



Alabama Department of Examiners of Public Accounts

Report on the **Coffee County Commission** **Coffee County, Alabama**

October 1, 2020 through September 30, 2021

Filed: July 26, 2024

AUDEMUS JURA NOSTRA DEFENDERE
ALABAMA STATE HOUSE

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 Coffee County Commission, Coffee County, Alabama, for the period October 1, 2020 through September 30, 2021, by Examiners Lori Senn and Dalton Myers. I, Lori Senn, served as Examiner-in-Charge on the engagement, and 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,

Lori J. Senn
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Coffee County Commission
October 1, 2020 through September 30, 2021**

The Coffee County Commission (the “Commission”) is governed by a seven-member body elected by the citizens of Coffee County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 17. 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 Coffee 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, including those applicable to its major federal financial assistance programs. 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, 2021.

Financial statements for the fiscal year ending September 30, 2021, were not prepared by management until July 18, 2023. The Commission’s failure to prepare timely financial statements may impact the relevance of the financial information presented to users of the financial statements.

AUDIT FINDINGS

An instance of noncompliance with state and local laws and regulations and other matters was found during the audit as shown on the Schedule of State and Local Compliance and Other Findings and it is summarized below.

- ◆ 2021-001: The Commission failed to maintain an adequate cash balance to cover disbursements as required by the *Code of Alabama 1975*, Section 11-8-10.

A problem was found with the Commission's internal controls over financial reporting (Exhibit 20) and it is summarized below:

- ◆ 2021-002: The Commission failed to properly record financial activity on the financial statements.

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 17, were invited to discuss the results of this report at an exit conference. Individuals in attendance were County Administrator Rod Morgan; and Commissioners Dean Smith, Jimmy Jones, Jim Thompson and Tom Grimsley. Representing the Department of Examiners of Public Accounts were Audra Lynn Otto, Audit Manager; Lori Senn, Examiner; and Dalton Myers, Examiner.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings
October 1, 2020 through September 30, 2021

| Ref. No. | Finding/Noncompliance |
|-------------|--|
| 2021-001 | <p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 11-8-10, states "no warrant or order for payment of money shall be issued under authority of the county commission until funds are available for its payment to the treasurer or depository pursuant to procedure established by the county commission." At September 30, 2021, the Roll Off Service Fund, an enterprise fund, reported a deficit cash balance of \$300,671.60. Procedures were not in place to ensure an adequate cash balance was available to cover disbursements prior to payment in the Roll Off Service Fund, resulting in a cash deficit.</p> <p><u>Recommendation:</u> The Commission should implement policies and procedures to ensure compliance with the <i>Code of Alabama 1975</i>, Section 11-8-10.</p> |

Independent Auditor's Report

Independent Auditor's Report

Members of the Coffee County Commission and County Administrator
New Brockton, Alabama

Report on the Audit of the Financial Statements

Opinions

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 Coffee County Commission, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Coffee County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 11.

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 Coffee County Commission, as of September 30, 2021, 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.

Basis for Opinions

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 (***Government Auditing Standards***). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Coffee County Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the Coffee County Commission's financial statements for the year ended September 30, 2021, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement Number 84, ***Fiduciary Activities***. The Coffee County Commission implemented the requirements of GASB Statement Number 84 during the fiscal year. Our opinions on the basic financial statements are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Coffee County Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and ***Government Auditing Standards*** will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and ***Government Auditing Standards***, we:

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ obtain an understanding of internal control relevant to the audit 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 Coffee County Commission's internal control. Accordingly, no such opinion is expressed.

- ◆ evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ◆ conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Coffee County Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Net Pension Liability, the Schedule of the Employer's Contributions – Pension and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 12 through 15), be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

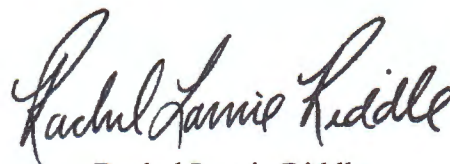
Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coffee County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 16), as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2024, on our consideration of the Coffee County Commission's internal control over financial reporting and 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 on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Coffee 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 Coffee County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 4, 2024

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Basic Financial Statements

Statement of Net Position
September 30, 2021

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-------------------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 11,588,829.57 | \$ 1,368,965.11 | \$ 12,957,794.68 |
| Investments | 155,014.91 | | 155,014.91 |
| Receivables (Note 4) | 1,644,497.44 | 1,110,638.25 | 2,755,135.69 |
| Ad Valorem Taxes Receivable | 5,148,837.99 | | 5,148,837.99 |
| Inventories | 211,161.21 | | 211,161.21 |
| Internal Balances | 1,068.31 | (1,068.31) | |
| Capital Assets (Note 5): | | | |
| Nondepreciable | 2,384,790.90 | 4,654,199.46 | 7,038,990.36 |
| Depreciable, Net | 29,062,767.61 | 10,304,838.14 | 39,367,605.75 |
| Total Assets | <u>50,196,967.94</u> | <u>17,437,572.65</u> | <u>67,634,540.59</u> |
| Deferred Outflows of Resources | | | |
| Loss of Refunding of Debt | 108,896.15 | | 108,896.15 |
| Employer Pension Contributions | 346,392.62 | | 346,392.62 |
| Deferred Outflows Related to Net Pension Liability | 1,985,147.00 | | 1,985,147.00 |
| Total Deferred Outflows of Resources | <u>2,440,435.77</u> | | <u>2,440,435.77</u> |
| Liabilities | | | |
| Payables (Note 8) | 2,011,850.12 | 386,758.54 | 2,398,608.66 |
| Short-Term Note Payable | | 418,138.28 | 418,138.28 |
| Unearned Revenue | 5,144,038.35 | 123,993.84 | 5,268,032.19 |
| Accrued Interest Payable | 38,109.56 | 41,035.56 | 79,145.12 |
| Accrued Wages Payable | 276,404.33 | 55,891.08 | 332,295.41 |
| Long-Term Liabilities (Note 9): | | | |
| Portion Payable Within One Year: | | | |
| Notes from Direct Borrowing | 966,406.89 | 1,654,009.57 | 2,620,416.46 |
| Warrants Payable | 364,800.00 | | 364,800.00 |
| Liability for Compensated Absences | 30,985.81 | 3,035.94 | 34,021.75 |
| Portion Payable After One Year: | | | |
| Notes from Direct Borrowing | 8,992,573.62 | 3,045,815.69 | 12,038,389.31 |
| Warrants Payable | 1,982,675.00 | | 1,982,675.00 |
| Liability for Compensated Absences | 391,748.10 | 70,904.97 | 462,653.07 |
| Net Pension Liability | 2,383,648.00 | | 2,383,648.00 |
| Estimated Liability for Landfill Closure and Postclosure Care Costs | | 5,412,602.85 | 5,412,602.85 |
| Total Liabilities | <u>\$ 22,583,239.78</u> | <u>\$ 11,212,186.32</u> | <u>\$ 33,795,426.10</u> |

Statement of Net Position
September 30, 2021

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|------------------|
| Deferred Inflows of Resources | | | |
| Unavailable Revenue - Property Taxes | \$ 5,148,837.99 | \$ | \$ 5,148,837.99 |
| Revenue Received in Advance - Motor Vehicle Tax | 384,464.48 | | 384,464.48 |
| Deferred Inflows Related to Net Pension Liability | 495,646.00 | | 495,646.00 |
| Total Deferred Inflows of Resources | 6,028,948.47 | | 6,028,948.47 |
| Net Position | | | |
| Net Investment in Capital Assets | 19,249,999.15 | 10,259,212.34 | 29,509,211.49 |
| Restricted for: | | | |
| Highways and Roads | 1,943,065.22 | | 1,943,065.22 |
| Capital Improvements | 953,522.96 | | 953,522.96 |
| Law Enforcement | 440,464.72 | | 440,464.72 |
| Other Purposes | 268,736.44 | | 268,736.44 |
| Unrestricted | 1,169,426.97 | (4,033,826.01) | (2,864,399.04) |
| Total Net Position | \$ 24,025,215.46 | \$ 6,225,386.33 | \$ 30,250,601.79 |

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

Statement of Activities
For the Year Ended September 30, 2021

| 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 | Business-Type Activities | Total |
| Primary Government | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 6,173,922.35 | \$ 2,152,133.30 | \$ 1,096,176.32 | \$ | \$ (2,925,612.73) | \$ | \$ (2,925,612.73) |
| Public Safety | 6,743,041.46 | 484,166.43 | 281,778.03 | | (5,977,097.00) | | (5,977,097.00) |
| Highways and Roads | 6,550,223.74 | 118,524.34 | 5,127,274.64 | | (1,304,424.76) | | (1,304,424.76) |
| Sanitation | 4,000.00 | | | | (4,000.00) | | (4,000.00) |
| Health | 27,079.97 | | 387,317.77 | 4,500.00 | 364,737.80 | | 364,737.80 |
| Welfare | 530,176.73 | | 18,360.00 | | (511,816.73) | | (511,816.73) |
| Culture and Recreation | 6,000.00 | | | | (6,000.00) | | (6,000.00) |
| Education | 71,855.00 | | | | (71,855.00) | | (71,855.00) |
| Interest on Long-Term Debt | 382,785.06 | | | | (382,785.06) | (120,933.59) | (503,718.65) |
| Intergovernmental | 153,000.00 | | | | (153,000.00) | | (153,000.00) |
| Total Governmental Activities | 20,642,084.31 | 2,754,824.07 | 6,910,906.76 | 4,500.00 | (10,971,853.48) | (120,933.59) | (11,092,787.07) |
| Business-Type Activities: | | | | | | | |
| Solid Waste | 922,777.66 | 1,315,906.93 | | | | 393,129.27 | 393,129.27 |
| Landfill | 4,658,863.76 | 4,931,356.89 | | | | 272,493.13 | 272,493.13 |
| Roll Off Service | 2,629,335.54 | 2,505,428.46 | | | | (123,907.08) | (123,907.08) |
| Tire Processing | 376,796.86 | | | | | (376,796.86) | (376,796.86) |
| Total Business-Type Activities | 8,587,773.82 | 8,752,692.28 | | | | 164,918.46 | 164,918.46 |
| Total Primary Government | \$ 29,229,858.13 | \$ 11,507,516.35 | \$ 6,910,906.76 | \$ 4,500.00 | (10,971,853.48) | 43,984.87 | (10,927,868.61) |
| General Revenues and Transfers: | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes for General Purposes | | | | | 5,828,979.42 | | 5,828,979.42 |
| Property Taxes for Specific Purposes | | | | | 117,498.28 | | 117,498.28 |
| General Sales Tax | | | | | 2,807,080.57 | | 2,807,080.57 |
| Miscellaneous Taxes | | | | | 622,939.78 | | 622,939.78 |
| Grants and Contributions Not Restricted for Specific Programs | | | | | 435,302.19 | 321.88 | 435,624.07 |
| Investment Earnings | | | | | 40,471.34 | 2,911.37 | 43,382.71 |
| Gain on Disposition of Capital Assets | | | | | 250,503.28 | | 250,503.28 |
| Miscellaneous | | | | | 1,145,236.04 | 294,794.82 | 1,440,030.86 |
| Transfers | | | | | 790,000.00 | (790,000.00) | |
| Total General Revenues and Transfers | | | | | 12,038,010.90 | (491,971.93) | 11,546,038.97 |
| Changes in Net Position | | | | | 1,066,157.42 | (447,987.06) | 618,170.36 |
| Net Position - Beginning of Year, as Restated (Note 16) | | | | | 22,959,058.04 | 6,673,373.39 | 29,632,431.43 |
| Net Position - End of Year | | | | | \$ 24,025,215.46 | \$ 6,225,386.33 | \$ 30,250,601.79 |

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

Balance Sheet
Governmental Funds
September 30, 2021

| | General Fund | Gasoline Tax Fund | Coronavirus Rescue Aid Fund | Other Governmental Funds | Total Governmental Funds |
|---|------------------------|------------------------|-----------------------------|--------------------------|--------------------------|
| Assets | | | | | |
| Cash and Cash Equivalents | \$ 1,231,791.45 | \$ 880,530.00 | \$ 5,041,810.00 | \$ 4,434,698.12 | \$ 11,588,829.57 |
| Investments | 155,014.91 | | | | 155,014.91 |
| Receivables (Note 4) | 1,218,460.97 | 180,638.06 | | 245,398.41 | 1,644,497.44 |
| Ad Valorem Taxes Receivable | 4,364,897.99 | | | 783,940.00 | 5,148,837.99 |
| Due from Other Funds | 1,140.02 | 5,311.74 | | | 6,451.76 |
| Inventories | | 211,161.21 | | | 211,161.21 |
| Total Assets | 6,971,305.34 | 1,277,641.01 | 5,041,810.00 | 5,464,036.53 | 18,754,792.88 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities | | | | | |
| Payables (Note 8) | 1,471,101.31 | 58,974.41 | | 481,774.40 | 2,011,850.12 |
| Due to Other Funds | 4,383.45 | 1,000.00 | | | 5,383.45 |
| Unearned Revenue | | | 5,041,810.00 | 102,228.35 | 5,144,038.35 |
| Accrued Wages Payable | 189,841.56 | 50,010.75 | | 36,552.02 | 276,404.33 |
| Total Liabilities | 1,665,326.32 | 109,985.16 | 5,041,810.00 | 620,554.77 | 7,437,676.25 |
| Deferred Inflows of Resources | | | | | |
| Unavailable Revenue - Property Taxes | 4,364,897.99 | | | 783,940.00 | 5,148,837.99 |
| Revenue Received in Advance - Motor Vehicle Taxes | 384,464.48 | | | | 384,464.48 |
| Total Deferred Inflows of Resources | 4,749,362.47 | | | 783,940.00 | 5,533,302.47 |
| Fund Balances | | | | | |
| Nonspendable: | | | | | |
| Inventories | | 211,161.21 | | | 211,161.21 |
| Restricted for: | | | | | |
| Highways and Roads | | | | 1,943,065.22 | 1,943,065.22 |
| Capital Improvements | | | | 953,522.96 | 953,522.96 |
| Law Enforcement | | | | 440,464.72 | 440,464.72 |
| Other Purposes | | | | 268,736.44 | 268,736.44 |
| Assigned to: | | | | | |
| Highways and Roads | | 956,494.64 | | 453,752.42 | 1,410,247.06 |
| Unassigned | 556,616.55 | | | | 556,616.55 |
| Total Fund Balances | 556,616.55 | 1,167,655.85 | | 4,059,541.76 | 5,783,814.16 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 6,971,305.34 | \$ 1,277,641.01 | \$ 5,041,810.00 | \$ 5,464,036.53 | \$ 18,754,792.88 |

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, 2021***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 5,783,814.16

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

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported as assets in governmental funds. (See Note 5) 31,447,558.51

Losses on refunding of debt are reported as deferred outflows of resources and are not
available to pay for current-period expenditures and, therefore, are deferred on the
Statement of Net Position. 108,896.15

Deferred outflows and inflows of resources related to pensions are applicable to future
periods and, therefore, are not reported in the governmental funds. 1,835,893.62

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

| | Amounts Due or Payable Within One Year | Amounts Due or Payable After One Year | |
|-------------------------------|--|---|-----------------|
| Accrued Interest Payable | \$ 38,109.56 | \$ | |
| Notes from Direct Borrowing | 966,406.89 | 8,992,573.62 | |
| Warrants Payable | 364,800.00 | 1,982,675.00 | |
| Compensated Absences | 30,985.81 | 391,748.10 | |
| Net Pension Liability/(Asset) | | 2,383,648.00 | |
| Total Long-Term Liabilities | \$ 1,400,302.26 | \$ 13,750,644.72 | (15,150,946.98) |

Total Net Position - Governmental Activities (Exhibit 1) \$ 24,025,215.46

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, 2021

| | General Fund | Gasoline Tax Fund | Coronavirus Rescue Aid Fund | Other Governmental Funds | Total Governmental Funds |
|--|-----------------|-------------------|-----------------------------|--------------------------|--------------------------|
| Revenues | | | | | |
| Taxes | \$ 7,593,542.80 | \$ | \$ | \$ 694,059.50 | \$ 8,287,602.30 |
| Licenses and Permits | 127,818.81 | | | 391,403.83 | 519,222.64 |
| Intergovernmental | 3,245,240.48 | 1,623,252.58 | 41,600.00 | 3,624,106.05 | 8,534,199.11 |
| Charges for Services | 1,896,501.96 | | | 244,505.06 | 2,141,007.02 |
| Miscellaneous | 438,913.83 | 307,870.79 | | 438,922.76 | 1,185,707.38 |
| Total Revenues | 13,302,017.88 | 1,931,123.37 | 41,600.00 | 5,392,997.20 | 20,667,738.45 |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 4,771,525.07 | | 13,600.00 | 703,410.75 | 5,488,535.82 |
| Public Safety | 5,436,211.83 | | 12,800.00 | 834,786.34 | 6,283,798.17 |
| Highways and Roads | | 2,193,087.21 | 5,600.00 | 3,631,570.41 | 5,830,257.62 |
| Sanitation | | | 4,000.00 | | 4,000.00 |
| Health | 27,079.97 | | | | 27,079.97 |
| Welfare | 446,511.57 | | 5,600.00 | | 452,111.57 |
| Culture and Recreation | 6,000.00 | | | | 6,000.00 |
| Education | 71,855.00 | | | | 71,855.00 |
| Capital Outlay | 1,730,580.34 | 1,304,920.03 | | | 3,035,500.37 |
| Intergovernmental | 153,000.00 | | | | 153,000.00 |
| Debt Service: | | | | | |
| Principal Retirement | 521,593.90 | 748,490.00 | | 670,658.97 | 1,940,742.87 |
| Interest and Fiscal Charges | 248,559.09 | 20,772.36 | | 98,221.22 | 367,552.67 |
| Total Expenditures | 13,412,916.77 | 4,267,269.60 | 41,600.00 | 5,938,647.69 | 23,660,434.06 |
| Excess (Deficiency) of Revenues Over Expenditures | (110,898.89) | (2,336,146.23) | | (545,650.49) | (2,992,695.61) |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 1,295,000.00 | 799,000.00 | | 1,067,228.55 | 3,161,228.55 |
| Proceeds from Long-Term Debt Issued | | 770,815.00 | | | 770,815.00 |
| Proceeds from Sale of Capital Assets | 51,613.87 | 911,304.99 | | | 962,918.86 |
| Transfers Out | (1,471,228.55) | (265,000.00) | | (635,000.00) | (2,371,228.55) |
| Total Other Financing Sources (Uses) | (124,614.68) | 2,216,119.99 | | 432,228.55 | 2,523,733.86 |
| Net Changes in Fund Balances | (235,513.57) | (120,026.24) | | (113,421.94) | (468,961.75) |
| Fund Balances - Beginning of Year, as Restated (Note 16) | 792,130.12 | 1,287,682.09 | | 4,172,963.70 | 6,252,775.91 |
| Fund Balances - End of Year | \$ 556,616.55 | \$ 1,167,655.85 | \$ | \$ 4,059,541.76 | \$ 5,783,814.16 |

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, 2021

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (468,961.75)

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of (\$3,035,500.37) exceeded depreciation (\$1,802,446.86) in the current period. 1,233,053.51

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 changes in net position differ from the changes in fund balance by the book value of the capital assets sold.

| | | | |
|---|----|--------------|--------------|
| Proceeds from the Sale of Capital Assets | \$ | (962,918.86) | |
| Gain (Loss) on the Sale of Capital Assets | | 250,503.28 | |
| Book Value of Assets Sold | | | (712,415.58) |

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,940,742.87

Proceeds from Notes from Direct Borrowings issued are reported as other financing sources in governmental funds and, thus, contribute to the changes in fund balances. However, in the Statement of Net Position, debt issued increases long-term liabilities and does not affect the Statement of Activities. (770,815.00)

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

| | | | |
|--|----|-------------|--------------|
| Net Change in Accrued Interest Payable | \$ | 3,172.59 | |
| Net Change in Compensated Absences | | (46,225.20) | |
| Amortization of Deferred Amount on Refunding | | (18,404.98) | |
| Net Change in Pension Expense | | (93,989.04) | |
| Total Additional Expenditures | | | (155,446.63) |

Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,066,157.42

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

Statement of Net Position
Proprietary Funds
September 30, 2021

| | Enterprise Funds | | | | Total Enterprise Funds |
|---|--------------------------------|------------------|--------------------------|-------------------------|------------------------------|
| | Solid Waste Collection Fund | Landfill Fund | Roll Off Service Fund | Tire Processing Fund | |
| Assets | | | | | |
| Current Assets | | | | | |
| Cash and Cash Equivalents | \$ 1,100,973.01 | \$ 538,265.38 | \$ | \$ 30,398.32 | \$ 1,669,636.71 |
| Receivables (Note 4) | 208,633.49 | 510,891.33 | 390,837.43 | 276.00 | 1,110,638.25 |
| Total Current Assets | 1,309,606.50 | 1,049,156.71 | 390,837.43 | 30,674.32 | 2,780,274.96 |
| Noncurrent Assets | | | | | |
| Capital Assets (Note 5): | | | | | |
| Nondepreciable | | 4,654,199.46 | | | 4,654,199.46 |
| Depreciable, Net | 1,232,657.83 | 5,954,462.71 | 1,007,830.11 | 2,109,887.49 | 10,304,838.14 |
| Total Capital Assets, Net of Depreciation | 1,232,657.83 | 10,608,662.17 | 1,007,830.11 | 2,109,887.49 | 14,959,037.60 |
| Total Noncurrent Assets | 1,232,657.83 | 10,608,662.17 | 1,007,830.11 | 2,109,887.49 | 14,959,037.60 |
| Total Assets | 2,542,264.33 | 11,657,818.88 | 1,398,667.54 | 2,140,561.81 | 17,739,312.56 |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Cash Deficit | | | 300,671.60 | | 300,671.60 |
| Payables (Note 8) | 18,954.58 | 157,311.63 | 210,492.33 | | 386,758.54 |
| Short-Term Note Payable | | 418,138.28 | | | 418,138.28 |
| Unearned Revenue | 123,993.84 | | | | 123,993.84 |
| Accrued Wages Payable | 10,783.94 | 36,121.26 | 8,985.88 | | 55,891.08 |
| Due to Other Funds | 44.28 | 1,014.01 | 10.02 | | 1,068.31 |
| Accrued Interest Payable | 7,988.96 | 32,276.95 | 769.65 | | 41,035.56 |
| Long-Term Liabilities (Note 9): | | | | | |
| Portion Due or Payable Within One Year: | | | | | |
| Notes from Direct Borrowing | 197,762.37 | 1,392,071.09 | 64,176.11 | | 1,654,009.57 |
| Compensated Absences | 1,335.15 | 1,011.67 | 689.12 | | 3,035.94 |
| Total Current Liabilities | 360,863.12 | 2,037,944.89 | 585,794.71 | | 2,984,602.72 |
| Noncurrent Liabilities | | | | | |
| Portion Due or Payable After One Year: | | | | | |
| Notes from Direct Borrowing | 837,886.87 | 2,142,460.66 | 65,468.16 | | 3,045,815.69 |
| Compensated Absences | 18,140.83 | 38,470.71 | 14,293.43 | | 70,904.97 |
| Estimated Liability for Landfill Closure and Postclosure Care Costs | | 5,412,602.85 | | | 5,412,602.85 |
| Total Noncurrent Liabilities | 856,027.70 | 7,593,534.22 | 79,761.59 | | 8,529,323.51 |
| Total Liabilities | 1,216,890.82 | 9,631,479.11 | 665,556.30 | | 11,513,926.23 |
| Net Position | | | | | |
| Net Investment in Capital Assets | 197,008.59 | 7,074,130.42 | 878,185.84 | 2,109,887.49 | 10,259,212.34 |
| Unrestricted | 1,128,364.92 | (5,047,790.65) | (145,074.60) | 30,674.32 | (4,033,826.01) |
| Total Net Position | \$ 1,325,373.51 | \$ 2,026,339.77 | \$ 733,111.24 | \$ 2,140,561.81 | \$ 6,225,386.33 |

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

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Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2021

| | Enterprise Funds | | | | Total Enterprise Funds |
|---|--------------------------------|------------------|--------------------------|-------------------------|------------------------------|
| | Solid Waste Collection Fund | Landfill Fund | Roll Off Service Fund | Tire Processing Fund | |
| Operating Revenues | | | | | |
| Charges for Services | \$ 1,315,906.93 | \$ 4,931,356.89 | \$ 2,505,428.46 | \$ | \$ 8,752,692.28 |
| Total Operating Revenues | 1,315,906.93 | 4,931,356.89 | 2,505,428.46 | | 8,752,692.28 |
| Operating Expenses | | | | | |
| Sanitation | 754,867.48 | 3,527,416.95 | 2,524,228.31 | 9,093.12 | 6,815,605.86 |
| Depreciation | 167,910.18 | 812,065.81 | 105,107.23 | 367,703.74 | 1,452,786.96 |
| Landfill Closure and Postclosure Care Costs | | 319,381.00 | | | 319,381.00 |
| Total Operating Expenses | 922,777.66 | 4,658,863.76 | 2,629,335.54 | 376,796.86 | 8,587,773.82 |
| Operating Income (Loss) | 393,129.27 | 272,493.13 | (123,907.08) | (376,796.86) | 164,918.46 |
| Nonoperating Revenues (Expenses) | | | | | |
| Federal Grant | 321.88 | | | | 321.88 |
| Miscellaneous Revenue | | 216,493.30 | 78,301.52 | | 294,794.82 |
| Interest Revenue | 1,704.14 | 1,130.73 | 76.50 | | 2,911.37 |
| Interest Expense | (7,988.96) | (109,379.63) | (3,565.00) | | (120,933.59) |
| Total Nonoperating Revenues (Expenses) | (5,962.94) | 108,244.40 | 74,813.02 | | 177,094.48 |
| Income (Loss) Before Transfers | 387,166.33 | 380,737.53 | (49,094.06) | (376,796.86) | 342,012.94 |
| Transfers In/(Out) | | | | | |
| Transfers In | | 73,400.00 | 86,522.70 | | 159,922.70 |
| Transfers Out | (192,216.00) | (531,608.70) | (226,098.00) | | (949,922.70) |
| Total Transfers In/(Out) | (192,216.00) | (458,208.70) | (139,575.30) | | (790,000.00) |
| Changes in Net Position | 194,950.33 | (77,471.17) | (188,669.36) | (376,796.86) | (447,987.06) |
| Total Net Position - Beginning of Year | 1,130,423.18 | 2,103,810.94 | 921,780.60 | 2,517,358.67 | 6,673,373.39 |
| Total Net Position - End of Year | \$ 1,325,373.51 | \$ 2,026,339.77 | \$ 733,111.24 | \$ 2,140,561.81 | \$ 6,225,386.33 |

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2021

| | Enterprise Funds | | | | Total Enterprise Funds |
|--|--------------------------------|------------------|--------------------------|-------------------------|------------------------------|
| | Solid Waste Collection Fund | Landfill Fund | Roll Off Service Fund | Tire Processing Fund | |
| Cash Flows from Operating Activities | | | | | |
| Cash Received from Customers | \$ 1,436,774.54 | \$ 4,936,253.33 | \$ 2,349,066.02 | \$ | \$ 8,722,093.89 |
| Cash Payments to Employees | (317,970.73) | (1,268,837.83) | (389,327.66) | | (1,976,136.22) |
| Cash Payments for Goods and Services | (416,635.16) | (2,296,257.48) | (1,947,343.04) | (12,323.12) | (4,672,558.80) |
| Net Cash Flows Provided (Used) by Operating Activities | 702,168.65 | 1,371,158.02 | 12,395.32 | (12,323.12) | 2,073,398.87 |
| Cash Flows from Noncapital Financing Activities | | | | | |
| Loans Repaid from Other Funds | | 597.54 | 767.54 | | 1,365.08 |
| Loans Repaid to Other Funds | (602.82) | | (151.01) | | (753.83) |
| Transfers In | | 73,400.00 | 86,522.70 | | 159,922.70 |
| Transfers Out | (192,216.00) | (531,608.70) | (226,098.00) | | (949,922.70) |
| Net Cash Provided (Used) by Noncapital Financing Activities | (192,818.82) | (457,611.16) | (138,958.77) | | (789,388.75) |
| Cash Flows from Capital and Related Financing Activities | | | | | |
| Federal Grant | 321.88 | | | | 321.88 |
| Miscellaneous Revenues | | 216,493.30 | 78,301.52 | | 294,794.82 |
| Transfers of Leased Equipment To/From Other Departments | 171,914.40 | | (171,914.40) | | |
| Short-Term Note Payable Proceeds | | 418,138.28 | | | 418,138.28 |
| Payments for Capital Acquisitions | (1,053,648.90) | (2,173,999.12) | (196,091.92) | | (3,423,739.94) |
| Proceeds From Capital Debt | 1,035,649.24 | 1,820,916.00 | | | 2,856,565.24 |
| Principal Paid on Capital Debt | | (1,015,226.35) | (62,579.27) | | (1,077,805.62) |
| Interest/Fiscal Charges Paid on Capital Debt | | (126,499.83) | (4,605.84) | | (131,105.67) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | 154,236.62 | (860,177.72) | (356,889.91) | | (1,062,831.01) |
| Cash Flows from Investing Activities | | | | | |
| Purchases of Investments | | | | | |
| Interest Earned on Investments | 1,704.14 | 1,130.73 | 76.50 | | 2,911.37 |
| Net Cash Provided (Used) by Investing Activities | 1,704.14 | 1,130.73 | 76.50 | | 2,911.37 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 665,290.59 | 54,499.87 | (483,376.86) | (12,323.12) | 224,090.48 |
| Cash and Cash Equivalents - Beginning of Year | 435,682.42 | 483,765.51 | 182,705.26 | 42,721.44 | 1,144,874.63 |
| Cash and Cash Equivalents - End of Year | \$ 1,100,973.01 | \$ 538,265.38 | \$ (300,671.60) | \$ 30,398.32 | \$ 1,368,965.11 |

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2021

| | Enterprise Funds | | | | Total Enterprise Funds |
|--|--------------------------------|------------------------|--------------------------|-------------------------|------------------------------|
| | Solid Waste Collection Fund | Landfill Fund | Roll Off Service Fund | Tire Processing Fund | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | |
| Operating Income (Loss) | \$ 393,129.27 | \$ 272,493.13 | \$ (123,907.08) | \$ (376,796.86) | \$ 164,918.46 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | |
| Depreciation Expense | 167,910.18 | 812,065.81 | 105,107.23 | 367,703.74 | 1,452,786.96 |
| Change in Assets and Liabilities: | | | | | |
| (Increase)/Decrease in Receivables | 106,159.68 | 4,896.44 | (156,362.44) | | (45,306.32) |
| Increase/(Decrease) in Advance Payments (Unearned Revenue) | 14,707.93 | | | | 14,707.93 |
| Increase/(Decrease) in Payables | 16,105.07 | (36,753.71) | 192,896.50 | (3,230.00) | 169,017.86 |
| Increase/(Decrease) in Accrued Wages Payable | 2,382.75 | 6,120.18 | (930.42) | | 7,572.51 |
| Increase/(Decrease) in Liability for Compensated Absences | 1,773.77 | (7,044.83) | (4,408.47) | | (9,679.53) |
| Landfill Closure and Postclosure Care Costs | | 319,381.00 | | | 319,381.00 |
| Net Cash Provided by Operating Activities | <u>\$ 702,168.65</u> | <u>\$ 1,371,158.02</u> | <u>\$ 12,395.32</u> | <u>\$ (12,323.12)</u> | <u>\$ 2,073,398.87</u> |

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

Statement of Fiduciary Net Position
September 30, 2021

| | Custodial Funds |
|----------------------------------|----------------------------|
| <u>Assets</u> | |
| Cash and Cash Equivalents | \$ 919,034.80 |
| Receivables | 2,090.39 |
| Total Assets | <u>921,125.19</u> |
| <u>Liabilities</u> | |
| Payables | 40,047.05 |
| Payable to External Parties | 30,092.11 |
| Total Liabilities | <u>70,139.16</u> |
| <u>Net Position</u> | |
| Held in Trust for Other Purposes | <u>\$ 850,986.03</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, 2021***

| | Custodial Funds |
|---|-----------------------------|
| <u>Additions</u> | |
| Contributions from: | |
| Taxes Collected for Other Entities | \$ 17,349,338.40 |
| Motor Vehicle Licenses, Other Licenses and Permits | 2,341,392.81 |
| Manufactured Homes Registrations | 20,090.00 |
| Fees Collected For Other Entities - Sheriff | 176,065.70 |
| Court Fees | 11,488.00 |
| Law Library Fees | 10,819.94 |
| Excess from Land Sales | 304,996.87 |
| Other Miscellaneous | 60,765.51 |
| Interest | 837.51 |
| Total Additions | <u>20,275,794.74</u> |
| <u>Deductions</u> | |
| Taxes, Licenses and Permits to Other Entities | 19,710,821.21 |
| Payments to Beneficiaries | 64,585.04 |
| Fees Paid to Other Entities | 111,578.87 |
| Administrative Expenses | 1,797.20 |
| Miscellaneous | 29,011.56 |
| Total Deductions | <u>19,917,793.88</u> |
| Changes in Net Position | 358,000.86 |
| Net Position - Beginning of Year, as Restated (Note 16) | <u>492,985.17</u> |
| Net Position - End of Year | <u><u>\$ 850,986.03</u></u> |

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 1 – Summary of Significant Accounting Policies

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

Based on the application of the above criteria, the Brundidge Acquisitions, LLC is a component unit that has been included in the accompanying financial statements as a blended component unit. Blended component units are legally separate entities that exist solely to provide services (usually financing) exclusively to the County.

Blended Presentation Unit – The Commission authorized and approved a project agreement with Brundidge Acquisitions, LLC which provided for the Commission, under the authority granted by Section 94.01 of the *Alabama Constitution of 1901*, as amended, to grant public funds to further economic development. Specifically, the project agreement provides for the Commission to loan funds to Brundidge Acquisitions, LLC and obligates the Commission for any closure costs relating to the closure of the landfill in return for certain contract rights relating to Brundidge Acquisitions, LLC's purchase of a landfill located in Brundidge, Alabama. Amendment 772 of the Alabama Constitution allowed for the creation of the Brundidge Acquisitions, LLC, a public private partnership between Coffee County, Alabama and Closed Loop Environmental Systems, Inc. It was created for the acquisition and operation of a landfill located in Brundidge, Alabama. The county administrator acts as independent manager of the landfill. Brundidge Acquisitions, LLC holds the deed and permits for the Brundidge Landfill and provides a management function. The County Commission provides operational and financial support in exchange for access to disposal capacity at the landfill. Currently, the Commission provides all funding for the Brundidge Landfill, including all personnel expenses, equipment, and closure and post-closure financial assistance. For these reasons, the Brundidge Acquisitions, LLC financial information has been blended into the Commission's financial statements and is included as a part of the Landfill Fund in the proprietary financial statements.

Notes to the Financial Statements

For the Year Ended September 30, 2021

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 nonexchange 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.

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. The General Fund also accounts for the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges. The General Fund also includes sub-funds, which account for payroll transfers and expenses.

Notes to the Financial Statements

For the Year Ended September 30, 2021

- ◆ **Gasoline Tax Fund** – This fund is used to account for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges, and rights-of-way.
- ◆ **Coronavirus Rescue Aid Fund** – This fund is used to account for federal grant appropriations and expenditures of the American Rescue Plan Act-State and Local Fiscal Recovery Funds.

The Commission reports the following major enterprise funds:

- ◆ **Landfill Fund** – This fund is used to account for fees collected at and used to operate a Subtitle-D Landfill for the use of Coffee County residents as part of a three-state region that includes Alabama, Florida and Georgia. The fees collected are to be used to operate the Landfill, to keep costs to Coffee County residents to a minimum, and for whatever purposes the County Commission deems necessary.
- ◆ **Solid Waste Collection Fund** – This fund is used to account for the solid waste activities for which fees are charged to external users.
- ◆ **Roll Off Service Fund** – This fund is used to account for the fees collected and related expenditures of roll off containers provided to local individuals, businesses and contractors for construction debris removal.
- ◆ **Tire Processing Fund** – This fund is used to account for fees collected at and used to operate a scrap tire recycling facility. The fees collected are used to operate the facility, to keep the costs of the facility to Coffee County residents to a minimum, and for whatever purposes the County Commission deems necessary.

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

Governmental Fund Types

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

The Commission reports the following fiduciary fund type:

Fiduciary Fund Type

- ◆ **Custodial Funds** – These funds are used to account for fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

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 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.

As a general rule the effect of interfund 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, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Notes to the Financial Statements
For the Year Ended September 30, 2021

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating 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 Outflow of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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

Investments consist of certificates of deposit and are recorded at cost.

2. Receivables

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

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

Receivables due from other governments include amounts due from grantors for grants issued for specific programs.

Receivables in enterprise funds consist primarily of amounts due from customers who are charged fees for services provided by the Commission and also a state grant.

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. 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 their original historical cost plus ancillary charges such as transportation, installation, and site preparation costs. Donated capital assets are valued at their acquisition value (plus any ancillary costs) at the acquisition date. 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.

Notes to the Financial Statements
For the Year Ended September 30, 2021

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 funds are as follows:

| | Capitalization Threshold | Estimated Useful Life |
|---|-----------------------------|--------------------------|
| <u>Governmental Activities:</u> | | |
| Land Improvements – Depreciable | \$ 5,000 | 20 years |
| Buildings | \$1 or more | 20 – 50 years |
| Building Improvements | \$ 5,000 | 7 – 40 years |
| Equipment and Furniture | \$ 5,000 | 5 – 15 years |
| Motor Vehicles and Heavy Equipment | \$ 5,000 | 5 – 15 years |
| Roads | \$250,000 | 20 years |
| Bridges | \$ 50,000 | 40 years |
| <u>Business-Type Activities:</u> | | |
| Land Improvements – Depreciable | \$ 2,000 | 20 years |
| Buildings | \$1 or more | 20 – 50 years |
| Building Improvements | \$ 2,000 | 7 – 40 years |
| Equipment and Furniture | \$ 2,000 | 5 – 15 years |
| Motor Vehicles and Heavy Equipment | \$ 2,000 | 5 – 15 years |

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

5. Deferred Outflows of Resources

Deferred outflows of resources are reported in the 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.

Notes to the Financial Statements
For the Year Ended September 30, 2021

6. 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, business-type activities, or proprietary funds Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

7. Compensated Absences

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

Annual Leave

Each full-time employee is subject to a six-month probationary period. Upon being placed upon permanent status, permanent employees earn vacation leave benefits as follows:

| Completed Service | Earned Leave Per Year |
|-------------------|--------------------------|
| 1 year | 5 days |
| 2 to 5 years | 10 days |
| 6 to 10 years | 12 days |
| 11 to 15 years | 15 days |
| 16 years and over | 20 days |

Annual leave benefits are accumulated up to 30 days (240 hours). An employee that has been with the county for ten consecutive years that has reached their accumulated maximum may be paid for their excess hours as of December 31st at their straight time rate of pay. Upon separation or retirement, employees are paid, up to the maximum, for accrued annual leave.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Sick Leave

Each full-time employee is subject to a six-month probationary period. Upon being placed on permanent status, employees earn 2 hours sick leave per bi-weekly pay period. Unused sick leave benefits may be accumulated and carried over into successive fiscal years by employees up to a maximum of 90 days sick leave. Sick leave accumulated by an employee in excess of 60 days may be paid to the employee equal to one-half (1/2) of current pay if elected to do so by the employee. Upon separation, termination, or retirement, employees are not compensated for accumulated sick leave.

At September 30, 2021, no liability for unpaid sick leave is accrued in the financial statements since employees do not receive termination payments for sick leave balances.

Compensatory Leave

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

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

8. Deferred Inflows of Resources

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

9. 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.

Fund balance is reported 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, prepaid items, and long-term receivables.
- 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 specific purpose imposed by formal action 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.

Notes to the Financial Statements
For the Year Ended September 30, 2021

- 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 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. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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

E. Pensions

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets and the permanent fund, which is not budgeted. Additionally, the Coronavirus Rescue Aid Fund did not approve a formal budget due to the uncertainty of allowance expenditures related to this grant. Expenditures of the Coronavirus Rescue Aid Fund were authorized by the Commission through the fiscal year. All annual 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.

Note 3 – Deposits and Investments

Deposits

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

Notes to the Financial Statements
For the Year Ended September 30, 2021

Note 4 – Receivables

On September 30, 2021, receivables for the Commission’s individual major funds and other governmental funds in the aggregate, are as follows:

| | General Fund | Gasoline Tax Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------|-----------------------|----------------------|--------------------------------|--------------------------------|
| <u>Governmental Funds</u> | | | | |
| <u>Receivables:</u> | | | | |
| Accounts Receivable | \$ 47,500.19 | \$ | \$ | \$ 47,500.19 |
| Intergovernmental | 1,170,960.78 | 180,638.06 | 245,398.41 | 1,596,997.25 |
| Total Receivables | <u>\$1,218,460.97</u> | <u>\$180,638.06</u> | <u>\$245,398.41</u> | <u>\$1,644,497.44</u> |

On September 30, 2021, receivables for the Commission’s individual major proprietary funds were as follows:

| | Solid Waste Collection Fund | Landfill Fund | Roll Off Service Fund | Tire Processing Fund | Total Proprietary Funds |
|--------------------------|-----------------------------------|---------------------|-----------------------------|----------------------------|-------------------------------|
| <u>Proprietary Funds</u> | | | | | |
| <u>Receivables:</u> | | | | | |
| Accounts Receivable | \$208,633.49 | \$490,196.81 | \$390,837.43 | \$276.00 | \$1,089,943.73 |
| Intergovernmental | | 20,694.52 | | | 20,694.52 |
| Total Receivables | <u>\$208,633.49</u> | <u>\$510,891.33</u> | <u>\$390,837.43</u> | <u>\$276.00</u> | <u>\$1,110,638.25</u> |

Governmental funds report unearned revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2021, the various components of deferred inflow of resources reported in the governmental funds were as follows:

| | Unearned |
|---|-----------------------|
| Grant Funds Received Prior to Meeting Eligibility Requirements - Coronavirus Rescue Act Funds | \$5,041,810.00 |
| Unexpended Reappraisal Funds | 102,228.35 |
| Total Unearned Revenue for Governmental Funds | <u>\$5,144,038.35</u> |

Notes to the Financial Statements
For the Year Ended September 30, 2021

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

| | Balance 10/01/2020 (*) | Additions/ Reclassification (**) | Retirements/ Reclassification (**) | Balance 09/30/2021 |
|--|---------------------------|-------------------------------------|---------------------------------------|-------------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 2,308,953.04 | \$ | \$ | \$ 2,308,953.04 |
| Construction in Progress | 131,343.48 | 40,724.26 | (96,229.88) | 75,837.86 |
| Total Capital Assets, Not Being Depreciated | <u>2,440,296.52</u> | <u>40,724.26</u> | <u>(96,229.88)</u> | <u>2,384,790.90</u> |
| Capital Assets, Being Depreciated: | | | | |
| Infrastructure | 19,140,048.00 | | | 19,140,048.00 |
| Buildings | 12,902,417.79 | 74,225.69 | | 12,976,643.48 |
| Building Improvements | 5,954,714.20 | 1,171,241.04 | | 7,125,955.24 |
| Equipment and Furniture | 2,344,437.66 | 310,947.29 | (8,075.00) | 2,647,309.95 |
| Automobile and Construction Equipment | 9,370,510.88 | 1,534,591.97 | (1,170,361.30) | 9,734,741.55 |
| Total Capital Assets, Being Depreciated | <u>49,712,128.53</u> | <u>3,091,005.99</u> | <u>(1,178,436.30)</u> | <u>51,624,698.22</u> |
| Less Accumulated Depreciation for: | | | | |
| Infrastructure | (6,080,583.25) | (180,208.25) | | (6,260,791.50) |
| Buildings | (6,738,087.77) | (302,252.32) | | (7,040,340.09) |
| Building Improvements | (1,274,909.68) | (398,391.45) | | (1,673,301.13) |
| Equipment and Furniture | (1,849,758.78) | (102,783.46) | 4,441.25 | (1,948,100.99) |
| Automobile and Construction Equipment | (5,282,164.99) | (818,811.38) | 461,579.47 | (5,639,396.90) |
| Total Accumulated Depreciation | <u>(21,225,504.47)</u> | <u>(1,802,446.86)</u> | <u>466,020.72</u> | <u>(22,561,930.61)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>28,486,624.06</u> | <u>1,288,559.13</u> | <u>(712,415.58)</u> | <u>29,062,767.61</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 30,926,920.58</u> | <u>\$ 1,329,283.39</u> | <u>\$ (808,645.46)</u> | <u>\$ 31,447,558.51</u> |
| (*) Includes an adjustment of \$928,585.28 to correct presentation of Equipment Under Note from Direct Borrowing from Equipment and Furniture to Automobile & Construction Equipment and \$856,044.66 of related accumulated depreciation. | | | | |
| (**) Includes reclassifications of \$87,649.88 and \$8,580.00 from Construction in Progress to Building Improvements and Buildings, respectively. | | | | |

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

| | Current Year Depreciation Expense |
|--|---|
| Governmental Activities: | |
| General Government | \$ 604,300.98 |
| Public Safety | 426,621.98 |
| Highway and Roads | 696,753.50 |
| Welfare | 74,770.40 |
| Total Depreciation Expense – Governmental Activities | <u>\$1,802,446.86</u> |

Notes to the Financial Statements
For the Year Ended September 30, 2021

Capital asset activity for business-type activities for the year ended September 30, 2021, was as follows:

| | Balance 10/01/2020 (*) | Additions | Retirements | Balance 09/30/2021 |
|---|---------------------------|------------------------|-------------|-------------------------|
| Business-Type Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 3,754,795.80 | \$ | \$ | \$ 3,754,795.80 |
| Construction in Progress | 5,458.75 | 893,944.91 | | 899,403.66 |
| Total Capital Assets, Not Being Depreciated | <u>3,760,254.55</u> | <u>893,944.91</u> | | <u>4,654,199.46</u> |
| Capital Assets, Being Depreciated: | | | | |
| Buildings | 2,815,336.54 | | | 2,815,336.54 |
| Land Improvements | 4,986,593.13 | 18,011.30 | | 5,004,604.43 |
| Equipment and Furniture | 1,325,258.39 | 121,825.00 | | 1,447,083.39 |
| Motor Vehicles and Heavy Equipment | 9,488,566.18 | 2,391,958.73 | | 11,880,524.91 |
| Total Capital Assets, Being Depreciated | <u>18,615,754.24</u> | <u>2,531,795.03</u> | | <u>21,147,549.27</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings | (437,882.35) | (59,008.62) | | (496,890.97) |
| Building Improvements | (2,206,973.02) | (341,092.66) | | (2,548,065.68) |
| Equipment and Furniture | (972,225.21) | (41,739.33) | | (1,013,964.54) |
| Motor Vehicles and Heavy Equipment | (5,772,843.59) | (1,010,946.35) | | (6,783,789.94) |
| Total Accumulated Depreciation | <u>(9,389,924.17)</u> | <u>(1,452,786.96)</u> | | <u>(10,842,711.13)</u> |
| Total Capital Assets, Being Depreciated, Net | 9,225,830.07 | 1,079,008.07 | | 10,304,838.14 |
| Total Business-Type Activity Capital Assets, Net | <u>\$12,986,084.62</u> | <u>\$ 1,972,952.98</u> | \$ | <u>\$ 14,959,037.60</u> |
| (*) Amounts previously reported as Equipment Under Note from Direct Borrowing in the amount of \$2,331,121.71, with related accumulated depreciation of \$919,945.65, were included with Motor Vehicle and Heavy Equipment. | | | | |

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

| | Current Year Depreciation Expense |
|---|---|
| Business-Type Activities: | |
| Solid Waste | \$ 167,910.18 |
| Landfill | 812,065.81 |
| Roll Off Service | 105,107.23 |
| Tire Processing | 367,703.74 |
| Total Depreciation Expense – Business-Type Activities | <u>\$1,452,786.96</u> |

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer plan (the "Plan"), was established October 1, 1945 under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. Effective October 1, 2021, Act Number 2021-390, Acts of Alabama, will create two additional representatives and change the composition of representatives within the ERS Board of Control. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

Benefits Provided

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

Act Number 2019-132, Acts of Alabama, allowed employers who participate in the ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6, to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 employers adopting Act Number 2019-132, Acts of Alabama, will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act Number 2019-132, Acts of Alabama.

The ERS serves approximately 853 local participating employers. The ERS membership includes approximately 101,245 participants. As of September 30, 2020, membership consisted of:

| | |
|---|---------|
| Retirees and beneficiaries currently receiving benefits | 28,672 |
| Terminated employees entitled to but not yet receiving benefits | 1,974 |
| Terminated employees not entitled to a benefit | 14,133 |
| Active Members | 56,369 |
| Post-DROP participants who are still in active service | 97 |
| Total | 101,245 |

Contributions

Tier 1 covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

Employers participating in the ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6, were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676, Acts of Alabama. By adopting Act 2011-676, Acts of Alabama, Tier 1 regular members contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 firefighters and law enforcement officers increased from 6% to 8.5% of earnable compensation.

Notes to the Financial Statements
For the Year Ended September 30, 2021

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2021, the Coffee County Commission's active employee contribution rate was 5.28% of covered employee payroll, and the County's average contribution rate to fund the normal and accrued liability costs was 3.95% of pensionable payroll.

The Coffee County Commission's contractually required contribution rate for the year ended September 30, 2021, was 5.03% of pensionable pay for Tier 1 employees, and 2.18% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2018, 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 \$346,392.62 for the year ended September 30, 2021.

Notes to the Financial Statements
For the Year Ended September 30, 2021

B. Net Pension Liability

The Coffee County Commission’s net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2019, rolled forward to September 30, 2020, using standard roll-forward techniques as shown in the following table:

| | Total Pension Liability Roll-Forward | | |
|---|--------------------------------------|-------------------------------|------------------------------|
| | Expected | Actual Before Act 2019-132 | Actual After Act 2019-132 |
| (a) Total Pension Liability (TPL) as of September 30, 2019 | \$24,769,233 | \$25,196,539 | \$25,196,539 |
| (b) Discount Rate | 7.70% | 7.70% | 7.70% |
| (c) Entry Age Normal Cost for the period October 1, 2019 through September 30, 2020 | 609,636 | 609,636 | 609,636 |
| (d) Transfers Among Employers | | 200,560 | 200,560 |
| (e) Actual Benefit Payments and Refunds for the period October 1, 2019 through September 30, 2020 | <u>(1,363,188)</u> | <u>(1,363,188)</u> | <u>(1,363,188)</u> |
| (f) Total Pension Liability as of September 30, 2020 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))] | <u>\$25,870,429</u> | <u>\$26,531,198</u> | <u>\$26,531,198</u> |
| (g) Difference between Expected and Actual: | | \$ (660,769) | |
| (h) Less Liability Transferred for Immediate Recognition: | | <u>(200,560)</u> | |
| (i) Difference between Expected and Actual – Experience (Gain)/Loss | | <u>\$ (460,209)</u> | |
| (j) Difference between Actual TPL Before and After Act 2019-132 – Benefit Change (Gain)/Loss | | | <u>\$</u> |

Notes to the Financial Statements

For the Year Ended September 30, 2021

Actuarial Assumptions

The total pension liability as of September 30, 2020 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019. The key actuarial assumptions are summarized below:

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

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

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

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

Notes to the Financial Statements
For the Year Ended September 30, 2021

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return of 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, 2021

C. Changes in Net Pension Liability

| | Increase/(Decrease) | | |
|--|--------------------------------------|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a)-(b) |
| Balances at September 30, 2019 | \$24,769,233 | \$23,270,661 | \$ 1,498,572 |
| Changes for the Year: | | | |
| Service cost | 609,636 | | 609,636 |
| Interest | 1,854,748 | | 1,854,748 |
| Differences between expected and actual experience | 460,209 | | 460,209 |
| Contributions – employer | | 292,686 | (292,686) |
| Contributions – employee | | 429,659 | (429,659) |
| Net investment income | | 1,317,172 | (1,317,172) |
| Benefit payments, including refunds of employee contributions | (1,363,188) | (1,363,188) | |
| Transfers among employers | 200,560 | 200,560 | |
| Net Changes | 1,761,965 | 876,889 | 885,076 |
| Balances at September 30, 2020 | \$26,531,198 | \$24,147,550 | \$ 2,383,648 |

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 (Asset) | \$5,460,785 | \$2,383,648 | (\$217,369) |

Notes to the Financial Statements

For the Year Ended September 30, 2021

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2020. The auditor's report dated April 30, 2021 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2021, the Coffee County Commission recognized pension expense of \$455,623.00. At September 30, 2021, the Coffee County Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$1,054,862 | \$495,646 |
| Changes of assumptions | 176,927 | |
| Net difference between projected and actual earnings on pension plan investments | 753,358 | |
| Employer contributions subsequent to the measurement date | 346,392 | |
| Total | \$2,331,539 | \$495,646 |

The \$346,392.62 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

| Year Ending: | |
|--------------------|-----------|
| September 30, 2022 | \$285,997 |
| 2023 | \$453,142 |
| 2024 | \$417,821 |
| 2025 | \$224,254 |
| 2026 | \$108,287 |
| Thereafter | \$ 0 |

Notes to the Financial Statements
For the Year Ended September 30, 2021

Note 7 – Construction and Other Significant Commitments

As of September 30, 2021, the Commission was obligated under the following significant construction contract:

| | Contract Amount | Remaining Balance |
|--------------------------------|--------------------|----------------------|
| Landfill - Cell 8 Construction | \$4,556,720.08 | \$3,866,564.52 |
| Total | \$4,556,720.08 | \$3,866,564.52 |

Note 8 – Payables

On September 30, 2021, payables for the Commission’s individual major funds and nonmajor funds in the aggregate were as follows:

| | Accounts Payable | Due to Other Governments | Total Payables |
|-----------------------------------|---------------------|-----------------------------|-------------------|
| <u>Governmental Funds:</u> | | | |
| General Fund | \$280,674.06 | \$1,190,427.25 | \$1,471,101.31 |
| Gasoline Tax Fund | 55,551.67 | 3,422.74 | 58,974.41 |
| Other Governmental Funds | 481,054.24 | 720.16 | 481,774.40 |
| Total Governmental Funds | 817,279.97 | 1,194,570.15 | 2,011,850.12 |
| <u>Proprietary Funds:</u> | | | |
| Solid Waste Collection Fund | 2,041.20 | 16,913.38 | 18,954.58 |
| Landfill Fund | 147,688.16 | 9,623.47 | 157,311.63 |
| Roll Off Service Fund | 59,110.91 | 151,381.42 | 210,492.33 |
| Total Proprietary Funds | \$208,840.27 | \$ 177,918.27 | \$ 386,758.54 |

Notes to the Financial Statements
For the Year Ended September 30, 2021

Note 9 – Short-Term Debt

During the year, the Commission issued bond anticipation notes in the amount of \$4,556,800.00 for the purpose of financing improvements to the Coffee County Landfill. The Commission began improvements in the current fiscal year and will draw down funds in the subsequent fiscal year, as needed, to complete the project. These notes will be paid off approximately within one year, when long-term bonds will be issued. Short-term debt activity for the year ended September 30, 2021, was as follows:

| | Beginning Balance | Proceeds | Repaid | Ending Balance |
|-------------------------|----------------------|--------------|--------|-------------------|
| Short-Term Note Payable | \$ | \$418,138.28 | \$ | \$418,138.28 |

Note 10 – Long-Term Debt

On August 27, 2012, the Commission approved a resolution authorizing the issuance of its Series 2012 General Obligation Warrants in the amount of \$5,225,000 to refund the outstanding principal balance of the Public Building Authority’s Series 2003 Revenue Warrants. The Series 2012 warrants did not extend the term of the Series 2003 warrants but resulted in a significant savings to the Commission as a result of a lower interest rate. The Lease Agreement dated 2003 is considered to be dissolved and ownership of the courthouse is vested in the Commission. The Series 2012 Warrants contain a provision that in the event of default, the warrant holder may exercise all remedies available at law or in equity, and any unpaid amounts due past the payment date, shall bear interest at the default rate until all amounts are paid in full.

On June 24, 2013, the Commission issued a note from direct placement with Regions Bank in the amount of \$4,000,000. The proceeds were used to fund the loan to Brundidge Acquisitions, LLC, which has since acquired the landfill from the bankruptcy trustee. The note contains provisions that upon an event of default, the lender may pursue any lawful remedy available under law.

On July 16, 2013, the Commission entered into a note from direct borrowing agreement with Troy Bank & Trust Company for \$3,000,000 to fund its required match for the Alabama Transportation Rehabilitation and Improvement Program (“ATRIP”). The agreement contains provisions that upon the occurrence of an event of default, the lender may pursue any lawful remedy available under law.

Notes to the Financial Statements

For the Year Ended September 30, 2021

In fiscal year 2017, the Commission entered into a note from direct borrowing agreement with Troy Bank & Trust for \$375,000 to finance the purchase of equipment for governmental funds. The agreement contains provisions that upon the occurrence of an event of default, the lender may pursue any lawful remedy available under law, and, at the lender's option, may declare any outstanding indebtedness on the note immediately due. The lender may apply the Commission's bank accounts and any other property held by the lender against the declared indebtedness.

In fiscal year 2017, the Commission issued a note from direct placement in the amount of \$500,000.00 with Hancock Bank to finance the Landfill Gas System Expansion phase III. The note contains provisions that upon an event of default, the bank may at its option declare the unpaid balance of the loan to be immediately due. The bank may also sue to enforce any and all rights and to compel performance by the Commission.

In fiscal year 2017, the Commission entered into a note from direct borrowing in the amount of \$3,505,000 with the Coffee County Public Building Authority for capital projects. In the event of default, the note holder may elect to exercise remedies including, but not limited, to the following: (1) take possession of the project and hold the county liable for the balance of all amounts due under the note, (2) terminate the contract, (3) inspect the books and records of the County, (4) take whatever legal proceedings may appear necessary to collect payment when due.

In fiscal year 2017, the Commission entered into a note from direct borrowing in the amount of \$730,500 with Caterpillar Financial to purchase a landfill compactor for the Landfill Fund. The note is secured by the equipment purchased. In the event of default, the note holder may elect to exercise remedies including, but not limited, to the following: (1) declare all payments due immediately, (2) repossess equipment purchased.

In fiscal year 2017, the Commission entered into a note from direct borrowing in the amount of \$156,150 with Bancorp South to purchase a truck for the Roll-Off Fund. The note is secured by the equipment purchased. In the event of default, the seller may elect to exercise remedies including, but not limited, to the following: (1) declare the unpaid principal and interest immediately due, (2) terminate the contract, (3) repossess any or all of the equipment pledged as collateral at the expense of the buyer, (3) proceed by appropriate action or law to enforce performance of the buyer.

In fiscal year 2018, the Commission entered into a promissory note in the amount of \$270,000 with property holders to finance the purchase of property adjacent to the Enterprise Courthouse for the purpose of constructing an additional parking lot. The note contains a provision that in the event of default in the payment of any installment, the entire indebtedness shall become due at once, at the option of the holder.

Notes to the Financial Statements

For the Year Ended September 30, 2021

In fiscal year 2019, the Commission issued a note from direct placement with Synovus Bank in the amount of \$1,125,000 to purchase equipment. The note contains provisions that in the event of default, the bank may declare the principal and interest of the note shall be due immediately.

In fiscal year 2019, the Commission entered into a note from direct borrowing agreement in the amount of \$960,000 with Covington Electric Cooperative, Inc. to purchase property for industrial development. The note contains provisions that in the event of default, the note holder may require the principal and interest of the note shall be due immediately.

In fiscal year 2019, the Commission entered into a note from direct borrowing agreement in the amount of \$3,500,000 with River Bank & Trust to facilitate the construction and renovation of facilities throughout the county. The note contains provisions that in the event of default, the bank may declare the principal and interest of the note shall be due immediately, and the lender may pursue any lawful remedy available under law.

In fiscal year 2019, the Commission entered into a note from direct borrowing in the amount of \$462,103.43 with Caterpillar Financial to purchase an articulated truck for the Landfill Fund. The lease is secured by the equipment purchased. In the event of default, the seller may elect to exercise remedies including, but not limited, to the following: (1) declare all payments due immediately, (2) repossess equipment purchased.

In fiscal year 2020, the Commission entered into a note from direct borrowing in the amount of \$748,490.00 with Bancorp South to purchase dump trucks for the road and bridge department. The note is secured by the equipment purchased. In the event of default, the seller may elect to exercise remedies including, but not limited, to the following: (1) declare the unpaid principal and interest immediately due, (2) terminate the contract, (3) repossess any or all of the equipment pledged as collateral at the expense of the buyer, (3) proceed by appropriate action or law to enforce performance of the buyer. This debt was paid off in fiscal year 2021.

In fiscal year 2020, the Commission entered into a note from direct borrowing in the amount of \$765,000.00 with River Bank and Trust to purchase equipment for the governmental funds. The note contains provisions that in the event of default, the bank may declare the principal and interest of the note shall be due immediately, and the lender may pursue any lawful remedy available under law.

In fiscal year 2021, the Commission entered into a note from direct borrowing in the amount of \$976,336.00 with BancLease Acceptance Corporation for the purchase of a compactor at the Coffee County Landfill. The note is secured by the equipment purchased. In the event of default, the seller may elect to exercise remedies including, but not limited, to the following: (1) declare the unpaid principal and interest immediately due, (2) terminate the contract, (3) repossess any or all of the equipment pledged as collateral at the expense of the buyer, (3) proceed by appropriate action or law to enforce performance of the buyer.

Notes to the Financial Statements

For the Year Ended September 30, 2021

In fiscal year 2021, the Commission entered into a note from direct borrowing in the amount of \$770,815.00 with Bancorp South for the purchase of five dump trucks.

In fiscal year 2021, the Commission entered into a note from direct borrowing in the amount of \$1,035,649.24 for the purchase of new garbage trucks.

In fiscal year 2021, the Commission entered into a note from direct borrowing in the amount of \$844,580.00 for the purchase of a D8 Dozer for use at the Coffee County Landfill. The note contains a provision that in the event of default, the warrant holder may exercise all remedies available at law or in equity, and any unpaid amounts due past the payment date, shall bear interest at the default rate until all amounts are paid in full.

The following is a summary of long-term obligations for the Commission for the year ended September 30, 2021:

| | Debt Outstanding 10/01/2020 | Issued/ Increased | Repaid/ Decreased | Debt Outstanding 09/30/2021 | Amounts Due Within One Year |
|--|-----------------------------------|----------------------|----------------------|-----------------------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| Warrants Payable: | | | | | |
| 2012 General Obligation Warrants | \$ 2,702,831.00 | \$ | \$ (355,356.00) | \$ 2,347,475.00 | \$ 364,800.00 |
| Total Warrants Payable | 2,702,831.00 | | (355,356.00) | 2,347,475.00 | 364,800.00 |
| Other Liabilities: | | | | | |
| Notes from Direct Placement, Direct Borrowing, and Promissory Notes | | | | | |
| Compensated Absences | 10,773,552.38 | 770,815.00 | (1,585,386.87) | 9,958,980.51 | 966,406.89 |
| Net Pension Liability | 376,508.71 | 46,225.20 | | 422,733.91 | 30,985.81 |
| Total Other Liabilities | 1,498,572.00 | 885,076.00 | | 2,383,648.00 | |
| Total Governmental Activities Long-Term Liabilities | 12,648,633.09 | 1,702,116.20 | (1,585,386.87) | 12,765,362.42 | 997,392.70 |
| | 15,351,464.09 | 1,702,116.20 | (1,940,742.87) | 15,112,837.42 | 1,362,192.70 |
| Business-Type Activities: | | | | | |
| Other Liabilities: | | | | | |
| Notes from Direct Placement, Direct Borrowing, and Promissory Notes | | | | | |
| Compensated Absences | 2,921,065.64 | 2,856,565.24 | (1,077,805.62) | 4,699,825.26 | 1,654,009.57 |
| Landfill Closure/Postclosure Costs | 83,620.44 | 2,415.55 | (12,095.08) | 73,940.91 | 3,035.94 |
| Total Business-Type Activities Long-Term Liabilities | 5,093,221.85 | 319,381.00 | | 5,412,602.85 | |
| | \$ 8,097,907.93 | \$3,178,361.79 | \$(1,089,900.70) | \$10,186,369.02 | \$1,657,045.51 |

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the Debt Service Funds. The notes from direct placement, direct borrowing, and promissory notes are paid by the General Fund, Gasoline Tax Fund and RRR Gasoline Tax Fund. The ATRIP loan will be paid from the sale of carbon tax credits derived from the operation of the methane gas well located at the landfill.

Notes to the Financial Statements
For the Year Ended September 30, 2021

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 47% has been paid by the General Fund, 43% by the Gasoline Tax Fund, and the remainder by the other governmental funds.

The Commission also has a line of credit in the amount of \$4,556,000.00 of which \$418,138.28 has been drawn down.

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

| Fiscal Year Ending | Governmental Activities | | | | Total Principal and Interest Requirements to Maturity |
|--------------------|-----------------------------|---------------------|--|-----------------------|---|
| | General Obligation Warrants | | Notes from Direct Placement, Borrowing, and Promissory | | |
| | Principal | Interest | Principal | Interest | |
| September 30, 2022 | \$ 364,800.00 | \$ 59,354.46 | \$ 966,406.89 | \$ 239,283.62 | \$ 1,629,844.97 |
| 2023 | 374,494.00 | 49,659.76 | 921,826.97 | 217,913.71 | 1,563,894.44 |
| 2024 | 384,447.00 | 39,707.42 | 674,398.60 | 199,731.91 | 1,298,284.93 |
| 2025 | 394,663.00 | 29,490.61 | 621,148.22 | 184,336.47 | 1,229,638.30 |
| 2026 | 405,152.00 | 19,002.27 | 482,164.79 | 170,969.86 | 1,077,288.92 |
| 2027-2031 | 423,919.00 | 8,235.19 | 3,920,190.57 | 594,481.01 | 4,946,825.77 |
| 2032-2036 | | | 1,852,034.39 | 231,965.19 | 2,083,999.58 |
| 2037-2041 | | | 520,810.08 | 14,491.30 | 535,301.38 |
| Total | \$2,347,475.00 | \$205,449.71 | \$9,958,980.51 | \$1,853,173.07 | \$14,365,078.29 |

| Fiscal Year Ending | Business-Type Activities | | Total Principal and Interest Requirements to Maturity |
|--------------------|-----------------------------|---------------------|---|
| | Notes from Direct Placement | | |
| | Principal | Interest | |
| September 30, 2022 | \$1,654,009.57 | \$130,778.55 | \$1,784,788.12 |
| 2023 | 1,119,780.37 | 77,999.03 | 1,197,779.40 |
| 2024 | 941,013.50 | 48,936.70 | 989,950.20 |
| 2025 | 595,169.16 | 19,418.93 | 614,588.09 |
| 2026 | 389,852.66 | 7,179.39 | 397,032.05 |
| Total | \$4,699,825.26 | \$284,312.60 | \$4,984,137.86 |

Notes to the Financial Statements
For the Year Ended September 30, 2021

Deferred Charges on Refunding

The Commission has a deferred charge on refunding in connection with the issuance of the Series 2012 General Obligation Warrants. This item is being amortized using the straight-line method over a period of sixteen years.

| | Deferred Charges on Refunding |
|--|-------------------------------------|
| Balance Deferred Charges on Refunding | \$ 276,074.72 |
| Amount Amortized in Prior Years | (148,773.59) |
| Balance, Deferred Charges on Refunding | 127,301.13 |
| Current Amount Amortized | (18,404.98) |
| Balance, Deferred Charges on Refunding | <u>\$ 108,896.15</u> |

Note 11 – Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the Coffee County Commission place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$5,412,602.85 as of September 30, 2021, which is based on 40.93% usage (filled) of the landfill. It is estimated that an additional \$9,634,184.15 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure care (\$15,046,787.00) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2021. The Commission estimates a remaining life for the landfill of 31.7 years. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 12 – Risk Management

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

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. 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. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2021

Note 13 – Interfund Transactions

Interfund Receivables and Payables

The amounts of interfund payables and receivables during the fiscal year ended September 30, 2021, were as follows:

| | Due To Other Funds | | | | | | | Total |
|------------------------------|--------------------|-------------------|--------------------------|-----------------------------|-------------------|-----------------------|---------------------------|-------------------|
| | General Fund | Gasoline Tax Fund | Total Governmental Funds | Solid Waste Collection Fund | Landfill Fund | Roll Off Service Fund | Total Business-Type Funds | |
| Due From Other Funds: | | | | | | | | |
| General Fund | \$ | \$1,000.00 | \$1,000.00 | \$44.28 | \$ 85.72 | \$10.02 | \$ 140.02 | \$1,140.02 |
| Gasoline Fund | 4,383.45 | | 4,383.45 | | 928.29 | | 928.29 | 5,311.74 |
| Totals | \$4,383.45 | \$1,000.00 | \$5,383.45 | \$44.28 | \$1,014.01 | \$10.02 | \$1,068.31 | \$6,451.76 |

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2021, were as follows:

| | Transfers In | | | | | | Totals |
|----------------------------------|-----------------------|---------------------|--------------------------|--------------------------|--------------------|-----------------------|-----------------------|
| | General Fund | Gasoline Tax Fund | Other Governmental Funds | Total Governmental Funds | Landfill Fund | Roll Off Service Fund | |
| Transfers Out: | | | | | | | |
| General Fund | \$ | \$769,000.00 | \$ 702,228.55 | \$1,471,228.55 | \$ | \$ | \$1,471,228.55 |
| Gasoline Fund | | | 265,000.00 | 265,000.00 | | | 265,000.00 |
| Other Governmental Funds | 635,000.00 | | | 635,000.00 | | | 635,000.00 |
| Total Governmental Funds | 635,000.00 | 769,000.00 | 967,228.55 | 2,371,228.55 | | | 2,371,228.55 |
| Solid Waste Collection Fund | 99,264.00 | 4,512.00 | 15,040.00 | 118,816.00 | 73,400.00 | | 192,216.00 |
| Landfill Fund | 371,844.00 | 16,902.00 | 56,340.00 | 445,086.00 | | 86,522.70 | 531,608.70 |
| Roll Off Service Fund | 188,892.00 | 8,586.00 | 28,620.00 | 226,098.00 | | | 226,098.00 |
| Total Business-Type Funds | 660,000.00 | 30,000.00 | 100,000.00 | 790,000.00 | 73,400.00 | 86,522.70 | 949,922.70 |
| Totals | \$1,295,000.00 | \$799,000.00 | \$1,067,228.55 | \$3,161,228.55 | \$73,400.00 | \$86,522.70 | \$3,321,151.25 |

The Commission typically used transfers to fund ongoing operating subsidies.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 14 – Related Organizations

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

- ◆ South Crenshaw Water Authority
- ◆ SARCOA (Southern Alabama Regional Council on Aging)
- ◆ South Central Alabama Mental Health Board
- ◆ Wiregrass RC&D
- ◆ Enterprise-Coffee-Geneva Economic Development
- ◆ Department of Human Resources
- ◆ HRDC (Human Resources Development Commission)
- ◆ SEARP&DC (Southeast Alabama Regional Planning & Development Commission)
- ◆ Coffee County EMS
- ◆ Coffee County Public Building Authority
- ◆ Coffee County Water Authority
- ◆ Coffee County Strategic Planning Committee
- ◆ Coffee County Emergency Communications Board
- ◆ Coffee County Solid Waste Disposal Authority
- ◆ Coffee County Public Building Authority #2

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

Note 15 – Subsequent Events

On October 25, 2021, the Commission authorized an agreement with Connection Financial Services for a loan in the amount of \$287,972.71 at a rate of 5.19% to be paid over a period of 3 years for the purchase of IT switches.

On April 27, 2022, the Commission authorized a contract with BancCorp South to finance a loan in the amount of \$769,460.00 at a rate of 2.41% to be paid over a period of five years for the purchase of five dump trucks.

On July 22, 2022, the Commission authorized an agreement with Connection Financial Services for a loan in the amount of \$654,628.65 at a rate of 6.29% to be paid over a period of 4 years for the purchase of virtual server/storage modem.

Notes to the Financial Statements
For the Year Ended September 30, 2021

On September 1, 2022, the Commission entered into an Irrevocable Letter of Credit for the benefit of PHI Health LLC. In the amount of \$250,000 at a fee of .95% for Enterprise Rescue Air Ambulance.

On January 23, 2023, the Commission authorized general obligation warrants with Synovus Bank for a loan in the amount of \$307,000.00 at a rate of interest of 4.02% to be paid over a period of five years for the purchase of a D8 Dozer for use at the Coffee County Landfill.

On April 24, 2023, the Commission authorized a contract with Caterpillar Financial to finance a loan in the amount of \$159,868.78 at a rate of interest of 6.99% to be paid over a period of five years for the purchase of a CAT D1 Dozer.

On May 8, 2023, the Commission authorized a contract with Komatsu to finance a loan in the amount of \$528,381.33 at a rate of interest of 6.74% to be paid over a period of five years for the purchase of a Komatsu HM 300-5 Haul Truck.

On September 25, 2023, the Commission authorized a financing agreement for the financing of the State Bureau of Investigations (SBI) Building with River Bank in the amount of \$2,300,000.

Note 16 – Restatements

During the fiscal year ended September 30, 2021, the Commission adopted new accounting guidance by implementing the provisions of GASB Statement Number 84, ***Fiduciary Activities***, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by reclassifying funds previously reported as private-purpose trust funds and agency funds to custodial funds, which have beginning net position. Beginning net position of the custodial funds has been restated to reflect these changes.

| | Custodial Funds |
|--|---------------------|
| Net Position – Balance, September 30, 2020, as Previously Reported | \$360,529.30 |
| Adoption of GASB Statement Number 84 | 132,455.87 |
| Fiduciary Net Position, September 30, 2020, as Restated | <u>\$492,985.17</u> |

The Governmental Funds’ beginning fund balances/net position have been restated to include and/or correct county department activity from the previous year.

Notes to the Financial Statements
For the Year Ended September 30, 2021

The impact of the restatements on the fund balances/net position as previously reported is as follows:

| | General Fund | Gasoline Tax Fund | Other Governmental Funds | Total |
|--|---------------------|-----------------------|--------------------------------|------------------------|
| Fund Balance, September 30, 2020, as Previously Reported | \$792,130.12 | \$1,287,682.09 | \$4,023,462.19 | \$ 6,103,274.40 |
| Fund Restatements: | | | | |
| Prior Period Activity Omitted/Corrected | | | 149,501.51 | 149,501.51 |
| Fund Balance, September 30, 2020, as Restated | <u>\$792,130.12</u> | <u>\$1,287,682.09</u> | <u>\$4,172,963.70</u> | <u>\$ 6,252,775.91</u> |
| Net Position - Balance, September 30, 2020, as Previously Reported | | | | \$22,809,556.53 |
| Effect of Prior Period Omissions/Corrections | | | | <u>149,501.51</u> |
| Governmental Activities Net Position, September 30, 2020, as Restated | | | | <u>\$22,959,058.04</u> |

Note 17 – Tax Abatements

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

For fiscal year ended September 30, 2021, total property taxes abated were \$66,115.77 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- ◆ A 75 percent property tax abatement to a meat processing business for increasing the size of its facilities and increasing employment. The abatement amounted to \$66,115.77.

Notes to the Financial Statements
For the Year Ended September 30, 2021

The County also is subject to tax abatements granted by (1) the City of Enterprise Industrial Development Board, (2) City of Elba and (3) Industrial Development Board of the City of Elba. These programs have the state purpose of increasing business activity and employment in cities.

| Granting Jurisdiction | Type | Property Tax |
|--|--------------------------------|---------------------|
| Industrial Development Board of Enterprise | Aviation | \$ 2,706.06 |
| Industrial Development Board of Enterprise | Manufacturing | 3,012.45 |
| Industrial Development Board of Enterprise | Automotive Manufacturing | 61,308.66 |
| Industrial Development Board of Enterprise | Meat Processing | 82,831.98 |
| Industrial Development Board of Elba | Plastic Products Manufacturing | 9,058.98 |
| Industrial Development Board of Elba | Trailer Manufacturing | 4,566.24 |
| Total | | <u>\$163,484.37</u> |

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

- ◆ A 43 percent property tax abatement to a meat processing business for increasing the size of its facilities and increasing employment. The abatement amounted to \$82,831.98.
- ◆ A 43 percent property tax abatement to an automotive manufacturing business for increasing the size of its facilities and increasing employment. The abatement amounted to \$61,308.66.

Required Supplementary Information

***Schedule of Changes in the Net Pension Liability
For the Year Ended September 30, 2021***

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total pension liability | | | | | | | |
| Service cost | \$ 609,636 | \$ 648,637 | \$ 603,442 | \$ 591,381 | \$ 571,764 | \$ 559,716 | \$ 557,101 |
| Interest | 1,854,748 | 1,709,571 | 1,681,157 | 1,531,303 | 1,442,101 | 1,358,637 | 1,262,513 |
| Differences between expected and actual experience | 460,209 | 663,388 | (912,602) | 536,337 | 71,947 | (173,210) | |
| Changes of assumptions | | | 123,926 | | 458,240 | | |
| Benefit payments, including refunds of employee contributions | (1,363,188) | (1,080,957) | (842,394) | (865,293) | (767,048) | (636,633) | (599,507) |
| Transfer among employers | 200,560 | 85,896 | (24,374) | 128,416 | 4,612 | | |
| Net change in total pension liability | 1,761,965 | 2,026,535 | 629,155 | 1,922,144 | 1,781,616 | 1,108,510 | 1,220,107 |
| Total pension liability - beginning | 24,769,233 | 22,742,698 | 22,113,543 | 20,191,399 | 18,409,783 | 17,301,273 | 16,081,166 |
| Total pension liability - ending (a) | \$ 26,531,198 | \$ 24,769,233 | \$ 22,742,698 | \$ 22,113,543 | \$ 20,191,399 | \$ 18,409,783 | \$ 17,301,273 |
| Plan fiduciary net position | | | | | | | |
| Contributions - employer | \$ 292,686 | \$ 350,945 | \$ 359,028 | \$ 320,871 | \$ 374,977 | \$ 338,427 | \$ 342,712 |
| Contributions - employee | 429,659 | 422,423 | 459,338 | 380,534 | 394,770 | 371,191 | 339,348 |
| Net investment income | 1,317,172 | 585,360 | 1,942,450 | 2,387,134 | 1,724,493 | 198,082 | 1,777,632 |
| Benefit payments, including refunds of employee contributions | (1,363,188) | (1,080,957) | (842,394) | (865,293) | (767,048) | (636,633) | (599,507) |
| Transfers among employers | 200,560 | 85,896 | (24,374) | 128,416 | 4,612 | (2,912) | 54,196 |
| Net change in plan fiduciary net position | 876,889 | 363,667 | 1,894,048 | 2,351,662 | 1,731,804 | 268,155 | 1,914,381 |
| Plan fiduciary net position - beginning | 23,270,661 | 22,906,994 | 21,012,946 | 18,661,284 | 16,929,480 | 16,661,325 | 14,746,944 |
| Plan fiduciary net position - ending (b) | \$ 24,147,550 | \$ 23,270,661 | \$ 22,906,994 | \$ 21,012,946 | \$ 18,661,284 | \$ 16,929,480 | \$ 16,661,325 |
| Commission's net pension liability (asset) - ending (a) - (b) | \$ 2,383,648 | \$ 1,498,572 | \$ (164,296) | \$ 1,100,597 | \$ 1,530,115 | \$ 1,480,303 | \$ 639,948 |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 91.02% | 93.95% | 100.72% | 95.02% | 92.42% | 91.96% | 96.30% |
| Covered payroll (*) | \$ 8,160,987 | \$ 8,020,863 | \$ 7,970,307 | \$ 7,365,098 | \$ 7,730,187 | \$ 7,118,914 | \$ 7,090,248 |
| Commission's net pension liability (asset) as a percentage of covered payroll | 29.21% | 18.68% | -2.06% | 14.94% | 19.79% | 20.79% | 9.03% |

(*) Employer's covered payroll during the measurement period is the total covered payroll. For the fiscal year 2021, the measurement period is October 1, 2019 through September 30, 2020. The 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, 2021***

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution (*) | \$ 346,393 | \$ 292,686 | \$ 350,945 | \$ 359,028 | \$ 320,871 | \$ 374,977 | \$ 338,427 | \$ 342,712 |
| Contributions in relation to the actuarially determined contribution | \$ 346,393 | \$ 292,686 | \$ 350,945 | \$ 359,028 | \$ 320,871 | \$ 374,977 | \$ 338,427 | \$ 342,712 |
| Contribution deficiency (excess) | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Covered payroll (**) | \$ 8,772,191 | \$ 8,160,987 | \$ 8,020,863 | \$ 7,970,307 | \$ 7,365,098 | \$ 7,730,187 | \$ 7,118,914 | \$ 7,090,248 |
| Contributions as a percentage of covered payroll | 3.95% | 3.59% | 4.38% | 4.50% | 4.36% | 4.85% | 4.75% | 4.83% |

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

(**) Employer's covered payroll for fiscal year 2021 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2021 were based on the September 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry Age |
| Amortization method | Level percent closed |
| Remaining amortization period | 12.8 years |
| Asset valuation method | Five year smoothed market |
| Inflation | 2.75% |
| Salary increases | 3.25 - 5.00%, including inflation |
| Investment rate of return | 7.70%, net of pension plan investment expense, including inflation |

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2021

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Budget to GAAP Differences | Actual Amounts GAAP Basis |
|---|----------------------|-----------------------|-----------------------------------|-------------------------------|------------------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Taxes | \$ 5,313,000.00 | \$ 5,983,000.00 | \$ 6,494,869.63 | (1) \$ 1,098,673.17 | \$ 7,593,542.80 |
| Licenses and Permits | 115,000.00 | 115,000.00 | 127,818.81 | | 127,818.81 |
| Intergovernmental | 1,349,845.00 | 779,845.00 | 3,205,781.56 | (1) 39,458.92 | 3,245,240.48 |
| Charges for Services | 1,693,500.00 | 1,693,500.00 | 1,896,501.96 | | 1,896,501.96 |
| Miscellaneous | 357,000.00 | 257,000.00 | 372,274.07 | (1) 66,639.76 | 438,913.83 |
| Total Revenues | <u>8,828,345.00</u> | <u>8,828,345.00</u> | <u>12,097,246.03</u> | <u>1,204,771.85</u> | <u>13,302,017.88</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 4,217,145.50 | 4,305,273.09 | 4,771,525.07 | | 4,771,525.07 |
| Public Safety | 4,489,126.31 | 4,562,406.09 | 5,436,211.83 | | 5,436,211.83 |
| Health | 36,250.00 | 36,250.00 | 27,079.97 | | 27,079.97 |
| Welfare | 34,134.40 | 41,134.40 | 378,009.58 | (2) 68,501.99 | 446,511.57 |
| Culture and Recreation | 71,855.00 | 71,855.00 | 6,000.00 | | 6,000.00 |
| Education | 6,000.00 | 6,000.00 | 71,855.00 | | 71,855.00 |
| Capital Outlay | 157,500.00 | 157,500.00 | 1,730,580.34 | | 1,730,580.34 |
| Intergovernmental | 475,957.00 | 153,000.00 | 153,000.00 | | 153,000.00 |
| Debt Service: | | | | | |
| Principal Retirement | | 521,439.89 | 521,593.90 | | 521,593.90 |
| Interest and Fiscal Charges | 2,750.00 | 2,750.00 | 248,559.09 | | 248,559.09 |
| Total Expenditures | <u>9,490,718.21</u> | <u>9,857,608.47</u> | <u>13,344,414.78</u> | <u>68,501.99</u> | <u>13,412,916.77</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(662,373.21)</u> | <u>(1,029,263.47)</u> | <u>(1,247,168.75)</u> | <u>1,136,269.86</u> | <u>(110,898.89)</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 1,885,000.00 | 1,885,000.00 | 2,327,000.00 | (3) (1,032,000.00) | 1,295,000.00 |
| Proceeds from Sale of Capital Assets | | | 51,613.87 | | 51,613.87 |
| Proceeds from Long-Term Debt Issued | 75,000.00 | 75,000.00 | | | |
| Transfers Out | (945,593.89) | (746,369.38) | (1,830,610.55) | (3) 359,382.00 | (1,471,228.55) |
| Total Other Financing Sources (Uses) | <u>1,014,406.11</u> | <u>1,213,630.62</u> | <u>548,003.32</u> | <u>(672,618.00)</u> | <u>(124,614.68)</u> |
| Net Change in Fund Balances | 352,032.90 | 184,367.15 | (699,165.43) | 463,651.86 | (235,513.57) |
| Fund Balances - Beginning of Year | | | <u>(536,161.69)</u> | <u>1,328,291.81</u> | <u>792,130.12</u> |
| Fund Balances - End of Year | <u>\$ 352,032.90</u> | <u>\$ 184,367.15</u> | <u>\$ (1,235,327.12)</u> | <u>\$ 1,791,943.67</u> | <u>\$ 556,616.55</u> |

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2021

Explanation of Differences Between Actual Amounts Budgetary Basis and Actual Amounts GAAP Basis:

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

| | | | |
|---|----|-------------------|----------------------|
| (1) Revenues | | | |
| Public Buildings, Roads and Bridges Fund | \$ | 1,130,814.96 | |
| Zion Chapel Senior Center Fund | | 11,110.53 | |
| Mt. Pleasant Senior Center Fund | | 7,479.12 | |
| Damascus Senior Center Fund | | 19,536.72 | |
| New Hope Senior Center Fund | | 17,739.84 | |
| Pine Level Senior Center Fund | | 9,295.42 | |
| Ino Senior Center Fund | | 8,795.26 | |
| | | <u>8,795.26</u> | \$ 1,204,771.85 |
| (2) Expenditures | | | |
| Zion Chapel Senior Center Fund | \$ | (7,647.69) | |
| Mt. Pleasant Senior Center Fund | | (8,526.30) | |
| Damascus Senior Center Fund | | (18,180.03) | |
| New Hope Senior Center Fund | | (16,236.09) | |
| Pine Level Senior Center Fund | | (9,899.27) | |
| Ino Senior Center Fund | | (8,012.61) | |
| | | <u>(8,012.61)</u> | (68,501.99) |
| (3) Other Financing Sources/(Uses) Net | | | |
| Public Buildings, Roads and Bridges Fund | \$ | (1,032,000.00) | |
| Zion Chapel Senior Center Fund | | 57,764.00 | |
| Mt. Pleasant Senior Center Fund | | 63,275.00 | |
| Damascus Senior Center Fund | | 48,323.00 | |
| New Hope Senior Center Fund | | 67,210.00 | |
| Pine Level Senior Center Fund | | 53,865.00 | |
| Ino Senior Center Fund | | 68,945.00 | |
| | | <u>68,945.00</u> | <u>(672,618.00)</u> |
| Net Change in Fund Balance - Budget to GAAP | | | <u>\$ 463,651.86</u> |

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2021

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Budget to GAAP Differences | Actual Amounts GAAP Basis |
|---|------------------|-----------------|-----------------------------------|-------------------------------|------------------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Intergovernmental | \$ 1,124,000.00 | \$ 1,124,000.00 | \$ 1,623,252.58 | \$ | \$ 1,623,252.58 |
| Miscellaneous | 240,830.00 | 240,830.00 | 307,870.79 | | 307,870.79 |
| Total Revenues | 1,364,830.00 | 1,364,830.00 | 1,931,123.37 | | 1,931,123.37 |
| Expenditures | | | | | |
| Current: | | | | | |
| Highways and Roads | 2,980,400.00 | 2,980,400.00 | 2,193,087.21 | | 2,193,087.21 |
| Capital Outlay | 337,000.00 | 337,000.00 | 1,304,920.03 | | 1,304,920.03 |
| Debt Service: | | | | | |
| Principal Retirement | | | 748,490.00 | | 748,490.00 |
| Interest and Fiscal Charges | | | 20,772.36 | | 20,772.36 |
| Total Expenditures | 3,317,400.00 | 3,317,400.00 | 4,267,269.60 | | 4,267,269.60 |
| Excess (Deficiency) of Revenues Over Expenditures | (1,952,570.00) | (1,952,570.00) | (2,336,146.23) | | (2,336,146.23) |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 1,574,360.00 | 1,574,360.00 | 799,000.00 | | 799,000.00 |
| Proceeds from Sale of Capital Assets | 13,000.00 | 13,000.00 | 770,815.00 | | 770,815.00 |
| Proceeds from Long-Term Debt Issued | | | 911,304.99 | | 911,304.99 |
| Transfers Out | | | (265,000.00) | | (265,000.00) |
| Total Other Financing Sources (Uses) | 1,587,360.00 | 1,587,360.00 | 2,216,119.99 | | 2,216,119.99 |
| Net Change in Fund Balances | (365,210.00) | (365,210.00) | (120,026.24) | | (120,026.24) |
| Fund Balances - Beginning of Year | 375,000.00 | 375,000.00 | 1,287,682.09 | | 1,287,682.09 |
| Fund Balances - End of Year | \$ 9,790.00 | \$ 9,790.00 | \$ 1,167,655.85 | \$ | \$ 1,167,655.85 |

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal Assistance Listing Number | Pass-Through Grantor's Number | Total Federal Expenditures |
|--|--|-------------------------------------|----------------------------------|
| <u>U. S. Department of Housing and Urban Development</u> | | | |
| <u>Passed Through Alabama Department of Economic and Community Affairs</u> | | | |
| Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | CY ED PF 19 101 | \$ 107,897.01 |
| Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | CY ED PF 20 001 | 449,895.78 |
| Total U. S. Department of Housing and Urban Development | | | <u>557,792.79</u> |
| <u>U. S. Department of Justice</u> | | | |
| <u>Passed Through Alabama Department of Economic and Community Affairs</u> | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 17 DJ 01 008 | 24,000.00 |
| Total U. S. Department of Justice | | | <u>24,000.00</u> |
| <u>U. S. Department of the Treasury</u> | | | |
| <u>Passed Through Alabama Department of Finance</u> | | | |
| COVID-19 Coronavirus Relief Fund | 21.019 | N/A | 346,039.65 |
| <u>Direct Program</u> | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | N/A | 41,600.00 |
| Total U. S. Department of the Treasury | | | <u>387,639.65</u> |
| <u>General Service Administration</u> | | | |
| <u>Passed Through Alabama Department of Economic and Community Affairs</u> | | | |
| Donation of Federal Surplus Personal Property (N) | 39.003 | N/A | 7,002.00 |
| Total General Services Administration | | | <u>7,002.00</u> |
| <u>U. S. Department of Homeland Security</u> | | | |
| <u>Passed Through Alabama Department of Emergency Management</u> | | | |
| Emergency Management Performance Grants | 97.042 | 19EMF | 4,500.00 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4554-17-PA-AL | 5,565.56 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4554-23-PA-AL | 55,663.14 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4554-50-PA-AL | 4,081.92 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4563-33-PA-AL | 11,630.53 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4563-69-PA-AL | 25,371.39 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4563-78-PA-AL | 9,413.63 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4563-301-PA-AL | 83,617.60 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4563-321-PA-AL | 68,989.60 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4563-370-PA-AL | 72,151.89 |
| Total U. S. Department of Homeland Security | | | <u>340,985.26</u> |
| Sub-Total Forward | | | \$ 1,317,419.70 |

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal Assistance Listing Number | Pass-Through Grantor's Number | Total Federal Expenditures |
|---|--|--|---|
| Sub-Total Brought Forward | | | \$ 1,317,419.70 |
| <u>Other Federal Assistance</u> | | | |
| <u>U. S. Department of Justice</u> | | | |
| <u>Direct Program</u> | | | |
| U. S. Marshall Service Over-Time Reimbursement | N/A | N/A | 4,521.06 |
| Total Other Federal Assistance | | | <u>4,521.06</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,321,940.76</u> |

N/A = Not Available or Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral part of this schedule.

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2021***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Coffee County Commission under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)***. Because the Schedule presents only a selected portion of the operations of the Coffee County Commission, it is not intended to and does not present the financial position, changes in net position or cash flows of the Coffee County Commission.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The Coffee County Commission has not elected to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Additional Information

Commission Members and Administrative Personnel
October 1, 2020 through September 30, 2021

| <u>Commission Members</u> | | <u>Term Expires</u> |
|--|----------------------|----------------------------|
| Hon. Dean Smith | Chairman | 2024 |
| Hon. J. Kim Ellis | Member | 2024 |
| Hon. Josh Carnley | Member | 2024 |
| Hon. Frank “Al” Britt | Member | Deceased |
| Hon. Jimmy Jones | Member | 2024 |
| Hon. Jim Thompson | Member | 2024 |
| Hon. Tom Grimsley | Member | 2024 |
| <u>Administrative Personnel</u> | | |
| Rod Morgan | County Administrator | Indefinite |

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

Independent Auditor's Report

Members of the Coffee County Commission and County Administrator
New Brockton, 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 (***Government Auditing Standards***), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Coffee County Commission, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Coffee County Commission's basic financial statements, and have issued our report thereon dated June 4, 2024.

Report on Internal Control Over Financial Reporting

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

***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***

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2021-002 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

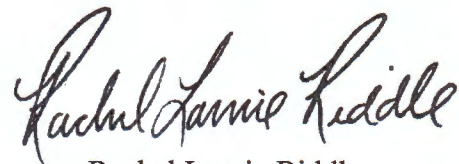
The Coffee County Commission's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Coffee County Commission's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Coffee County Commission's response to the findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Coffee County Commission's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***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***

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

June 4, 2024

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance***

Independent Auditor's Report

Members of the Coffee County Commission and County Administrator
New Brockton, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Coffee County Commission's compliance with the types of compliance requirements identified as subject to audit in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Coffee County Commission's major federal programs for the year ended September 30, 2021. The Coffee County Commission's major federal programs are identified in the Summary of Examiner's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Coffee County Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States (***Government Auditing Standards***); and the audit requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***. Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Coffee County Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Coffee County Commission's compliance with the compliance requirements referred to above.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance***

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Coffee County Commission's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Coffee County Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, ***Government Auditing Standards***, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Coffee County Commission's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, ***Government Auditing Standards***, and the *Uniform Guidance*, we:

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Coffee County Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- ◆ obtain an understanding of the Coffee County Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of the Coffee County Commission's internal control over compliance. Accordingly, no such opinion is expressed.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance***

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

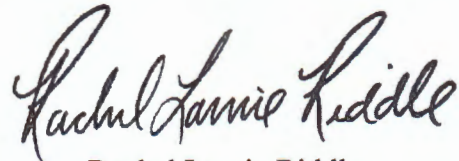
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 4, 2024

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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section I – Summary of Examiner's Results

Financial Statements

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified?

 Yes X None reported

Noncompliance material to financial statements noted?

 X Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified?

 Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?

 X Yes No

Identification of major federal programs:

| Assistance Listing Numbers | Name of Federal Program or Cluster |
|----------------------------|---|
| 97.036 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) |
| 14.228 | Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii |

Dollar threshold used to distinguish between

Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

 Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2021-002
Type of Finding: Internal Control
Internal Control Impact: Material Weakness
Compliance Impact: None

The Commission failed to correctly record all financial activity.

Finding

The Governmental Accounting Standards Board’s *Codification of Governmental Accounting and Financial Reporting Standards*, Section 1100.101, provides that a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure all of the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions. This requires that the financial statements agree with and are supported by the entity's underlying accounting records and that accurate financial statements are prepared. Additionally, the Commission is responsible for the preparation of appropriate financial statements, including the Schedule of Expenditures of Federal Awards (the “SEFA”) which is reported as Supplementary Information in the financial statements. The following discrepancies were noted:

- ◆ Cash in the Landfill Fund was overstated by \$4,138,661.72.
- ◆ Long-term debt in the Landfill Fund was overstated by \$4,556,800.00.
- ◆ Short-term debt in the Landfill Fund was understated by \$418,138.28.
- ◆ Property tax receivable in the General Fund was overstated by \$1,180,720.61.
- ◆ Unavailable revenue-property taxes in the General Fund was overstated by \$1,180,720.61.
- ◆ Three federal programs were not reported on the SEFA.

Controls were not in place to ensure errors in recording financial information were detected and corrected prior to preparation of the financial statements. As a result, the Commission's financial statements were not always supported by the underlying accounting records and did not accurately reflect the activity of the Commission. Once notified of the errors, the Commission made adjustments to properly reflect the balances on the financial statements.

Recommendation

The Commission should ensure the financial statements are based on the underlying accounting records and properly reflect the activity of the Commission.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2021

Views of Responsible Officials

I disagree with the assertion that controls were not in place with regard to the Landfill Fund findings. These findings result from good faith and reasonable interpretations of the pertinent facts related to the recording of a loan.

The three items regarding the Landfill Fund were the result of the financing for the construction of cell eight at the Coffee County Landfill. At the request of the lender, this loan was structured as permanent financing with a draw feature during construction. There was a single closing for the full amount of the loan, \$4,556,800, and all loan documents were executed at this time. This loan featured a draw period to allow for construction with interest only payments during this period. Construction ran well past the anticipated period and a modification was executed extending the draw period. As a result, this draw period extended into the following fiscal year (FY 2022). The County recorded this debt as long-term debt as the permanent financing was the debt that was incurred. However, after substantial discussions with the Examiners as part of the FY 2021 audit, it was determined that this loan, at the time of the fiscal year end, was a current liability as the County was in the extended draw period at that time. While the County corrected the financial statement to reflect the Examiner's interpretation of this debt, this was not the result of a lack of control. Rather, the County made a reasoned and good faith determination of the proper classification of the debt as long term debt based on the fact that the long term debt was in place at the time the loan closed.

The issue regarding property tax was that the receivable included ad valorem from both the revenue commissioner's office and motor vehicle ad valorem taxes. The motor vehicle ad valorem taxes should not have been included as they are paid in advance.

With regard to the three items being left off of the SEFA, Coffee County received grants from the Alabama Department of Economic and Community Affairs ("ADECA"). While these grants were administered by ADECA and the funds were sent from ADECA, these were federal awards and should have been included on the SEFA. County staff will review all grants in the future to ensure that the SEFA reflects all federal awards.

Auditor's Response

We appreciate the Commission's response. Our audit position remains that errors in recording financial information should be corrected prior to the preparation of the financial statements.

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.

Auditee Response/Corrective Action Plan

COFFEE COUNTY COMMISSION

Kim Ellis – District 2
Sonny Moore – District 3
Al Britt – District 4



Jimmy Jones – District 5
Jim Thompson – District 6
Tom Grimsley – District 7

Dean Smith, Chairman

Auditee Response/Corrective Action Plan ***For the Year Ended September 30, 2021***

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511(c), the Coffee County Commission has prepared and hereby submits the following Corrective Action Plan for the findings which are included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2021.

Finding
Ref.
No.

Corrective Action Plan Details

2021-002 Finding:

The Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, Section 1100.101, provides that a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure all of the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions. This requires that the financial statements agree with and are supported by the entity's underlying accounting records and that accurate financial statements are prepared. The following discrepancies were noted:

Cash in the Landfill Fund was overstated by \$4,138,661.72.
Long-term debt in the Landfill Fund was overstated by \$4,556,800.00.
Short-term debt in the Landfill Fund was understated by \$418,138.28.
Property tax receivable in the General Fund was overstated by \$1,180,720.61.
Unavailable revenue-property taxes in the General Fund was overstated by \$1,180,720.61.
Three federal programs were not reported on the SEFA.

Controls were not in place to ensure errors in recording financial information were detected and corrected prior to preparation of the financial statements. As a result, the Commission's financial statements were not always supported by the underlying accounting records and did not accurately reflect the activity of the Commission. Once notified of the errors, the Commission made adjustments to properly reflect the balances on the financial statements.

Recommendation:

The Commission should ensure the financial statements are based on the underlying accounting records and properly reflect the activity of the Commission.

Rod Morgan – County Administrator
2 COUNTY COMPLEX, 1065 E MCKINNON STREET, NEW BROCKTON, AL 36351
TELEPHONE (334) 894-5556 TELEFAX (334) 894-5237
www.coffeecounty.us

Response/Views: I disagree with the assertion that controls were not in place with regard to the Landfill Fund findings. These findings result from good faith and reasonable interpretations of the pertinent facts related to the recording of a loan.

The three items regarding the Landfill Fund were the result of the financing for the construction of cell eight at the Coffee County Landfill. At the request of the lender, this loan was structured as permanent financing with a draw feature during construction. There was a single closing for the full amount of the loan, \$4,556,800, and all loan documents were executed at this time. This loan featured a draw period to allow for construction with interest only payments during this period. Construction ran well past the anticipated period and a modification was executed extending the draw period. As a result, this draw period extended into the following fiscal year (FY 2022). The County recorded this debt as long term debt as the permanent financing was the debt that was incurred. However, after substantial discussions with the Examiners as part of the FY 2021 audit, it was determined that this loan, at the time of the fiscal year end, was a current liability as the County was in the extended draw period at that time. While the County corrected the financial statement to reflect the Examiner's interpretation of this debt, this was not the result of a lack of control. Rather, the County made a reasoned and good faith determination of the proper classification of the debt as long term debt based on the fact that the long term debt was in place at the time the loan closed.

The issue regarding property tax was that the receivable included ad valorem from both the revenue commissioner's office and motor vehicle ad valorem taxes. The motor vehicle ad valorem taxes should not have been included as they are paid in advance.

With regard to three items being left off of the SEFA, Coffee County received grants from the Alabama Department of Economic and Community Affairs ("ADECA"). While these grants were administered by ADECA and the funds were sent from ADECA, these were federal awards and should have been included in the SEFA. County staff will review all grants in the future to ensure that the SEFA reflects all federal awards.

Corrective Action Planned: The loan that caused the Landfill Fund items has been reclassified in accordance with the Examiner's determination of its nature at the time of the FY 2021 financial statements. Any future loans that include a draw feature will be classified as a current liability during such draw period.

Regarding the reporting of the property tax receivable, the County will report motor vehicle ad valorem taxes separately in future financial statements.

With regard to the SEFA, County staff will thoroughly review grants to ensure that the SEFA includes all federal awards.

Anticipated Completion Date: All corrective actions based on these items have been completed.

Contact Person(s): Contact County Administrator Rod Morgan for further information regarding this corrective action plan.

A matter came to our attention while performing our audit that is not included in the Schedule of Findings and Questioned Costs. This matter will be addressed in the Schedule of State and Local Compliance and Other Findings and is included as a finding below.

**Finding
Ref.
No.**

Corrective Action Plan Details

2021-001 Finding:

The *Code of Alabama 1975*, Section 11-8-10, states "no warrant or order for payment of money shall be issued under authority of the county commission until funds are available for its payment to the treasurer or depository pursuant to procedure established by the county commission." At September 30, 2021, the Roll Off Service Fund, an enterprise fund, reported a deficit cash balance of \$300,671.60. Procedures were not in place to ensure an adequate cash balance was available to cover disbursements prior to payment in the Roll Off Service Fund, resulting in a cash deficit.

Recommendation:

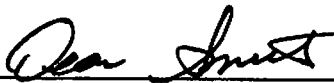
The Commission should implement policies and procedures to ensure compliance with the *Code of Alabama 1975*, Section 11-8-10.

Response/Views: The County reviews accounts to ensure that all balances are positive at year end. However, equipment was transferred between the two Environmental Services departments, the Roll Off Service Fund and the Solid Waste (Residential Collection) Fund, after this process had been completed. This deficit balance was the result of that transfer.

Corrective Action Planned: The County will make all equipment transfers prior to reviewing year end account balances.

Anticipated Completion Date: This change has already been implemented.

Contact Person(s): Contact County Administrator Rod Morgan for further information regarding this corrective action plan.



Dean Smith, Chairman
Coffee County Commission