

Report on the

# Winston County Commission

Winston County, Alabama

October 1, 2018 through September 30, 2019

Filed: January 7, 2022



## Department of Examiners of Public Accounts

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*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

**State of Alabama**  
Department of  
**Examiners of Public Accounts**

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

Dear Madam:

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

Respectfully submitted,

Kimberly Swafford  
Examiner of Public Accounts

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<p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information has not been audited, and no opinion is provided about the information.</p>	
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Department of  
**Examiners of Public Accounts**

**SUMMARY**

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

The Winston County Commission (the “Commission”) is governed by a three-member body elected by the citizens of Winston County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 18. 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 Winston County.

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

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

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

**EXIT CONFERENCE**

Commission members and administrative personnel, as reflected on Exhibit 18, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Judy Burnett, Administrator; Roger Hayes, Chairman; and Commissioners: David Cummings and Bobby Everett. Also in attendance were representatives from the Department of Examiners of Public Accounts: Denise H. Olive, Audit Manager and Kimberly Swafford, Examiner of Public Accounts.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Winston County Commission and County Administrator  
Double Springs, Alabama

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Winston County Commission, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Winston County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 11.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

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

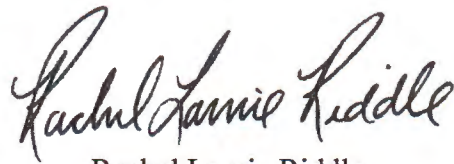
### **Other Matters**

#### *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 – Pension, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 12 through 17), 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with ***Government Auditing Standards***, we have also issued our report dated December 16, 2021, on our consideration of the Winston 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 Winston 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 Winston County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

December 16, 2021



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*Management's Discussion and Analysis  
(Required Supplementary Information)*

## **WINSTON COUNTY COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis provide an overview of the financial activities and financial position for the Winston County Commission for the fiscal year ended September 30, 2019. Please read it in conjunction with the County's basic financial statements, which follows this section.

### **FINANCIAL HIGHLIGHTS**

- The County's net position increased by \$338,583.56 as a result of the current years operations. Net position of governmental activities increased by \$448,900.41 while the net position for business-type activities decreased by \$110,316.85.
- The County's governmental fund type revenues and other financing sources exceeded expenditures and other financing uses by \$454,078.98.
- Total revenues from all sources were \$11,701,371.28 while total costs of all programs were \$11,362,787.72.

### **REPORT LAYOUT**

The annual report consists of a series of financial statements. Taken together they provide a comprehensive look at the County. This annual report presents the following components of the financial statements:

- Government-wide financial statements provide information for the County as a whole and present a longer-term view of the County's finances.
- Fund financial statements provide detailed information for the County's significant funds. Governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.
- The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.
- Notes to the financial statements provide additional information that is essential to understanding the County's financial condition.

The report also contains required supplementary information that further explains and supports the information in the financial statements.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to present a broad overview of the County's financial position in a manner similar to a private-sector business. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The Statement of Net Position focuses on resources available for future operations. This statement presents a view of the assets the county owns, the liabilities it owes and the net position. The net position is further separated into amounts restricted for specific purposes and unrestricted amounts. Over a period of time, increases or decreases in net position may indicate whether the County's financial position is improving or deteriorating. To assess the overall health of the County you need to consider other non-financial factors such as changes in the County's property tax base and the condition of the County's roads.

The Statement of Activities focuses on gross and net cost of the County's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

The County's government-wide financial statements are divided into two categories:

- Governmental activities – Most of the County's basic services are reported here, including general government, public safety, highways and street, health and welfare, and culture and recreation. Property taxes, gasoline taxes, license and permits and charges for services finance most of these activities.
- Business-type activities – The County charges fees to customers to help it cover the cost of certain services it provides. The County's sanitation department is reported in this category.

## **FUND FINANCIAL STATEMENTS**

Fund financial statements focus separately on major governmental funds and proprietary funds. The County establishes many funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The fund financial statements provide detailed information about the County's significant funds-not the County as a whole. The County's funds can be divided into three categories – governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** – The majority of the County’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the County’s operations and the basic services it provides. Governmental funds statements assist the reader in determining the short-term financial resources available to finance future programs. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide reconciliation to the government-wide financial statements.

**Proprietary funds** – Proprietary fund statements provide the same type of information as the government-wide statements, only in more detail. The County maintains one type of proprietary fund – the enterprise fund. When the County charges customers for services it provides, these services are generally reported in the enterprise fund. The enterprise funds are presented as business-type activities in the government-wide statements.

**Fiduciary funds** – The County is responsible for assets that are held on behalf of other organizations or individuals. The County is responsible to ensure the assets reported in these funds are used for their intended purpose. The fiduciary activities are reported in separate statements of fiduciary assets and changes in fiduciary net position. The County cannot use these assets to finance its operations; therefore, these activities have been excluded from the County’s other financial statements.

## **NOTE TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the financial statements follow the presentation of the exhibits contained in this report.

## **FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

The following two tables (A-1 and A-2) present condensed information on the County’s Net Position and Changes in Net Position for the fiscal year ended September 30, 2019. Comparative information is included.

As noted earlier, net position may serve over time as a useful indicator of the County’s financial position. In the County’s case, assets exceeded liabilities by \$7,957,180.01 at the close of the fiscal year.

The largest portion of the County's net position reflects its investment in capital assets (e.g. land, buildings, equipment, construction in progress); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Net Position**  
September 30, 2019 and 2018

**Table A-1**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>Fiscal Year 2019</b>	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2019</b>	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2019</b>	<b>Fiscal Year 2018</b>
<b><u>Assets:</u></b>						
Current Assets	\$ 7,233,189.95	\$ 6,358,417.13	\$ 633,590.31	\$ 821,754.10	\$ 7,866,780.26	\$ 7,180,171.23
Capital Asset, Net	13,809,847.89	13,424,888.62	337,074.36	392,172.66	14,146,922.25	13,817,061.28
Other Non-Current Assets	70,252.25	57,268.25			70,252.25	57,268.25
<b>Total Assets</b>	<b>21,113,290.09</b>	<b>19,840,574.00</b>	<b>970,664.67</b>	<b>1,213,926.76</b>	<b>22,083,954.76</b>	<b>21,054,500.76</b>
<b><u>Deferred Outflows of Resources:</u></b>						
Deferred Loss on Refunding	299,235.15	315,859.32			299,235.15	315,859.32
Employer Pension Contributions	144,283.37	160,680.75	29,552.02	38,354.00	173,835.39	199,034.75
Deferred Outflows of Resources Related to Pension Plan	137,192.68	113,806.23	28,864.32	24,074.31	166,057.00	137,880.54
<b>Total Deferred Outflows of Resources</b>	<b>580,711.20</b>	<b>590,346.30</b>	<b>58,416.34</b>	<b>62,428.31</b>	<b>639,127.54</b>	<b>652,774.61</b>
<b><u>Liabilities:</u></b>						
Current Liabilities	1,447,454.34	1,336,682.35	134,748.20	134,497.57	1,582,202.54	1,471,179.92
Long-Term Liabilities	9,206,695.10	8,707,498.78	253,909.87	378,916.98	9,460,604.97	9,086,415.76
<b>Total Liabilities</b>	<b>10,654,149.44</b>	<b>10,044,181.13</b>	<b>388,658.07</b>	<b>513,414.55</b>	<b>11,042,807.51</b>	<b>10,557,595.68</b>
<b><u>Deferred Inflows of Resources:</u></b>						
Unavailable Revenue - Property Taxes	3,044,282.79	2,780,502.25			3,044,282.79	2,780,502.25
Deferred Inflows Related to Pension Plan Investments	549,827.63	609,395.90	128,984.36	141,185.09	678,811.99	750,580.99
<b>Total Deferred Inflows of Resources</b>	<b>3,594,110.42</b>	<b>3,389,898.15</b>	<b>128,984.36</b>	<b>141,185.09</b>	<b>3,723,094.78</b>	<b>3,531,083.24</b>
<b><u>Net Position:</u></b>						
Net Investment in Capital Assets	5,220,056.77	5,381,486.94	200,133.22	153,177.52	5,420,189.99	5,534,664.46
Restricted	1,090,227.39	866,594.94			1,090,227.39	866,594.94
Unrestricted	1,135,457.27	748,759.14	311,305.36	468,577.91	1,446,762.63	1,217,337.05
<b>Total Net Position</b>	<b>\$ 7,445,741.43</b>	<b>\$ 6,996,841.02</b>	<b>\$ 511,438.58</b>	<b>\$ 621,755.43</b>	<b>\$ 7,957,180.01</b>	<b>\$ 7,618,596.45</b>

**Changes in Net Position  
September 30, 2019 and 2018**

**Table A-2**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>Fiscal Year 2019</b>	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2019</b>	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2019</b>	<b>Fiscal Year 2018</b>
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$2,157,043.47	\$ 1,906,795.50	\$ 1,736,056.10	\$ 1,694,652.34	\$ 3,893,099.57	\$ 3,601,447.84
Operating Grants and Contributions	2,889,901.11	3,277,774.26			2,889,901.11	3,277,774.26
Capital Grants and Contributions	255,871.96	242,556.29			255,871.96	242,556.29
General Revenues:						
Property Tax for General Purpose	2,268,551.86	2,212,863.87			2,268,551.86	2,212,863.87
Property Tax For Specific Purpose	987,602.48	381,556.20			987,602.48	381,556.20
County Sales and Use Tax	354,321.74	278,837.32			354,321.74	278,837.32
TVA in Lieu of Taxes	165,882.46	193,657.00			165,882.46	193,657.00
Interest Earned	18,908.32	14,640.54	241.02	781.51	19,149.34	15,422.05
Gain on Sale of Capital Assets	207,172.54	33,128.00			207,172.54	33,128.00
Miscellaneous Revenue	652,118.22	422,542.21	7,700.00		659,818.22	422,542.21
Total Revenue	<u>9,957,374.16</u>	<u>8,964,351.19</u>	<u>1,743,997.12</u>	<u>1,695,433.85</u>	<u>11,701,371.28</u>	<u>10,659,785.04</u>
<b>Expenses:</b>						
General Government	2,237,559.75	2,525,236.87			2,237,559.75	2,525,236.87
Public Safety	2,096,891.42	2,000,585.09			2,096,891.42	2,000,585.09
Highways and Roads	4,185,038.08	4,030,026.41			4,185,038.08	4,030,026.41
Sanitation			1,854,313.97	1,771,590.66	1,854,313.97	1,771,590.66
Health	640,906.41	29,745.00			640,906.41	29,745.00
Welfare	14,941.69	36,938.47			14,941.69	36,938.47
Culture and Recreation	2,541.68	2,000.00			2,541.68	2,000.00
Education	15,450.81	15,983.95			15,450.81	15,983.95
Interest on Long-Term Debt	270,266.91	263,528.89			270,266.91	263,528.89
Intergovernmental	27,877.00	93,032.00			27,877.00	93,032.00
Total Expenses	<u>9,508,473.75</u>	<u>8,997,076.68</u>	<u>1,854,313.97</u>	<u>1,771,590.66</u>	<u>11,362,787.72</u>	<u>10,768,667.34</u>
Increase (decrease) in net assets	448,900.41	(32,725.49)	(110,316.85)	(76,156.81)	338,583.56	(108,882.30)
Net Position - Beginning	6,996,841.02	7,029,566.51	621,755.43	697,912.24	7,618,596.45	7,727,478.75
Net Position - Ending	<u>\$7,445,741.43</u>	<u>\$ 6,996,841.02</u>	<u>\$ 511,438.58</u>	<u>\$ 621,755.43</u>	<u>\$ 7,957,180.01</u>	<u>\$ 7,618,596.45</u>

The County's total governmental revenues were approximately \$9.9 million. Approximately 33% of the County's revenue comes from property taxes. Another 29% comes from fees charged for services and the majority of the remainder is state and federal aid.

The total cost of all governmental programs and services (excluding transfers) were approximately \$9.8 million. The County's expenses cover a range of services. The majority of the expenses related to general government (23%), public safety (22%) and highways and roads (46%) and other (9%).

## **MAJOR FUND DISCUSSION**

### General Fund

As of September 30, 2019, the cash balance was \$2,516,695.97. Fund balance in the General Fund increased by \$418,603.70 for the year.

### Gasoline Tax Fund

As of September 30, 2019, the cash balance was \$381,813.81. Fund balance in the Gasoline Tax Fund decreased by \$166,634.60.

### RRR Fund

As of September 30, 2019, the cash balance was \$40,258.37. Fund balance in the RRR Fund increased by \$13,042.67.

### Hospital Tax Fund

As of September 30, 2019, the cash balance in the Hospital Tax Fund was \$6,576.73 and \$618,562.62 was received in ad valorem tax revenue. Fund balance increased by \$13,961.54.

### Gasoline Tax Warrants Fund

As of September 30, 2019, the cash balance was \$86,465.12. Fund balance in the Gasoline Tax Warrants Fund increased by \$86,465.12. This fund accounts for the issuance of debt used for certain road and bridge improvements.

## **PROPRIETARY ACTIVITIES**

The expenditures exceeded revenues for the sanitation fund by \$110,316.85 for fiscal year 2019. Net Position at September 30, 2019 was \$511,438.58.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The County Commission has established an annual budget process whereby all of the departments submit an annual budget request to the Commission for the coming year's operating expenses. The Commission reviews, adjusts as necessary, and then adopts an original budget to fund the operating needs of each department. Throughout the year, the original budget is amended to reflect changes in funding needs. The County has established policies and procedures for amending the budget. Over the course of the year, the County revised the budget several times. These budget amendments consist mainly of increases in appropriations to prevent budget overruns and increases in revenue to reflect property taxes received.

The General Fund statement reflecting original and final budgets, plus actual compared to final budget amounts are shown on Exhibit 14.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2019, the Winston County Commission had invested \$13,818,816.15 (net of accumulated depreciation) in capital assets for its governmental and business-type activities. This investment in capital assets includes land and improvement, buildings and improvement, equipment and furniture and construction in progress.

There were no major additions or deletions during the fiscal year. The governmental activities had additions of \$1,211,952.74 and deletions of \$540,608.46. The business type activities had additions of \$64,293.00 and no deletions.

Table A-3	Capital Assets			
	Governmental Activities		Business-Type Activities	
	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2018
Land	\$ 614,577.38	\$ 614,577.38	\$ 28,900.00	\$ 28,900.00
Land Improvements	226,518.20	226,518.20		
Buildings	9,452,565.76	9,744,663.76	36,388.00	38,163.00
Equipment & Furniture	1,488,692.76	757,566.38	271,786.36	325,109.66
Infrastructure	2,027,493.79	2,081,562.90		
<b>Total Capital Assets</b>	<b>\$ 13,809,947.89</b>	<b>\$13,424,888.62</b>	<b>\$ 337,074.36</b>	<b>\$ 392,172.66</b>

Long term debt for FY19 was as follows:

Table A-4	Outstanding Debt	
	2019	2018
<b>Governmental Activities:</b>		
Warrants Payable	\$ 7,584,615.82	\$ 6,926,272.19
Funding Agreements Payable	1,330,000.00	1,460,000.00
Deferred Amounts	(25,589.55)	(27,011.19)
Pension Liability	817,158.02	888,583.67
Compensated Absences	157,000.02	153,746.06
Total	<b>\$ 9,863,184.31</b>	<b>\$ 9,401,590.73</b>

Long-term debt for the Business-Type activity was Compensated Absences in the amount of \$52,263.31, Net Pension Liability in the amount of \$174,378.99 and a note payable in the amount of \$136,941.14.



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Property tax revenue is a major resource component for the County. It represents 33% of the resources to operate the governmental activities. In recent years, Winston County has experienced gradual growth in residential housing developments, particularly around Smith Lake. As our population grows, we expect our tax base to increase and help provide the additional revenue to fund the increase in demand for services provided to our citizens. Other sources of revenues to finance governmental operations come from fees and charges for services which include permits, licenses and court fees.

The United States encountered a COVID-19 pandemic which adversely affected the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions were modified to ensure the safety of citizenry as well as employees. As a result of the pandemic, there was an impact on the Winston County Commission's revenues. Winston County Commission gas tax revenues decreased by \$343,954.29 in fiscal year 2020 as compared to the previous fiscal year. As expected, the Winston County Commission incurred a significant increase in costs associated with the aftermath of COVID-19. These costs, in the amount of \$429,707.44, were reimbursed through the Coronavirus Relief Fund of the federal government during fiscal years 2020 and 2021. The Winston County Commission's fiscal year 2021 budget, as approved by the county commission, provided for several changes in anticipated revenues and estimated expenditures for many of the funds of the Commission as compared to the previous fiscal year. Due to the impact and severity of the COVID-19 pandemic, the Winston County Commission anticipates that its financial operations will require assistance from further programs of the federal government.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have any questions concerning this report or need further information, contact the Winston County Commission, P.O. Box 147, 11 Blake Drive, Double Springs, Alabama, 35553.

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# *Basic Financial Statements*

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

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 3,899,578.72	\$ 75,823.05	\$ 3,975,401.77
Receivables (Note 4)	276,184.97	517,811.29	793,996.26
Ad Valorem Taxes Receivable	3,044,282.79		3,044,282.79
Internal Balances	(39,955.97)	39,955.97	
Inventories	53,099.44		53,099.44
Total Current Assets	7,233,189.95	633,590.31	7,866,780.26
<b>Noncurrent Assets</b>			
Cash with Fiscal Agent	70,252.25		70,252.25
Capital Assets (Note 5):			
Nondepreciable	841,095.58	28,900.00	869,995.58
Depreciable, Net	12,968,752.31	308,174.36	13,276,926.67
Total Noncurrent Assets	13,880,100.14	337,074.36	14,217,174.50
Total Assets	21,113,290.09	970,664.67	22,083,954.76
<b>Deferred Outflows of Resources</b>			
Loss on Refunding of Debt	299,235.15		299,235.15
Employer Pension Contribution	144,283.37	29,552.02	173,835.39
Deferred Outflows Related to Net Pension Liability	137,192.68	28,864.32	166,057.00
Total Deferred Outflows of Resources	580,711.20	58,416.34	639,127.54
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	28,029.93	1,978.18	30,008.11
Due to Other Governments	261,151.72		261,151.72
Unearned Revenue	60,181.45		60,181.45
Accrued Wages Payable	112,501.02	23,096.45	135,597.47
Short-Term Notes Payable	301,446.77		301,446.77
Accrued Interest Payable	27,654.24		27,654.24
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Notes Payable		104,447.24	104,447.24
Warrants Payable	512,210.85		512,210.85
Funding Agreement Payable	130,000.00		130,000.00
Less: Unamortized Discount	(1,421.64)		(1,421.64)
Estimated Liability for Compensated Absences	15,700.00	5,226.33	20,926.33
Total Current Liabilities	\$ 1,447,454.34	\$ 134,748.20	\$ 1,582,202.54

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

	Governmental Activities	Business-Type Activities	Total
<b><u>Noncurrent Liabilities</u></b>			
Portion Due or Payable After One Year:			
Notes Payable	\$	\$ 32,493.90	\$ 32,493.90
Warrants Payable	7,072,404.97		7,072,404.97
Funding Agreement Payable	1,200,000.00		1,200,000.00
Less: Unamortized Discount	(24,167.91)		(24,167.91)
Net Pension Liability	817,158.02	174,378.99	991,537.01
Estimated Liability for Compensated Absences	141,300.02	47,036.98	188,337.00
Total Noncurrent Liabilities	<u>9,206,695.10</u>	<u>253,909.87</u>	<u>9,460,604.97</u>
Total Liabilities	<u>10,654,149.44</u>	<u>388,658.07</u>	<u>11,042,807.51</u>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable Revenue - Property Taxes	3,044,282.79		3,044,282.79
Deferred Inflows Related to Net Pension Liability	549,827.63	128,984.36	678,811.99
Total Deferred Inflows of Resources	<u>3,594,110.42</u>	<u>128,984.36</u>	<u>3,723,094.78</u>
<b><u>Net Position</u></b>			
Net Investment in Capital Assets	5,220,056.77	200,133.22	5,420,189.99
Restricted for:			
Highways and Roads	227,692.23		227,692.23
Other Purposes	722,249.39		722,249.39
Debt Service	45,098.01		45,098.01
Capital Projects	95,187.76		95,187.76
Unrestricted	<u>1,135,457.27</u>	<u>311,305.36</u>	<u>1,446,762.63</u>
Total Net Position	<u>\$ 7,445,741.43</u>	<u>\$ 511,438.58</u>	<u>\$ 7,957,180.01</u>

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General Government	\$ 2,237,559.75	\$ 715,908.44	\$ 437,759.19	\$ 255,871.96	\$ (828,020.16)	\$	\$ (828,020.16)
Public Safety	2,096,891.42	808,208.44	148,094.49		(1,140,588.49)		(1,140,588.49)
Highways and Roads	4,185,038.08	620,876.59	2,294,193.32		(1,269,968.17)		(1,269,968.17)
Health	640,906.41	12,050.00			(628,856.41)		(628,856.41)
Welfare	14,941.69				(14,941.69)		(14,941.69)
Culture and Recreation	2,541.68		9,854.11		7,312.43		7,312.43
Education	15,450.81				(15,450.81)		(15,450.81)
Interest and Fiscal Charges	287,266.91				(287,266.91)		(287,266.91)
Intergovernmental	27,877.00				(27,877.00)		(27,877.00)
Total Governmental Activities	9,508,473.75	2,157,043.47	2,889,901.11	255,871.96	(4,205,657.21)		(4,205,657.21)
<b>Business-Type Activities:</b>							
Sanitation	1,854,313.97	1,736,056.10				(118,257.87)	(118,257.87)
Total Business-Type Activities	1,854,313.97	1,736,056.10				(118,257.87)	(118,257.87)
Total Primary Government	\$ 11,362,787.72	\$ 3,893,099.57	\$ 2,889,901.11	\$ 255,871.96	(4,205,657.21)	(118,257.87)	(4,323,915.08)
<b>General Revenues:</b>							
Taxes:							
Property Taxes for General Purposes					2,268,551.86		2,268,551.86
Property Taxes for Specific Purposes					987,602.48		987,602.48
County Sales and Use Taxes					165,882.46		165,882.46
TVA In Lieu of Taxes					354,321.74		354,321.74
Gain on Sale of Capital Assets					207,172.54		207,172.54
Miscellaneous Taxes					204,257.32		204,257.32
Interest Earned					18,908.32	241.02	19,149.34
Miscellaneous					447,860.90	7,700.00	455,560.90
Total General Revenues					4,654,557.62	7,941.02	4,662,498.64
Change in Net Position					448,900.41	(110,316.85)	338,583.56
Net Position - Beginning of Year					6,996,841.02	621,755.43	7,618,596.45
Net Position - End of Year					\$ 7,445,741.43	\$ 511,438.58	\$ 7,957,180.01

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

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

	General Fund	Gasoline Tax Fund	RRR Fund	Hospital Tax Fund	Gasoline Tax Warrants Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash	\$ 2,516,695.97	\$ 381,813.81	\$ 40,258.37	\$ 6,576.73	\$ 86,465.12	\$ 867,768.72	\$ 3,899,578.72
Cash with Fiscal Agent						70,252.25	70,252.25
Receivables (Note 4)	81,584.95	80,710.93	83,397.08	7,384.81		23,107.20	276,184.97
Ad Valorem Taxes Receivable	2,156,626.45			592,578.22		295,078.12	3,044,282.79
Inventories		53,099.44					53,099.44
<b>Total Assets</b>	<b>4,754,907.37</b>	<b>515,624.18</b>	<b>123,655.45</b>	<b>606,539.76</b>	<b>86,465.12</b>	<b>1,256,206.29</b>	<b>7,343,398.17</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities</b>							
Accounts Payable	10,844.25	17,185.68					28,029.93
Due to Other Governments	261,151.72						261,151.72
Due to Other Funds		39,955.97					39,955.97
Unearned Revenue						60,181.45	60,181.45
Short-Term Notes Payable	13,108.77	288,338.00					301,446.77
Accrued Wages Payable	64,516.82	40,837.00				7,147.20	112,501.02
<b>Total Liabilities</b>	<b>349,621.56</b>	<b>386,316.65</b>				<b>67,328.65</b>	<b>803,266.86</b>
<b>Deferred Inflows of Resources</b>							
Unavailable Revenue - Property Taxes	2,156,626.45			592,578.22		295,078.12	3,044,282.79
<b>Total Deferred Inflows of Resources</b>	<b>2,156,626.45</b>			<b>592,578.22</b>		<b>295,078.12</b>	<b>3,044,282.79</b>
<b>Fund Balances</b>							
Nonspendable:							
Inventories		53,099.44					53,099.44
Restricted for:							
Highways and Roads			123,655.45		86,465.12	17,571.66	227,692.23
Tourism						37,708.84	37,708.84
Jail Maintenance						174,758.87	174,758.87
Local Offices						495,670.24	495,670.24
Debt Service						72,752.25	72,752.25
Capital Projects						95,187.76	95,187.76
Other Purposes				13,961.54		149.90	14,111.44
Assigned for:							
Highways and Roads		76,208.09					76,208.09
Public Safety	4,312.93						4,312.93
Health	208,580.17						208,580.17
Unassigned	2,035,766.26						2,035,766.26
<b>Total Fund Balances</b>	<b>2,248,659.36</b>	<b>129,307.53</b>	<b>123,655.45</b>	<b>13,961.54</b>	<b>86,465.12</b>	<b>893,799.52</b>	<b>3,495,848.52</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,754,907.37</b>	<b>\$ 515,624.18</b>	<b>\$ 123,655.45</b>	<b>\$ 606,539.76</b>	<b>\$ 86,465.12</b>	<b>\$ 1,256,206.29</b>	<b>\$ 7,343,398.17</b>

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

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 3,495,848.52

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. 13,809,847.89

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

	Current Liabilities	Noncurrent Liabilities	
Warrants Payable	\$ 512,210.85	\$ 7,072,404.97	
Funding Agreement Payable	130,000.00	1,200,000.00	
Unamortized Discount	(1,421.64)	(24,167.91)	
Accrued Interest Payable	27,654.24		
Net Pension Liability		817,158.02	
Compensated Absences	15,700.00	141,300.02	
Total Long-Term Liabilities	\$ 684,143.45	\$ 9,206,695.10	(9,890,838.55)

The loss on refunding of debt is reported as deferred outflows of resources and is not  
available to pay for current period expenditures and, therefore, is deferred on the  
Statement of Net Position. 299,235.15

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 of resources related to pensions for employer  
contributions made subsequent to the measurement date. \$ 281,476.05

Deferred inflows of resources related to pensions for net difference  
between projected and actual earnings on pension plan  
investments (549,827.63)

(268,351.58)

Total Net Position - Governmental Activities (Exhibit 1) \$ 7,445,741.43

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



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

	General Fund	Gasoline Tax Fund	RRR Fund	Hospital Tax Fund	Gasoline Tax Warrants Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 2,733,330.62	\$ 27,000.00	\$	\$ 618,562.62	\$	\$ 258,236.10	\$ 3,637,129.34
Licenses and Permits	83,555.48						83,555.48
Intergovernmental	887,901.51	1,024,654.06	1,073,638.09			700,486.10	3,686,679.76
Charges for Services	758,902.02	620,876.59				495,514.81	1,875,293.42
Fines and Forfeits	774.40						774.40
Miscellaneous	101,466.28	360,174.47	404.58	1,676.33	1,122.15	1,925.41	466,769.22
Total Revenues	4,565,930.31	2,032,705.12	1,074,042.67	620,238.95	1,122.15	1,456,162.42	9,750,201.62
<b>Expenditures</b>							
Current:							
General Government	1,745,042.58					263,936.71	2,008,979.29
Public Safety	1,674,289.01					429,818.90	2,104,107.91
Highways and Roads	4,358.46	2,111,413.46	1,061,000.00		625,000.00	164,175.15	3,965,947.07
Health	34,629.00			606,277.41			640,906.41
Welfare	14,941.69						14,941.69
Culture and Recreation						2,541.68	2,541.68
Education	15,450.81						15,450.81
Intergovernmental	27,877.00						27,877.00
Capital Outlay	86,078.00	685,899.76			439,974.98		1,211,952.74
Debt Service:							
Principal Retirement		221,710.82				417,348.60	639,059.42
Interest and Fiscal Charges	289.71	54,307.53			17,085.10	219,061.33	290,743.67
Total Expenditures	3,602,956.26	3,073,331.57	1,061,000.00	606,277.41	1,082,060.08	1,496,882.37	10,922,507.69
Excess (Deficiency) of Revenues Over Expenditures	962,974.05	(1,040,626.45)	13,042.67	13,961.54	(1,080,937.93)	(40,719.95)	(1,172,306.07)
<b>Other Financing Sources (Uses)</b>							
Transfers In	20,605.46	415,009.85				327,602.21	763,217.52
Proceeds from Issuance of Debt					1,700,000.00		1,700,000.00
Sale of Capital Assets		458,982.00					458,982.00
Payments to Refunding Escrow Agent					(532,596.95)		(532,596.95)
Transfers Out	(564,975.81)					(198,241.71)	(763,217.52)
Total Other Financing Sources (Uses)	(544,370.35)	873,991.85			1,167,403.05	129,360.50	1,626,385.05
Net Change in Fund Balances	418,603.70	(166,634.60)	13,042.67	13,961.54	86,465.12	88,640.55	454,078.98
Fund Balances - Beginning of Year	1,830,055.66	295,942.13	110,612.78			805,158.97	3,041,769.54
Fund Balances - End of Year	\$ 2,248,659.36	\$ 129,307.53	\$ 123,655.45	\$ 13,961.54	\$ 86,465.12	\$ 893,799.52	\$ 3,495,848.52

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

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

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 454,078.98

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

Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,211,952.74) differ from depreciation expense (\$575,184.01) in the current period. 636,768.73

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 639,059.42

Payments to refunding escrow agent are recorded as other financing sources uses in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities 532,596.95

Issuance of debt is another financing source in the governmental funds but increases long-term liabilities in the Statement of Net Position and does not effect the Statement of Activities (1,700,000.00)

The costs of deferred charges and discounts on the issuance of warrants are amortized over the life of the debt in the Statement of Activities.

Amortization of Discount on Debt Issued	\$ (1,421.64)	
Amortization of Deferred Loss on Refunding	<u>(16,624.17)</u>	(18,045.81)

In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net position differs from the change in fund balance by the cost of the capital assets sold. (251,809.46)

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

Net Increase in Compensated Absences	\$ (3,253.96)	
Pension Expense	137,982.99	
Net Decrease in Accrued Interest Payable	<u>21,522.57</u>	
Total Additional Expenditures		<u>156,251.60</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 448,900.41

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

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

	<u>Enterprise Fund</u> <u>Sanitation</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 75,823.05	\$ 75,823.05
Receivables (Note 4)	517,811.29	517,811.29
Due from Other Funds	39,955.97	39,955.97
Total Current Assets	<u>633,590.31</u>	<u>633,590.31</u>
<b>Noncurrent Assets</b>		
Capital Assets (Note 5):		
Nondepreciable	28,900.00	28,900.00
Depreciable, Net	308,174.36	308,174.36
Total Noncurrent Assets	<u>337,074.36</u>	<u>337,074.36</u>
Total Assets	<u>970,664.67</u>	<u>970,664.67</u>
<b>Deferred Outflows of Resources</b>		
Employer Pension Contribution	29,552.02	29,552.02
Deferred Outflows Related to Net Pension Liability	28,864.32	28,864.32
Total Deferred Outflows of Resources	<u>58,416.34</u>	<u>58,416.34</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	1,978.18	1,978.18
Accrued Wages Payable	23,096.45	23,096.45
Portion Due or Payable Within One Year:		
Notes Payable	104,447.24	104,447.24
Estimated Liability for Compensated Absences	5,226.33	5,226.33
Total Current Liabilities	<u>134,748.20</u>	<u>134,748.20</u>
<b>Noncurrent Liabilities</b>		
Portion Due or Payable After One Year:		
Notes Payable	32,493.90	32,493.90
Estimated Liability for Compensated Absences	47,036.98	47,036.98
Net Pension Liability	174,378.99	174,378.99
Total Noncurrent Liabilities	<u>253,909.87</u>	<u>253,909.87</u>
Total Liabilities	<u>388,658.07</u>	<u>388,658.07</u>
<b>Deferred Inflows of Resources</b>		
Deferred Inflows Related to Net Pension Liability	128,984.36	128,984.36
Total Deferred Inflows of Resources	<u>128,984.36</u>	<u>128,984.36</u>
<b>Net Position</b>		
Net Investment in Capital Assets	200,133.22	200,133.22
Unrestricted	311,305.36	311,305.36
Total Net Position	<u>\$ 511,438.58</u>	<u>\$ 511,438.58</u>

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

***Statement of Revenues, Expenses and Changes in Fund Net Position***  
***Proprietary Fund***  
***For the Year Ended September 30, 2019***

	<u>Enterprise Fund</u> <u>Sanitation</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<b><u>Operating Revenues</u></b>		
Charges for Services	\$ 1,736,056.10	\$ 1,736,056.10
Total Operating Revenues	<u>1,736,056.10</u>	<u>1,736,056.10</u>
<b><u>Operating Expenses</u></b>		
Employee Benefits and Payroll Taxes	868,929.26	868,929.26
Professional Services	42,384.48	42,384.48
Materials and Supplies	171,597.17	171,597.17
Repairs and Maintenance	128,601.64	128,601.64
Utilities and Postage	32,486.09	32,486.09
Insurance	49,482.80	49,482.80
Depreciation	119,391.30	119,391.30
Contract Services	421,214.05	421,214.05
Miscellaneous	13,605.70	13,605.70
Total Operating Expenses	<u>1,847,692.49</u>	<u>1,847,692.49</u>
Operating Income (Loss)	<u>(111,636.39)</u>	<u>(111,636.39)</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>		
Miscellaneous Revenue	7,700.00	7,700.00
Interest Revenue	241.02	241.02
Interest Expense	(6,621.48)	(6,621.48)
Total Nonoperating Revenues (Expenses)	<u>1,319.54</u>	<u>1,319.54</u>
Change in Net Position	(110,316.85)	(110,316.85)
Net Position - Beginning of Year	<u>621,755.43</u>	<u>621,755.43</u>
Net Position - End of Year	<u>\$ 511,438.58</u>	<u>\$ 511,438.58</u>

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

***Statement of Cash Flows***  
***Proprietary Fund***  
***For the Year Ended September 30, 2019***

	<u>Enterprise Fund</u> <u>Sanitation</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Receipts from Customers	\$ 1,890,965.80	\$ 1,890,965.80
Payments to Suppliers	(857,446.57)	(857,446.57)
Payments to Employees	(901,745.86)	(901,745.86)
Net Cash Provided (Used) by Operating Activities	<u>131,773.37</u>	<u>131,773.37</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Repayment of Long-Term Note	(102,054.00)	(102,054.00)
Interest Paid on Long-Term Note	(6,621.48)	(6,621.48)
Purchase of Capital Assets	(64,293.00)	(64,293.00)
Other Cash Receipts	7,700.00	7,700.00
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(165,268.48)</u>	<u>(165,268.48)</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Interest and Dividends	241.02	241.02
Net Cash Provided (Used) by Investing Activities	<u>241.02</u>	<u>241.02</u>
Net Increase (Decrease) in Cash	(33,254.09)	(33,254.09)
Cash - Beginning of Year	109,077.14	109,077.14
Cash - End of Year	<u>75,823.05</u>	<u>75,823.05</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u></b>		
Operating Income (Loss)	(111,636.39)	(111,636.39)
<b><u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</u></b>		
Depreciation Expense	119,391.30	119,391.30
Change in Assets and Liabilities:		
Decrease in Accounts Receivable	39,804.28	39,804.28
Decrease in Accounts Payable	1,925.36	1,925.36
Decrease in Interfund Activities	115,105.42	115,105.42
Pension Activity	(22,818.11)	(22,818.11)
Decrease in Wages Payable	(3,409.02)	(3,409.02)
Decrease in Compensated Absences	(6,589.47)	(6,589.47)
Net Cash Provided by Operating Activities	<u>\$ 131,773.37</u>	<u>\$ 131,773.37</u>

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

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

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b><u>Assets</u></b>		
Cash	\$ 525,787.90	\$ 60,496.02
Due from Other Governments	7,389.55	
Total Assets	<u>533,177.45</u>	<u>60,496.02</u>
<b><u>Liabilities</u></b>		
Accounts Payable	104.98	60,496.02
Total Liabilities	<u>104.98</u>	<u>\$ 60,496.02</u>
<b><u>Net Position</u></b>		
Held in Trust for Other Purposes	<u>533,072.47</u>	
Total Net Position	<u>\$ 533,072.47</u>	

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

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

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Charges for Services	\$ 67,773.44
Miscellaneous	226,253.24
Total Additions	<u>294,026.68</u>
<b><u>Deductions</u></b>	
General Government	<u>263,332.78</u>
Total Deductions	<u>263,332.78</u>
Changes in Net Position	30,693.90
Net Position - Beginning of Year	<u>502,378.57</u>
Net Position - End of Year	<u>\$ 533,072.47</u>

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

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## *Notes to the Financial Statements*

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

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

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

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

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

Based on the application of these criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

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

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

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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



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## *Notes to the Financial Statements*

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

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#### *Fund Financial Statements*

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, the fund is used to report the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditure of the seven-cent State gasoline tax revenue for construction, improvement, maintenance and supervision of highways, bridges and streets.
- ◆ **RRR Fund** – This fund is used to account for the expenditures of four and five cent State gasoline tax revenue for the improvement and maintenance of county roads and bridges.
- ◆ **Hospital Tax Fund** – This fund is used to account for the expenditures of property taxes and other revenues for the operation of a health care facility in Winston County.
- ◆ **Gasoline Tax Warrants Fund** – This fund is used to account for the proceeds of the 2018 Gasoline Tax Warrants and for the purpose of providing for payment of principal and interest on these warrants.

The Commission reports the following major enterprise fund:

- ◆ **Sanitation Fund** – This fund is used to account for the cost of providing sanitation service to county residents.

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## *Notes to the Financial Statements*

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

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

#### **Governmental Fund Types**

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

The Commission reports the following fiduciary fund types:

#### **Fiduciary Fund Types**

- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.
- ◆ **Agency Funds** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

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

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

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## *Notes to the Financial Statements*

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

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As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the government's solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

##### **1. Deposits and Investments**

Cash includes 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.

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

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**2. Receivables**

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 deferred inflow of resources.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects and amounts due from the State for taxes and cost-sharing.

Receivables in enterprise funds consist primarily of amounts due from customers who are charged fees for services provided by the Commission. These amounts are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on past collection experience.

Receivables due from external parties are amounts that are being held in a trustee or agency capacity by the fiduciary funds.

**3. Inventories**

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**4. Restricted Assets**

Certain tax anticipation warrants, as well as resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. The debt service funds are used to segregate resources accumulated for debt service payments.

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

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**5. Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets 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 and proprietary fund statements are as follows:

	Capitalization Threshold	Estimated Useful Life
<u>Governmental Activities:</u>		
Buildings and Improvements	\$ 50,000	20 – 50 years
Vehicles, Equipment and Furniture	\$ 5,000	5 – 10 years
System Infrastructure	\$100,000	25 – 40 years
Roads	\$250,000	20 – 50 years
Bridges	\$ 50,000	40 – 50 years

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

**6. Deferred Outflows of Resources**

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

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## *Notes to the Financial Statements*

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

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#### **7. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Warrant discounts, as well as a deferred loss on refunding, are deferred and amortized over the life of the debt. Warrants payable are reported gross with a separate line item for the applicable warrant discount. Warrant issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize warrant premiums and discounts, as well as warrant issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while 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 expenditures.

#### **8. Compensated Absences**

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

##### **Annual Leave**

First-year employees earn annual leave at the rate of 40 hours: 1.5 hours for twenty-five pay periods and 2.5 hours for the twenty-sixth pay period. Thereafter, employees earn annual leave at the rate of 80 hours: 3 hours for twenty-five pay periods and 5 hours for the twenty-sixth pay period. Annual leave may be accrued, with a maximum accrual of 480 hours. Unused annual leave will be paid in full upon separation from the Commission.

##### **Sick Leave**

Sick leave accrues to regular, full-time employees at the rate of one day per calendar month worked to a maximum accrual of 150 days. Employees are not paid for any accumulated sick leave upon separation from the Commission.

##### **Compensatory Leave**

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. 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 courthouse is open one Saturday a month for four hours; compensatory leave for this time is calculated at twice the regular hours. Unused compensatory leave will be paid in full upon separation from the County.

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## *Notes to the Financial Statements*

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

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#### **9. Deferred Inflows of Resources**

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

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

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

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

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

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

- A. 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 and prepaid items.
- B. 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.
- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D. Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission authorized the Commission Chairman or the County Administrator to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. The portion of the total fund balance in the General Fund is available to finance operating expenditures.

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



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

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**E. Pensions**

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

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

**Budgets**

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds except the capital projects funds which adopt project-length budgets. 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.

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

**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.

**Note 4 – Receivables**

On September 30, 2019, receivables for the Commission’s individual major funds and other governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Gasoline Tax Fund	RRR Fund	Hospital Funds	Other Governmental Funds	Total Governmental Funds
<u>Governmental Funds:</u>						
<u>Receivables:</u>						
Intergovernmental	\$81,584.95	\$80,710.93	\$83,397.08	\$7,384.81	\$23,107.20	\$276,184.97
Total Receivables	\$81,584.95	\$80,710.93	\$83,397.08	\$7,384.81	\$23,107.20	\$276,184.97

	Sanitation Fund
<u>Business-Type Activities:</u>	
<u>Receivables:</u>	
Accounts Receivable	\$ 863,018.82
Less: Allowance for Doubtful Accounts	(345,207.53)
Net Total Receivables	\$ 517,811.29

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

**Note 5 – Capital Assets**

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

	Balance 10/01/2018	Additions	Deletions	Balance 09/30/2019
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 614,577.38	\$	\$	\$ 614,577.38
Land Improvements	226,518.20			226,518.20
Total Capital Assets, Not Being Depreciated	<u>841,095.58</u>			<u>841,095.58</u>
<b>Capital Assets Being Depreciated:</b>				
Infrastructure	2,785,955.31			2,785,955.31
Buildings and Improvements	12,095,673.16			12,095,673.16
Vehicles, Equipment and Furniture	5,017,713.44	1,211,952.74	(540,608.46)	5,689,057.72
Total Capital Assets Being Depreciated	<u>19,899,341.91</u>	<u>1,211,952.74</u>	<u>(540,608.46)</u>	<u>20,224,378.19</u>
<b>Less Accumulated Depreciation for:</b>				
Infrastructure	(704,392.41)	(54,069.11)		(758,461.52)
Buildings	(2,351,009.40)	(292,098.00)		(2,643,107.40)
Vehicles, Equipment, and Furniture	(4,260,147.06)	(229,016.90)	288,799.00	(4,200,364.96)
Total Accumulated Depreciation	<u>(7,315,548.87)</u>	<u>(575,184.01)</u>	<u>288,799.00</u>	<u>(7,601,933.88)</u>
Total Capital Assets Being Depreciated, Net	<u>12,583,793.04</u>	<u>636,768.73</u>	<u>(251,809.46)</u>	<u>12,968,752.31</u>
Total Governmental Activities Capital Assets, Net	<u>\$13,424,888.62</u>	<u>\$ 636,768.73</u>	<u>\$(251,809.46)</u>	<u>\$13,809,847.89</u>

	Balance 10/01/2018	Additions	Deletions	Balance 09/30/2019
<b>Business-Type Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 28,900.00	\$	\$	\$ 28,900.00
Total Capital Assets, Not Being Depreciated	<u>28,900.00</u>			<u>28,900.00</u>
<b>Capital Assets, Being Depreciated:</b>				
Buildings and Improvements	71,000.00			71,000.00
Vehicles, Equipment and Furniture	1,963,845.73	64,293.00		2,028,138.73
Total Capital Assets, Being Depreciated	<u>2,034,845.73</u>	<u>64,293.00</u>		<u>2,099,138.73</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(32,837.00)	(1,775.00)		(34,612.00)
Vehicles, Equipment and Furniture	(1,638,736.07)	(117,616.30)		(1,756,352.37)
Total Accumulated Depreciation	<u>(1,671,573.07)</u>	<u>(119,391.30)</u>		<u>(1,790,964.37)</u>
Total Capital Assets Being Depreciated, Net	<u>363,272.66</u>	<u>(55,098.30)</u>		<u>308,174.36</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 392,172.66</u>	<u>\$(55,098.30)</u>	<u>\$</u>	<u>\$ 337,074.36</u>

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

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$294,318.00
Public Safety	61,775.00
Highways and Roads	219,091.01
Total Depreciation Expense – Governmental Activities	<u>\$575,184.01</u>

	Current Year Depreciation Expense
<u>Business-Type Activities:</u>	
Sanitation	\$119,391.30
Total Depreciation Expense – Business-Type Activities	<u>\$119,391.30</u>

**Note 6 – Defined Benefit Pension Plan**

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

**Plan Description**

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

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## *Notes to the Financial Statements*

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

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

- 1) The Governor, ex-officio
- 2) The State Treasurer, ex-officio
- 3) The State Personnel Director, ex-officio
- 4) The State Director of Finance, ex-officio
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex-officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a 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.

#### **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.

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## *Notes to the Financial Statements*

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

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

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

The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

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

### **Contributions**

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

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## *Notes to the Financial Statements*

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2019, the Commission's active employee contribution rate was 4.84 percent of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 4.96 percent of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2019, was 6.80% of pensionable pay for Tier 1 employees, and 3.57% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$173,835.39 for the year ended September 30, 2019.

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

**B. Net Pension Liability**

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

	TLP Roll-Forward		Actual
	Expected	Actual	
(a) Total Pension Liability as of September 30, 2017	\$9,517,620	\$9,538,961	\$9,587,801
(b) Discount Rate	7.75%	7.75%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2017-September 30, 2018	256,874	256,874	258,944
(d) Transfers Among Employers		(31,151)	(31,151)
(e) Actual Benefit Payments and Refunds for the period October 1, 2017-September 30, 2018	(646,384)	(646,384)	(646,384)
(f) Total Pension Liability as of September 30, 2018 =[(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$9,840,678</u>	<u>\$9,832,555</u>	<u>\$9,882,585</u>
(g) Difference Between Expected and Actual		\$ (8,156)	
(h) Less Liability Transferred for Immediate Recognition		<u>(31,151)</u>	
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ 22,995</u>	
(j) Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain)/Loss] =			<u>\$ 50,063</u>

**Actuarial Assumptions**

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

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

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



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

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The actuarial assumptions used in the actuarial valuation as of September 30, 2017, 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.

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%	
(*) Geometric mean, includes 2.50% inflation		

**Discount Rate**

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

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

**C. Changes in Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2017	\$9,517,620	\$8,440,028	\$1,077,592
Changes for the Year:			
Service Cost	256,874		256,874
Interest	712,568		712,568
Changes of assumptions	50,063		50,063
Differences Between Expected and Actual Experience	22,995		22,995
Contributions--Employer		187,170	(187,170)
Contributions--Employee		174,883	(174,883)
Net Investment Income		766,502	(766,502)
Benefit Payments, including Refunds of Employee Contributions	(646,384)	(646,384)	
Administrative Expense			
Transfers Among Employers	(31,151)	(31,151)	
Net Changes	<u>364,965</u>	<u>451,020</u>	<u>(86,055)</u>
Balances at September 30, 2018	<u>\$9,882,585</u>	<u>\$8,891,048</u>	<u>\$ 991,537</u>

**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 Rate (7.70%)	1% Increase (8.70%)
Commission's net pension liability	\$2,101,976	\$991,537	\$52,629

**Pension Plan Fiduciary Net Position**

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

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

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

For the year ended September 30, 2019, the Commission recognized pension expense of \$1,170.00. At September 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,960	\$384,739
Change of assumptions	147,097	
Net difference between projected and actual earnings on pension plan investments		294,073
Employer contributions subsequent to the measurement date	173,835	
Total	\$339,892	\$678,812

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

Year Ending:	
September 30, 2020	\$ (99,343)
2021	\$(195,889)
2022	\$(157,398)
2023	\$ (64,516)
2024	\$ 4,392
Thereafter	\$ 0

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

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**Note 7 – Long-Term Debt**

On October 28, 2013, the Commission issued \$1,765,000 in State Gasoline Tax Warrants with an interest rate of 2.22 percent, to refund a portion of the State Gasoline Tax Anticipation Warrants dated May 2005 and to provide additional financing of road improvements. These warrants were refunded during the 2019 fiscal year.

On January 21, 2014, the Commission issued \$921,304.53 in General Obligation Warrants with an interest rate of 2.95 percent to refund the 2010 General Obligation Warrants.

On February 17, 2015, the Commission issued General Obligation Warrants with variable interest rates of 2.0 to 3.625 percent to refund the existing 2007 General Obligation Warrants.

On August 1, 2014, the Commission entered into a funding agreement with the Cooperative District of Winston County, Alabama, an Alabama Public Corporation (the “District”) and First Commercial Bank as trustee to make total principal and interest payments in the amount of \$2,372,350.83 in bonds issued by the District.

On October 29, 2018, the Commission issued \$1,700,000.00 in Gasoline Tax Anticipation Warrants. The purpose of these warrants was to refund the outstanding principal on the 2013 Gasoline Tax Anticipation Warrants and provide additional funds to pay for improvements to certain roads and bridges in Winston County.

The Commission has various notes payable for the purpose of purchasing equipment.

## *Notes to the Financial Statements*

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

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

	Debt Outstanding 10/01/2018	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2019	Amounts Due Within One Year
<b>Governmental Activities</b>					
Notes and Warrants Payable:					
2013 Gasoline Tax Warrants	\$ 554,217.12	\$	\$ (554,217.12)	\$	\$
2018 Gasoline Tax Warrants		1,700,000.00	(200,090.65)	1,499,909.35	223,465.47
2015 General Obligation Warrants	5,635,000.00		(240,000.00)	5,395,000.00	240,000.00
2014 General Obligation Warrants	737,055.07		(47,348.60)	689,706.47	48,745.38
Funding Agreement Payable	1,460,000.00		(130,000.00)	1,330,000.00	130,000.00
Total Notes and Warrants Payable	8,386,272.19	1,700,000.00	(1,171,656.37)	8,914,615.82	642,210.85
Less Deferred Amounts:					
Unamortized Discount	(27,011.19)		1,421.64	(25,589.55)	(1,421.64)
Sub-Total	8,359,261.00	1,700,000.00	(1,170,234.73)	8,889,026.27	640,789.21
Other Liabilities:					
Net Pension Liability	888,583.67		(71,425.65)	817,158.02	
Estimated Liability for Compensated Absences	153,746.06	3,253.96		157,000.02	15,700.00
Total Other Liabilities	1,042,329.73	3,253.96	(71,425.65)	974,158.04	15,700.00
Total Governmental Activities Long-Term Liabilities	9,401,590.73	1,703,253.96	(1,241,660.38)	9,863,184.31	656,489.21
<b>Business Type Activities</b>					
Long-Term Notes Payable	238,995.14		(102,054.00)	136,941.14	104,447.24
Sub-Total	238,995.14		(102,054.00)	136,941.14	104,447.24
Other Liabilities:					
Net Pension Liability	189,008.34		(14,629.35)	174,378.99	
Estimated Liability for Compensated Absences	58,852.78		(6,589.47)	52,263.31	5,226.33
Total Other Liabilities	247,861.12		(21,218.82)	226,642.30	5,226.33
Total Business-Type Activities Long-Term Liabilities	\$ 486,856.26	\$	\$ (123,272.82)	\$ 363,583.44	\$109,673.57

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the Debt Service Funds and the Capital Improvement Fund, except for the 2013 Gasoline Tax Anticipation Warrants which are paid out of the Gasoline Tax Fund. The long-term notes payables are paid by the General Fund and Sanitation Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 41% has been paid by the General Fund, 53% by the Gasoline Tax Fund and 6% by the Reappraisal Fund.

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

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

Fiscal Year Ending	Gasoline Tax Anticipation Warrants		General Obligation Warrants	
	Principal	Interest	Principal	Interest
September 30, 2020	\$ 223,465.47	\$ 52,867.53	\$ 288,745.38	\$ 173,218.84
2021	232,189.34	44,143.66	300,131.56	166,932.66
2022	241,099.71	34,233.29	301,662.25	160,401.97
2023	250,352.04	25,980.93	308,186.29	153,636.68
2024	259,912.48	16,420.52	319,755.22	146,278.94
2025-2029	292,890.31	6,470.46	1,708,925.00	601,871.10
2030-2034			1,752,300.77	393,636.36
2035-2037			1,105,000.00	62,591.25
Total	<u>\$1,499,909.35</u>	<u>\$180,116.39</u>	<u>\$6,084,706.47</u>	<u>\$1,858,567.80</u>

**Deferred Outflows on Refunding and Discounts**

The Commission has deferred outflows on refunding as a result of a loss on early extinguishment of debt, as well as a warrant discount in connection with the issuance of the 2015 General Obligation Warrants. The deferred loss on refunding and discount are being amortized using the straight-line method over a period of twenty-three years.

	Deferred Outflows on Refunding	Discount
<u>Governmental Activities:</u>		
Total Deferred Outflows on Refunding and Discount	\$382,356.00	\$32,697.75
Amount Amortized in Prior Years	(66,496.68)	(5,686.56)
Balance Deferred Outflows on Refunding and Discount	315,859.32	27,011.19
Current Amount Amortized	(16,624.17)	(1,421.64)
Balance Deferred Outflows on Refunding and Discount	<u>\$299,235.15</u>	<u>\$25,589.55</u>

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

Business-Type Activities		Funding Agreement Payable		Total Principal and Interest Requirements to Maturity
Notes Payable		Principal	Interest	
Principal	Interest	Principal	Interest	
\$104,447.24	\$3,499.29	\$ 130,000.00	\$ 37,170.00	\$ 1,013,413.75
15,991.10	1,039.81	140,000.00	33,892.50	934,320.63
16,502.80	528.09	135,000.00	30,532.50	919,960.61
		140,000.00	27,292.50	905,448.44
		150,000.00	23,512.50	915,879.66
		635,000.00	50,050.00	3,295,206.87
				2,145,937.13
				1,167,591.25
<b>\$136,941.14</b>	<b>\$5,067.19</b>	<b>\$1,330,000.00</b>	<b>\$202,450.00</b>	<b>\$11,297,758.34</b>

**Pledged Revenues**

The Commission issued Series 2015 General Obligation Warrants for the purpose of refunding the Series 2007 General Obligation Warrants. The Commission pledged to repay the general obligation warrants from a special ad valorem tax levied by the Commission at the rate of 2.5 mills on each dollar of assessed value of taxable property in the county and a \$30.00 court charge on every criminal and quasi-criminal case filed levied pursuant to Act Number 91-305, Acts of Alabama. Future revenues of \$7,058,053.75 are pledged to repay the principal and interest on the warrants as of September 30, 2019. Proceeds of the 2.5 mills in the amount of \$746,726.49 and proceeds of the court costs in the amount of \$51,027.54 were received by the Commission during the fiscal year ended September 30, 2019, of which \$398,181.79 was used to pay principal and interest on the warrants. The Series 2015 General Obligation Warrants will mature in fiscal year 2037.

The Commission issued Series 2018 Gasoline Tax Anticipation Warrants for the purposes of refunding the 2013 Gasoline Tax Anticipation Warrants and resurfacing, restoring and rehabilitating public roads and replacing public bridges. The Commission pledged to repay the gasoline tax anticipation warrants from the County's portion of the proceeds of the seven-cent gasoline tax levied by the State of Alabama. Future revenues of \$1,680,025.74 are pledged to repay the principal and interest on the warrants as of September 30, 2019. Proceeds of the seven-cent gasoline tax in the amount of \$886,751.67 were received by the Commission during the fiscal year ended September 30, 2019 of which \$221,710.82 was used to pay principal and interest on the warrants. The Series 2018 Gasoline Tax Anticipation Warrants will mature in fiscal year 2026.

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## *Notes to the Financial Statements*

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

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#### **Defeased Debt**

On October 29, 2018, the Commission issued \$1,700,000.00 (1) to fund the cost of constructing, surfacing, resurfacing, grading and draining of public roads, streets, and bridges in the County, (2) to currently refund Commission's \$1,765,000 State Gasoline Tax Warrants, Series 2013 dated October 28, 2013 and (3) to pay certain costs of issuance of the Series 2018 Warrants. Proceeds in the amount of \$532,596.95 were used to refund the State Gasoline Tax Warrants, Series 2013. As a result, the Gasoline Tax Warrants, Series 2013 are considered to be defeased and the liability for those warrants has been removed.

#### **Funding Agreement**

On August 1, 2014, the Commission entered into a funding agreement with The Cooperative District of Winston County, Alabama, an Alabama public corporation (the "District") and First Commercial Bank as trustee to make total principal and interest payments in the amount of \$2,042,185.00 on bonds issued by the District. The Funding Agreement will be effective on the date of delivery of the Bonds for a term ending upon the earlier of full performance by the Commission of its obligation thereunder, or the date on which the bonds are paid in full and retired or provision made therefore as provided in the indenture. The purpose of the 2014 issue was to refund a similar funding agreement dated July 1, 2008, as well as to provide additional funding for the Cooperative District. The Commission is required to establish a special fund designated the "Funding Agreement Fund". Money in the Funding Agreement Fund shall be used solely for the payment of principal and interest payments on bonds issued by the District. The Commission shall pay or cause to be paid into the Funding Agreement Fund from the taxes, revenues, or funds of the Commission amounts sufficient to provide for the due and punctual payment of principal and interest on bonds issued by the District. The obligations of the Commission to make principal and interest payment on the bonds issued by the District shall constitute a general obligation of the Commission for which the full faith, credit, and taxing power of the Commission are hereby irrevocably pledged and shall be absolute and unconditional under any and all circumstances and in no way conditioned or contingent upon any attempt to collect any of such amounts from the District or any other person or to realize upon any property subject to indenture or upon any other direct or indirect security for the bonds or resort to any other remedies.



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

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**Note 8 – Short-Term Debt**

During the fiscal year 1996, the Commission borrowed funds for operating purposes in the amount of \$260,334.00. The Commission pays 10% of the principal and renews the note annually in January of each year. This note has an interest rate of 3.95%. In January 2019, the Commission borrowed funds in the amount of \$288,388.00 to purchase two dump trucks. Short-term debt activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Proceeds	Repaid	Ending Balance
Note Payable	\$14,565.29	\$288,388.00	\$1,456.52	\$301,446.77

**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 defense expenses are included within and reduce the limits of coverage. 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. Premiums are based on a rate per \$100 of remuneration for each class of employee which is adjusted by an experience modifier for the individual county. At year-end, pool participants are eligible to receive refunds of unused premiums and the related investment earnings. The Commission may qualify for additional discounts based on losses and premium size.

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.

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

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

**Due To/From Other Funds**

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

	Due to Other Funds	
	Gasoline Tax Fund	Totals
<u>Due from Other Funds:</u>		
<u>Proprietary Funds</u>		
Sanitation Fund	\$39,955.97	\$39,955.97
Totals	<u>\$39,955.97</u>	<u>\$39,955.97</u>

**Interfund Transfers**

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

	Transfers Out		
	General Fund	Other Governmental Funds	Totals
<u>Transfers In:</u>			
General Fund	\$	\$ 20,605.46	\$ 20,605.46
Gasoline Tax Fund	315,009.85	100,000.00	415,009.85
Other Governmental Funds	249,965.96	77,636.25	327,602.21
Totals	<u>\$564,975.81</u>	<u>\$198,241.71</u>	<u>\$763,217.52</u>

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

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## *Notes to the Financial Statements*

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

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#### *Note 11 – Subsequent Events*

On June 30, 2020, the Commission issued General Obligation Warrants in the amount of \$5,365,000.00. These warrants were issued to currently refund the Commission's 2015 General Obligation Warrants.

On August 31, 2020, the Commission entered into a Note Payable in the amount of \$312,784.00, with an interest rate of 1.47% to purchase two dump trucks.

On October 13, 2020, the Commission entered into a Capital Lease in the amount of \$298,968.00, with an interest rate of 2.41%, to purchase two sanitation trucks.

On June 14, 2021, the Commission entered into a Note Payable in the amount of \$309,784.00, with an interest rate of 1.99% to purchase two Mack tri-axle trucks.

The United States encountered a COVID-19 pandemic which adversely affected the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions were modified to ensure the safety of citizenry as well as employees. As a result of the pandemic, there was an impact on the Winston County Commission's revenues. Winston County Commission gas tax revenues decreased by \$343,954.29 in fiscal year 2020 as compared to the previous fiscal year. As expected, the Winston County Commission incurred a significant increase in costs associated with the aftermath of COVID-19. These costs, in the amount of \$429,707.44, were reimbursed through the Coronavirus Relief Fund of the federal government during fiscal years 2020 and 2021. The Winston County Commission's fiscal year 2021 budget, as approved by the county commission, provided for several changes in anticipated revenues and estimated expenditures for many of the funds of the Commission as compared to the previous fiscal year. Due to the impact and severity of the COVID-19 pandemic, the Winston County Commission anticipates that its financial operations will require assistance from further programs of the federal government.

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*Required Supplementary Information*

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

	2018	2017	2016	2015	2014
<b><u>Total pension liability</u></b>					
Service cost	\$ 256,874	\$ 263,242	\$ 277,660	\$ 278,463	\$ 281,349
Interest	712,568	708,383	696,736	671,215	639,383
Differences between expected and actual experience	22,995	(279,543)	(340,251)	(54,099)	
Changes of assumptions	50,063		202,012		
Benefit payments, including refunds of employee contributions	(646,384)	(591,541)	(555,721)	(597,401)	(448,260)
Transfers among employers	(31,151)	(19,114)	168,695		
Net change in total pension liability	364,965	81,427	449,131	298,178	472,472
Total pension liability - beginning	9,517,620	9,436,193	8,987,062	8,688,884	8,216,412
Total pension liability - ending (a)	\$ 9,882,585	\$ 9,517,620	\$ 9,436,193	\$ 8,987,062	\$ 8,688,884
<b><u>Plan fiduciary net position</u></b>					
Contributions - employer	\$ 187,170	\$ 216,380	\$ 216,206	\$ 234,578	\$ 246,694
Contributions - employee	174,883	169,763	167,544	164,286	165,349
Net investment income	766,502	970,744	711,276	84,054	782,711
Benefit payments, including refunds of employee contributions	(646,384)	(591,541)	(555,721)	(597,401)	(448,260)
Other (Transfers among employers)	(31,151)	(19,114)	168,695	(167,926)	(39,520)
Net change in plan fiduciary net position	451,020	746,232	708,000	(282,409)	706,974
Plan fiduciary net position - beginning	8,440,028	7,693,796	6,985,796	7,268,205	6,561,231
Plan fiduciary net position - ending (b)	\$ 8,891,048	\$ 8,440,028	\$ 7,693,796	\$ 6,985,796	\$ 7,268,205
Commission's net pension liability - ending (a) - (b)	\$ 991,537	\$ 1,077,592	\$ 1,742,397	\$ 2,001,266	\$ 1,420,679
Plan fiduciary net position as a percentage of the total pension liability	89.97%	88.68%	81.53%	77.73%	83.65%
Covered payroll (*)	\$ 3,200,419	\$ 3,081,536	\$ 3,106,794	\$ 3,094,685	\$ 3,130,903
Commission's net pension liability as a percentage of covered payroll	30.98%	34.97%	56.08%	64.67%	45.38%

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

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

***Schedule of the Employer's Contributions - Pension  
For the Year Ended September 30, 2019***

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 173,835	\$ 187,170	\$ 216,380	\$ 216,206	\$ 234,578	\$ 246,694
Contributions in relation to the actuarially determined contribution (*)	\$ 173,835	\$ 187,170	\$ 216,380	\$ 216,206	\$ 234,578	\$ 246,694
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 3,501,532	\$ 3,200,419	\$ 3,081,536	\$ 3,106,794	\$ 3,094,685	\$ 3,130,903
Contributions as a percentage of covered payroll	4.96%	5.85%	7.02%	6.96%	7.58%	7.88%

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

(\*\*) Employer's covered payroll for fiscal year 2019 is the total covered payroll for the 12 month period of the underlying financial statement.

**Notes to Schedule**

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	21.9 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

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

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

	Budgeted Amounts		Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
<b>Revenues</b>						
Taxes	\$ 1,868,503.76	\$ 1,733,942.65	\$ 1,986,604.13	(1)	\$ 746,726.49	\$ 2,733,330.62
Licenses and Permits	83,000.00	84,000.00	83,555.48			83,555.48
Intergovernmental	780,798.31	723,459.00	869,119.12	(1)	18,782.39	887,901.51
Charges for Services	698,330.58	688,030.50	758,902.02			758,902.02
Fines and Forfeits	650.00	650.00	774.40			774.40
Miscellaneous	65,850.00	76,960.00	97,813.38	(1)	3,652.90	101,466.28
Total Revenues	3,497,132.65	3,307,042.15	3,796,768.53		769,161.78	4,565,930.31
<b>Expenditures</b>						
Current:						
General Government	1,869,601.02	1,911,575.77	1,762,772.58			1,762,772.58
Public Safety	1,889,199.70	2,037,487.50	1,674,289.01			1,674,289.01
Highways and Roads	4,820.00	4,820.00	4,358.46			4,358.46
Health				(2)	34,629.00	34,629.00
Welfare	27,500.00	27,500.00	14,941.69			14,941.69
Education	16,200.00	17,200.00	15,450.81			15,450.81
Intergovernmental	98,997.00	99,497.00	27,877.00			27,877.00
Capital Outlay	171,000.00	149,000.00	68,348.00			68,348.00
Debt Service:						
Principal Retirement	1,310.88	1,456.53				
Interest and Fiscal Charges	327.72	291.31	289.71			289.71
Total Expenditures	4,078,956.32	4,248,828.11	3,568,327.26		34,629.00	3,602,956.26
Excess (Deficiency) of Revenues Over Expenditures	(581,823.67)	(941,785.96)	228,441.27		734,532.78	962,974.05
<b>Other Financing Sources (Uses)</b>						
Transfers In	250,000.00	250,000.00	270,605.46	(3)	(250,000.00)	20,605.46
Proceeds from the Sale of Capital Assets						
Transfers Out	(312,498.32)	(316,159.00)	(248,715.12)	(3)	(316,260.69)	(564,975.81)
Total Other Financing Sources (Uses)	(62,498.32)	(66,159.00)	21,890.34		(566,260.69)	(544,370.35)
Net Change in Fund Balances	(644,321.99)	(1,007,944.96)	250,331.61		168,272.09	418,603.70
Fund Balances - Beginning of Year	644,321.99	1,007,944.96	1,305,771.05	(4)	524,284.61	1,830,055.66
Fund Balances - End of Year	\$	\$	\$ 1,556,102.66		\$ 692,556.70	\$ 2,248,659.36



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

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

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

(1) Revenues		
Winston County Dog Pound Fund	\$ 12,054.08	
Public Buildings, Roads and Bridges Fund	<u>757,107.70</u>	\$ 769,161.78
(2) Expenditures		
Winston County Dog Pound Fund	<u>\$ (34,629.00)</u>	(34,629.00)
(3) Other Financing Sources (Uses) Net		
Winston County Dog Pound Fund	\$ 25,000.00	
Public Buildings, Roads and Bridges Fund	<u>(591,260.69)</u>	<u>(566,260.69)</u>
Net Increase in Fund Balance - Budget to GAAP		<u>\$ 168,272.09</u>

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

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Taxes	\$ 30,000.00	\$ 30,000.00	\$ 27,000.00	\$	\$ 27,000.00
Intergovernmental	1,155,614.73	1,274,918.92	1,024,654.06		1,024,654.06
Charges for Services			620,876.59		620,876.59
Miscellaneous	71,600.00	71,600.00	360,174.47		360,174.47
Total Revenues	1,257,214.73	1,376,518.92	2,032,705.12		2,032,705.12
<b>Expenditures</b>					
Current:					
Highways and Roads	2,250,428.62	2,313,408.39	2,439,991.46		2,439,991.46
Capital Outlay	535,000.00	695,000.00	357,321.76		357,321.76
Debt Service:					
Principal Retirement	262,790.35	223,465.45	221,710.82		221,710.82
Interest and Fiscal Charges	9,766.82	52,864.53	54,307.53		54,307.53
Total Expenditures	3,057,985.79	3,284,738.37	3,073,331.57		3,073,331.57
Excess (Deficiency) of Revenues Over Expenditures	(1,800,771.06)	(1,908,219.45)	(1,040,626.45)		(1,040,626.45)
<b>Other Financing Sources (Uses)</b>					
Transfers In	1,445,000.00	1,449,533.36	415,009.85		415,009.85
Sale of Capital Assets	500,000.00	560,000.00	458,982.00		458,982.00
Total Other Financing Sources (Uses)	1,945,000.00	2,009,533.36	873,991.85		873,991.85
Net Change in Fund Balances	144,228.94	101,313.91	(166,634.60)		(166,634.60)
Fund Balances - Beginning of Year			295,942.13		295,942.13
Fund Balances - End of Year	\$ 144,228.94	\$ 101,313.91	\$ 129,307.53	\$	\$ 129,307.53

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Intergovernmental	\$ 748,646.42	\$ 800,000.00	\$ 793,292.87	(1) \$ 280,345.22	\$ 1,073,638.09
Miscellaneous	250.00	250.00	266.05	(1) 138.53	404.58
Total Revenues	<u>748,896.42</u>	<u>800,250.00</u>	<u>793,558.92</u>	<u>280,483.75</u>	<u>1,074,042.67</u>
<b>Expenditures</b>					
Current:					
Highways and Roads	975,250.00	975,250.00	1,061,000.00		1,061,000.00
Total Expenditures	<u>975,250.00</u>	<u>975,250.00</u>	<u>1,061,000.00</u>		<u>1,061,000.00</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(226,353.58)</u>	<u>(175,000.00)</u>	<u>(267,441.08)</u>	<u>280,483.75</u>	<u>13,042.67</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	277,000.00	277,000.00	275,000.00	(2) (275,000.00)	
Total Other Financing Sources (Uses)	<u>277,000.00</u>	<u>277,000.00</u>	<u>275,000.00</u>	<u>(275,000.00)</u>	
Net Change in Fund Balances	50,646.42	102,000.00	7,558.92	5,483.75	13,042.67
Fund Balances - Beginning of Year			95,491.84	(3) 15,120.94	110,612.78
Fund Balances - End of Year	<u>\$ 50,646.42</u>	<u>\$ 102,000.00</u>	<u>\$ 103,050.76</u>	<u>\$ 20,604.69</u>	<u>\$ 123,655.45</u>

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

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

(1) Revenues	
Secondary Road Fund	\$ 280,483.75
(2) Other Financing Sources (Uses)	
Secondary Road Fund	<u>(275,000.00)</u>
Net Increase in Fund Balance - Budget to GAAP	<u>\$ 5,483.75</u>

(3) 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 - Hospital Tax Fund***  
***For the Year Ended September 30, 2019***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Taxes	\$ 500,000.00	\$ 500,000.00	\$ 618,562.62	\$	\$ 618,562.62
Miscellaneous			1,676.33		1,676.33
Total Revenues	500,000.00	500,000.00	620,238.95		620,238.95
<b>Expenditures</b>					
Current:					
Health			606,277.41		606,277.41
Total Expenditures			606,277.41		606,277.41
Excess (Deficiency) of Revenues Over Expenditures	500,000.00	500,000.00	13,961.54		13,961.54
<b>Other Financing Sources (Uses)</b>					
Transfers In					
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	500,000.00	500,000.00	13,961.54		13,961.54
Fund Balances - Beginning of Year					
Fund Balances - End of Year	\$ 500,000.00	\$ 500,000.00	\$ 13,961.54	\$	\$ 13,961.54

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## *Additional Information*

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

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**Commission Members**

**Term Expires**

Hon. Roger Hayes	Chairman	2020
Hon. David Cummings	Member	2022
Hon. Bobby Everett	Member	2022

**Administrative Personnel**

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

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**Independent Auditor's Report**

Members of the Winston County Commission and County Administrator  
Double Springs, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Winston County Commission, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Winston County Commission's basic financial statements, and have issued our report thereon dated December 16, 2021.

**Internal Control Over Financial Reporting**

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

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

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

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

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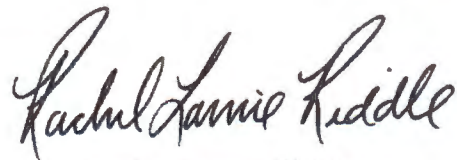
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**Compliance and Other Matters**

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

**Purpose of this Report**

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

December 16, 2021