICT 3

CALVIN MARTIN
DISTRICT 4

MICHAEL THOMPSON
DISTRICT 5

Auditee Response

For the Year Ended September 30, 2020

As required by the governmental auditing standards, the Marengo County Commission has prepared and hereby submits the following Auditee Response for the findings which are included in the Schedule of State and Local Compliance and Other Findings for the year ended September 30, 2020.

**Finding
Ref.
No.**

Corrective Action Plan Details

2020-001

Finding:

Pursuant to Section 68, *Constitution of Alabama 1901*, no county or municipal authority shall have the power to grant extra compensation to any public employee *after* service has been rendered. The Marengo County Commission (the "Commission") paid employees a one time "hazard duty pay" bonus ranging from \$250 to \$2,000 based on the employee's job type and hours worked during the COVID-19 pandemic related courthouse closure. This extra compensation was in addition to their regular compensation. At a special called meeting held on March 19, 2020, the Commission voted to close the courthouse, annex, and library from March 23, 2020 through April 5, 2020. The closures were subsequently extended through May 11, 2020. During the courthouse closure, public safety and certain administrative personnel regularly reported to work, some employees periodically reported to work, and some employees did not report to work at all during the courthouse closure. At its meeting on July 14, 2020, the Commission approved "hazard duty pay" for all employees based on their job type and the hours worked during the courthouse closure. Payments to employees were made on July 23, 2020. The Commission failed to officially approve the "hazard duty pay" before the services were rendered. The Commission approved compensation be paid to employees after services were

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rendered; therefore, the Commission violated Section 68 of the Constitution of Alabama 1901.

Recommendation:

The Commission should ensure compliance with Section 68, *Constitution of Alabama 1901*, and approve all employee payments prior to the service being rendered.

Response/Views: We agree with the finding.

Corrective Action Planned: Administrator Shannon Parten will ensure all employee payments will be approved prior to the service being rendered.

Anticipated Completion Date: Immediately.

Contact Person(s): Shannon Parten, Administrator, Marengo County Commission

2020-002

Finding:

The *Code of Alabama 1975*, Section 11-8-3, provides the County Commission must adopt a budget that includes an estimate of anticipated revenues of the county for all public funds under its supervision and control and an estimate of expenditures and appropriations. The Commission failed to budget revenues and expenditures for the Hospital Tax Fund. Procedures were not in place to ensure a balanced budget was prepared for all funds held by the Commission. Without an approved budget, the Commission could spend more money than is available in the fund.

Recommendation:

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The Commission should ensure budgets are properly adopted for all applicable funds in accordance with the *Code of Alabama 1975*, Section 11-8-3.

Response/Views: We agree with the finding.

Corrective Action Planned: Administrator Shannon Parten will confirm future budgets are properly adopted for all applicable funds to ensure a balanced budget is being prepared for all funds held by the Commission.

Anticipated Completion Date: Immediately.

Contact Person(s): Shannon Parten, Administrator, Marengo County Commission

2020-003

Finding:

The *Code of Alabama 1975*, Title 39, commonly referred to as the Public Works Law, contains various requirements for public works contracts in excess of fifty thousand dollars (\$50,000). During the audit period, the Commission awarded and completed three public works projects. Testing revealed that the Commission did not have adequate procedures in place to ensure compliance with the Public Works Law for these projects. As a result, the Commission entered into public works contracts without adhering to the following requirements of the Public Works Law:

- The awarding authority shall advertise for sealed bids at least once each week for three consecutive weeks in a newspaper of general circulation in the county in which the improvement is to be made. For all public works contracts in excess of \$500,000.00 awarding authorities shall also advertise for sealed bids at least once in three newspapers of general circulation throughout the state. The Commission awarded two road resurfacing projects, one exceeding \$500,000.00, without properly advertising for sealed bids.

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- The bidder must provide a performance bond with a penalty equal to 100 percent of the amount of the contract price and a payment bond in an amount not less than 50 percent of the contract price to the awarding authority. The Commission failed to obtain a performance and payment bond for one contractor awarded a road resurfacing project.
- Construction contracts shall stipulate the contractor use steel produced within the United States, and agree to use materials, supplies, and products manufactured, mined, processed, or otherwise produced on the United States or its territories, if available at competitive prices. The Commission failed to provide documentation these stipulations were included in construction contracts for public works projects tested.
- Upon completion of the contract, the contractor shall give notice of completion by an advertisement in a newspaper of general circulation for a period of four successive weeks. Final payment on the contract cannot be made until 30 days after the completion of the notice. One of the public works projects tested was completed in the audit period. The Commission made final payment to the contractor prior to the advertisement of the notice of completion.

Recommendation:

The Commission should implement adequate procedures to ensure compliance with all aspects of the *Code of Alabama 1975*, Title 39.

Response/Views: We agree with the finding.

Corrective Action Planned: Administrator Shannon Parten will advertise for sealed bids at least once each week for three consecutive weeks in a newspaper of general circulation in the county in which the improvement is to be made. For all public works contracts in excess of \$500,000.00 the commission will also advertise for sealed bids at least once in three newspapers of general circulation throughout the state.

Anticipated Completion Date: Immediately.

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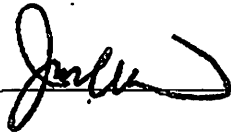
JASON WINDHAM
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Contact Person(s): Shannon Parten, Administrator, Marengo County Commission.



Chairman, Marengo County Commission