



Alabama Department of Examiners of Public Accounts

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

October 1, 2020 through September 30, 2021

Filed: July 26, 2024

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ALABAMA STATE HOUSE

Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

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

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

Dear Madam:

An audit was conducted on the Franklin County Commission, Franklin County, Alabama, for the period October 1, 2020 through September 30, 2021, by Examiners Bryanna Adams, Steven Orr, Julia Wells and Thomas Strawn. I, Steven Orr, 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,

Steven Orr
Examiner of Public Accounts

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Department of **Examiners of Public Accounts**

SUMMARY

Franklin County Commission October 1, 2020 through September 30, 2021

The Franklin County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Franklin County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 20. 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 Franklin 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 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 basic financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2021.

Financial statements for the fiscal year ending September 30, 2021, were not prepared by management until July 13, 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.

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

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 20, were invited to discuss the results of this report at an exit conference. Individuals in attendance were Barry Moore, Chairman; Leah Mansell, County Administrator and Joseph Baldwin, County Commissioner. Representing the Department of Examiners of Public Accounts were Denise H. Olive, Audit Manager; Steven Orr, Examiner and Bryanna Adams, Examiner.

Independent Auditor's Report

Independent Auditor's Report

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

In our opinion, the accompanying 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 Franklin 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 Franklin 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

The Franklin County Commission's basic 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 Franklin County Commission implemented the requirements of GASB Statement Number 84 during the fiscal year. See Note 14 of the accompanying financial statements for the impact of the standard's implementation. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 Franklin 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 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 Franklin 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 Franklin 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 Changes in the Employer's Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 16 through 18), 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.

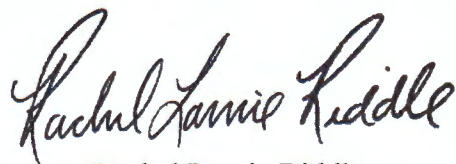
Management has omitted the Management Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is 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 Franklin County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 19), 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 27, 2024, on our consideration of the Franklin County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Franklin 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 Franklin County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 27, 2024

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Basic Financial Statements

Statement of Net Position
September 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 9,858,081.92	\$ 360,156.30	\$ 10,218,238.22
Receivables (Note 4)	767,566.65	147,437.50	915,004.15
Ad Valorem Taxes Receivable	4,648,814.74		4,648,814.74
Inventories	163,548.36		163,548.36
Total Current Assets	15,438,011.67	507,593.80	15,945,605.47
Noncurrent Assets			
Capital Assets (Note 5):			
Nondepreciable	331,254.25	63,157.41	394,411.66
Depreciable, Net	14,740,650.27	773,494.37	15,514,144.64
Total Capital Assets, Net	15,071,904.52	836,651.78	15,908,556.30
Total Noncurrent Assets	15,071,904.52	836,651.78	15,908,556.30
Total Assets	30,509,916.19	1,344,245.58	31,854,161.77
Deferred Outflows of Resources			
Employer Pension Contributions	313,096.82	54,712.84	367,809.66
Deferred Outflows Related to Net Pension Liability	838,369.34	167,062.66	1,005,432.00
OPEB Contributions Subsequent to Measurement Date	18,491.21		18,491.21
Deferred Outflows Related to OPEB Plan	25,385.38	4,368.62	29,754.00
Total Deferred Outflows of Resources	1,195,342.75	226,144.12	1,421,486.87
Liabilities			
Current Liabilities			
Accounts Payable	614.58		614.58
Unearned Revenue	3,165,816.18	44,360.66	3,210,176.84
Accrued Wages Payable	182,643.70	26,834.59	209,478.29
Accrued Interest Payable	21,572.27		21,572.27
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Notes from Direct Borrowing	234,358.55	229,649.66	464,008.21
Warrants Payable	80,000.00		80,000.00
Warrant from Direct Placement	429,708.85		429,708.85
Compensated Absences	59,135.61	12,119.10	71,254.71
Landfill Closure/Postclosure		3,204.78	3,204.78
Total Current Liabilities	\$ 4,173,849.74	\$ 316,168.79	\$ 4,490,018.53

Statement of Net Position
September 30, 2021

	Governmental Activities	Business-Type Activities	Total
Noncurrent Liabilities			
Portion Due or Payable After One Year:			
Notes from Direct Borrowing	\$ 1,115,966.97	\$ 439,256.70	\$ 1,555,223.67
Warrants Payable	85,000.00		85,000.00
Warrant from Direct Placement	6,972,163.63		6,972,163.63
Compensated Absences	532,220.52	109,071.94	641,292.46
Landfill Closure/Postclosure		22,433.43	22,433.43
Net Pension Liability	3,107,463.20	628,771.80	3,736,235.00
OPEB Liability	92,131.06	17,267.94	109,399.00
Total Noncurrent Liabilities	11,904,945.38	1,216,801.81	13,121,747.19
Total Liabilities	16,078,795.12	1,532,970.60	17,611,765.72
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	4,648,814.74		4,648,814.74
Motor Vehicle Taxes	316,142.46		316,142.46
Total Deferred Inflows of Resources	4,964,957.20		4,964,957.20
Net Position			
Net Investment in Capital Assets	6,154,706.52	167,745.42	6,322,451.94
Restricted for:			
Capital Projects	403,777.01		403,777.01
Debt Service	717,275.15		717,275.15
Scholarships	111,646.81		111,646.81
Economic Development	1,397.75		1,397.75
Local Officials	356,162.80		356,162.80
Road Projects	1,668,776.77		1,668,776.77
Other Purposes	632,211.88		632,211.88
Unrestricted	615,551.93	(130,326.32)	485,225.61
Total Net Position	\$ 10,661,506.62	\$ 37,419.10	\$ 10,698,925.72

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	\$ 3,109,379.06	\$ 912,937.72	\$ 256,296.68	\$	(1,940,144.66)	\$	(1,940,144.66)
Public Safety	5,563,525.13	203,021.17	1,201,087.28		(4,159,416.68)		(4,159,416.68)
Highways and Roads	3,853,767.03	52,045.07	2,888,760.91	313,169.62	(599,791.43)		(599,791.43)
Health	162,284.02		464,803.84		302,519.82		302,519.82
Welfare	34,425.20		184.97		(34,240.23)		(34,240.23)
Culture and Recreation	16,446.38				(16,446.38)		(16,446.38)
Education	464,746.99		7,273.43		(457,473.56)		(457,473.56)
Interest and Fiscal Charges	433,498.65				(433,498.65)		(433,498.65)
Intergovernmental	157,664.23		2,335.95		(155,328.28)		(155,328.28)
Total Governmental Activities	13,795,736.69	1,168,003.96	4,820,743.06	313,169.62	(7,493,820.05)		(7,493,820.05)
Business-Type Activities							
Solid Waste	2,950,574.41	2,695,014.91	6,515.00			(249,044.50)	(249,044.50)
Total Business-Type Activities	2,950,574.41	2,695,014.91	6,515.00			(249,044.50)	(249,044.50)
Total Primary Government	\$ 16,746,311.10	\$ 3,863,018.87	\$ 4,827,258.06	\$ 313,169.62	(7,493,820.05)	(249,044.50)	(7,742,864.55)
General Revenues:							
Taxes:							
Property Taxes for General Purposes					5,167,398.81		5,167,398.81
Property Taxes for Specific Purposes					865,522.69		865,522.69
Other County Sales and Use Tax					776,585.49		776,585.49
Miscellaneous Taxes					877,527.26		877,527.26
TVA in Lieu of Taxes					510,198.63		510,198.63
Grants and Contributions Not Restricted					559,872.75		559,872.75
Investment Revenue					26,203.51	535.95	26,739.46
Miscellaneous Revenue					619,678.33	125,230.31	744,908.64
Total General Revenues					9,402,987.47	125,766.26	9,528,753.73
Change in Net Position					1,909,167.42	(123,278.24)	1,785,889.18
Net Position - Beginning of Year					8,752,339.20	160,697.34	8,913,036.54
Net Position - End of Year					\$ 10,661,506.62	\$ 37,419.10	\$ 10,698,925.72

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	Reappraisal Fund	ARPA Revenue Reduction Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Cash and Cash Equivalents	\$ 3,027,755.46	\$ 269,169.96	\$ 133,996.53	\$ 3,050,296.02	\$ 3,376,863.95	\$ 9,858,081.92
Ad Valorem Taxes Receivable	3,879,161.94		769,652.80			4,648,814.74
Due from Other Funds					137,439.76	137,439.76
Receivables (Note 4)	349,009.97	99,395.56			319,161.12	767,566.65
Inventories		163,548.36				163,548.36
Total Assets	<u>7,255,927.37</u>	<u>532,113.88</u>	<u>903,649.33</u>	<u>3,050,296.02</u>	<u>3,833,464.83</u>	<u>15,575,451.43</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>						
<u>Liabilities</u>						
Accounts Payable	614.58					614.58
Due to Other Funds	50,000.00				87,439.76	137,439.76
Unearned Revenue			119,965.68	3,045,850.50		3,165,816.18
Accrued Wages Payable	125,950.53	42,662.32	14,030.85			182,643.70
Total Liabilities	<u>176,565.11</u>	<u>42,662.32</u>	<u>133,996.53</u>	<u>3,045,850.50</u>	<u>87,439.76</u>	<u>3,486,514.22</u>
<u>Deferred Inflows of Resources</u>						
Unavailable Revenue - Property Taxes	3,879,161.94		769,652.80			4,648,814.74
Revenue Received in Advance - Motor Vehicle Taxes	316,142.46					316,142.46
Total Deferred Inflows of Resources	<u>4,195,304.40</u>		<u>769,652.80</u>			<u>4,964,957.20</u>
<u>Fund Balances</u>						
Nonspendable:						
Inventories		163,548.36				163,548.36
Restricted for:						
Debt Service	661,203.04				77,644.38	738,847.42
Capital Projects					403,777.01	403,777.01
Scholarships					111,646.81	111,646.81
Economic Development					1,397.75	1,397.75
Local Officials					356,162.80	356,162.80
Road Projects		15,026.82			1,653,749.95	1,668,776.77
Other Purposes				4,445.52	627,766.36	632,211.88
Assigned to:						
Roads		310,876.38			513,880.01	824,756.39
Unassigned	2,222,854.82					2,222,854.82
Total Fund Balances	<u>2,884,057.86</u>	<u>489,451.56</u>		<u>4,445.52</u>	<u>3,746,025.07</u>	<u>7,123,980.01</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,255,927.37</u>	<u>\$ 532,113.88</u>	<u>\$ 903,649.33</u>	<u>\$ 3,050,296.02</u>	<u>\$ 3,833,464.83</u>	<u>\$ 15,575,451.43</u>

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

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2021***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 7,123,980.01

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. These assets consist of:

Capital Assets - Nondepreciable	\$	331,254.25	
Capital Assets - Depreciable (Net)		14,740,650.27	
Total Capital Assets (Net)			15,071,904.52

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

	Current Liabilities	Noncurrent Liabilities	
Warrants Payable	\$ 80,000.00	\$ 85,000.00	
Warrant from Direct Placement	429,708.85	6,972,163.63	
Notes from Direct Borrowing	234,358.55	1,115,966.97	
Net Pension Liability		3,107,463.20	
Total OPEB Liability		92,131.06	
Accrued Interest Payable	21,572.27		
Compensated Absences	59,135.61	532,220.52	
Total Long-Term Liabilities	\$ 824,775.28	\$ 11,904,945.38	(12,729,720.66)

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

Deferred Outflows Related to Defined Pension Plan	\$	1,151,466.16	
Deferred Outflows Related to OPEB Plan		43,876.59	
			1,195,342.75

Total Net Position - Governmental Activities (Exhibit 1)	\$	10,661,506.62
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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	Reappraisal Fund	ARPA Revenue Reduction Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>						
Taxes	\$ 5,510,943.97	\$	\$ 637,119.69	\$	\$ 1,538,970.59	\$ 7,687,034.25
Licenses and Permits	38,358.04				164,029.29	202,387.33
Intergovernmental	1,703,201.11	1,321,897.45			3,178,885.50	6,203,984.06
Charges for Services	843,238.68				70,332.88	913,571.56
Miscellaneous	146,392.68	540,670.91	761.83	4,445.52	5,655.97	697,926.91
Total Revenues	8,242,134.48	1,862,568.36	637,881.52	4,445.52	4,957,874.23	15,704,904.11
<u>Expenditures</u>						
Current:						
General Government	2,209,946.90		637,881.52		167,684.16	3,015,512.58
Public Safety	3,953,598.76				1,120,000.12	5,073,598.88
Highways and Roads		1,715,228.14			1,633,445.99	3,348,674.13
Health	128,080.07					128,080.07
Welfare	11,495.00					11,495.00
Culture and Recreation	16,446.38					16,446.38
Education	451,996.99				12,750.00	464,746.99
Intergovernmental	145,164.23				12,500.00	157,664.23
Capital Outlay	102,254.28	353,980.89			211,359.26	667,594.43
Debt Service:						
Principal Retirement	278,438.40	183,106.45			290,000.00	751,544.85
Interest and Fiscal Charges	214,019.48	32,881.82			129,656.48	376,557.78
Bond Issuance Costs	98,653.24					98,653.24
Total Expenditures	7,610,093.73	2,285,197.30	637,881.52		3,577,396.01	14,110,568.56
Excess (Deficiency) of Revenues Over Expenditures	632,040.75	(422,628.94)		4,445.52	1,380,478.22	1,594,335.55
<u>Other Financing Sources (Uses)</u>						
Transfers In	140,000.00	200,000.00			3,053,601.93	3,393,601.93
Proceeds from Sale of Capital Assets	325.00	41,438.38				41,763.38
Long-Term Debt Issued	7,435,000.00	315,043.50				7,750,043.50
Transfers Out	(3,153,601.93)	(40,000.00)			(200,000.00)	(3,393,601.93)
Payment to Refunding Escrow Agent	(4,867,126.07)				(2,430,000.00)	(7,297,126.07)
Total Other Financing Sources (Uses)	(445,403.00)	516,481.88			423,601.93	494,680.81
Net Change in Fund Balances	186,637.75	93,852.94		4,445.52	1,804,080.15	2,089,016.36
Fund Balances - Beginning of Year	2,697,420.11	395,598.62			1,941,944.92	5,034,963.65
Fund Balances - End of Year	\$ 2,884,057.86	\$ 489,451.56	\$	\$ 4,445.52	\$ 3,746,025.07	\$ 7,123,980.01

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) \$ 2,089,016.36

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

Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$900,413.59) differs from capital outlay (\$667,594.43) in the current period. (232,819.16)

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 differs from the change in fund balance by the cost of the capital assets sold.

Proceeds from the Sale of Capital Assets	\$ (41,763.38)	
Loss on Sale of Capital Assets	<u>(8,769.80)</u>	
		(50,533.18)

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities.

Notes from Direct Borrowing	\$ (315,043.50)	
Warrant from Direct Placement	<u>(7,435,000.00)</u>	
		(7,750,043.50)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 751,544.85

Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 7,297,126.07

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

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

Net Increase in Compensated Absences	\$	(84,129.79)	
Net Increase in Pension Expense		(163,172.58)	
Net Decrease in OPEB Expense		10,465.98	
Net Decrease in Accrued Interest Payable		<u>41,712.37</u>	
Total Additional Expenditures			<u>(195,124.02)</u>
Change in Net Position of Governmental Activities (Exhibit 2)			<u><u>\$ 1,909,167.42</u></u>

Statement of Net Position
Proprietary Fund
September 30, 2021

	Enterprise Fund	Total
	Solid Waste	Enterprise
	Fund	Fund
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 360,156.30	\$ 360,156.30
Receivables (Note 4)	147,437.50	147,437.50
Total Current Assets	<u>507,593.80</u>	<u>507,593.80</u>
<u>Noncurrent Assets</u>		
Capital Assets (Note 5):		
Nondepreciable	63,157.41	63,157.41
Depreciable, Net	773,494.37	773,494.37
Total Noncurrent Assets	<u>836,651.78</u>	<u>836,651.78</u>
Total Assets	<u>1,344,245.58</u>	<u>1,344,245.58</u>
<u>Deferred Outflows of Resources</u>		
Employer Pension Contributions	54,712.84	54,712.84
Deferred Outflows Related to Net Pension Liability	167,062.66	167,062.66
Related to OPEB Plan	4,368.62	4,368.62
Total Deferred Outflows of Resources	<u>226,144.12</u>	<u>226,144.12</u>
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Unearned Revenue	44,360.66	44,360.66
Accrued Wages Payable	26,834.59	26,834.59
Notes from Direct Borrowing	229,649.66	229,649.66
Landfill Closure/Postclosure	3,204.78	3,204.78
Compensated Absences	12,119.10	12,119.10
Total Current Liabilities	<u>316,168.79</u>	<u>316,168.79</u>
<u>Noncurrent Liabilities</u>		
Portion Due or Payable After One Year:		
Notes from Direct Borrowing	439,256.70	439,256.70
Compensated Absences	109,071.94	109,071.94
Landfill Closure/Postclosure	22,433.43	22,433.43
Net Pension Liability	628,771.80	628,771.80
OPEB Liability	17,267.94	17,267.94
Total Noncurrent Liabilities	<u>1,216,801.81</u>	<u>1,216,801.81</u>
Total Liabilities	<u>\$ 1,532,970.60</u>	<u>\$ 1,532,970.60</u>

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

	<u>Enterprise Fund</u> Solid Waste Fund	<u>Total</u> Enterprise Fund
<u>Net Position</u>		
Net Investment in Capital Assets	\$ 167,745.42	\$ 167,745.42
Unrestricted	<u>(130,326.32)</u>	<u>(130,326.32)</u>
Total Net Position	<u>\$ 37,419.10</u>	<u>\$ 37,419.10</u>

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

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<u>Operating Revenues</u>		
Charges for Services	\$ 2,695,014.91	\$ 2,695,014.91
Total Operating Revenues	<u>2,695,014.91</u>	<u>2,695,014.91</u>
<u>Operating Expenses</u>		
Salaries and Benefits	1,036,741.42	1,036,741.42
Contractual and Professional Services	80,292.55	80,292.55
Materials and Supplies	52,782.52	52,782.52
Fuels	122,487.81	122,487.81
Repairs and Maintenance	148,022.90	148,022.90
Utilities	14,588.68	14,588.68
Communications	6,066.07	6,066.07
Travel	5,637.76	5,637.76
Insurance	21,922.54	21,922.54
Depreciation	264,392.56	264,392.56
Miscellaneous	39,878.00	39,878.00
Landfill Expenses	783,163.98	783,163.98
Total Operating Expenses	<u>2,575,976.79</u>	<u>2,575,976.79</u>
Operating Income (Loss)	<u>119,038.12</u>	<u>119,038.12</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest Revenue	535.95	535.95
State Grant	6,515.00	6,515.00
Miscellaneous Revenue	125,230.31	125,230.31
Bad Debt Expense	(351,628.11)	(351,628.11)
Interest Expense	(22,969.51)	(22,969.51)
Total Nonoperating Revenues (Expenses)	<u>(242,316.36)</u>	<u>(242,316.36)</u>
Changes in Net Position	(123,278.24)	(123,278.24)
Net Position - Beginning of Year	<u>160,697.34</u>	<u>160,697.34</u>
Net Position - End of Year	<u>\$ 37,419.10</u>	<u>\$ 37,419.10</u>

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

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

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 2,473,559.38	\$ 2,473,559.38
Cash Payments to Employees	(998,993.40)	(998,993.40)
Cash Payments for Goods and Services	(1,278,507.81)	(1,278,507.81)
Net Cash Provided (Used) by Operating Activities	<u>196,058.17</u>	<u>196,058.17</u>
<u>Cash Flows from Noncapital Financing Activities</u>		
Miscellaneous Revenue	125,230.31	125,230.31
State Grant	6,515.00	6,515.00
Net Cash Provided (Used) by Noncapital Financing Activities	<u>131,745.31</u>	<u>131,745.31</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Acquisition of Capital Assets	(18,000.00)	(18,000.00)
Principal Paid on Capital Debt	(319,171.97)	(319,171.97)
Interest Paid on Capital Debt	(22,969.51)	(22,969.51)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(360,141.48)</u>	<u>(360,141.48)</u>
<u>Cash Flows from Investing Activities</u>		
Interest Earned	535.95	535.95
Net Cash Provided (Used) by Investing Activities	<u>535.95</u>	<u>535.95</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(31,802.05)	(31,802.05)
Cash and Cash Equivalents - Beginning of Year	<u>391,958.35</u>	<u>391,958.35</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 360,156.30</u></u>	<u><u>\$ 360,156.30</u></u>

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

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided (Used) by Operating Activities</u>		
Operating Income (Loss)	\$ 119,038.12	\$ 119,038.12
<u>Adjustments to Reconcile Operating Income to Net</u>		
<u>Cash Provided (Used) by Operating Activities</u>		
Depreciation Expense	264,392.56	264,392.56
Change in Assets and Liabilities:		
Receivables, Net	(221,455.53)	(221,455.53)
Accrued Wages and Benefits Payable	3,606.76	3,606.76
Pension Liability	38,034.14	38,034.14
OPEB Liability	(221.88)	(221.88)
Estimated Liability for Compensated Balances	(3,671.00)	(3,671.00)
Estimated Liability for Postclosure Landfill Balances	(3,665.00)	(3,665.00)
Net Cash Provided (Used) by Operating Activities	<u>\$ 196,058.17</u>	<u>\$ 196,058.17</u>

Statement of Fiduciary Net Position
September 30, 2021

	Custodial Funds
<hr/>	
<u>Assets</u>	
Cash	\$ 599,850.81
Total Assets	<u>599,850.81</u>
<u>Liabilities</u>	
Due to External Parties	<u>88,769.61</u>
Total Liabilities	<u>88,769.61</u>
<u>Net Position</u>	
Held in Trust for Individuals, Organizations and Other Governments	511,081.20
Total Net Position	<u>\$ 511,081.20</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	\$ 9,235,201.62
Intergovernmental	158,630.60
Court Fees	107,000.51
Miscellaneous	381,623.08
Interest	919.58
Total Additions	<u>9,883,375.39</u>
<u>Deductions</u>	
General Government	9,231,105.94
Administrative Expenses	70,767.61
Public Safety	432,451.06
Intergovernmental	142,612.65
Depreciation	4,676.17
Miscellaneous	1,449.96
Total Deductions	<u>9,883,063.39</u>
Changes in Net Position	312.00
Net Position - Beginning of Year, as Restated (Note 14)	<u>510,769.20</u>
Net Position - End of Year	<u><u>\$ 511,081.20</u></u>

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

Fund Financial Statements

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, the fund is used to report the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges, the expenditures of funds to maintain the Franklin County Archives, and the expenditures to maintain the GIS system throughout Franklin County.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of gasoline taxes for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges, and rights-of-way. Also, the fund is used to report expenditure of motor vehicle licenses and registration fees and drivers' license and permit fees to be used for the construction, improvement and maintenance of public highways or streets, including administrative costs.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures of property taxes related to the county's reappraisal program.
- ◆ **ARPA Revenue Reduction Fund** – This fund is used to account for the expenditure of the American Rescue Plan Act of 2021 ("ARPA") revenues received by the Commission. ARPA allows a county to use payments from the Fiscal Recovery Funds for the provision of government services to the extent of the reduction in revenue experienced due to the COVID-19 public health emergency.

The Commission reports the following major enterprise fund:

- ◆ **Solid Waste Fund** – This fund is used to account for the cost of providing solid waste service to county residents.

Notes to the Financial Statements

For the Year Ended September 30, 2021

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

Governmental Fund Types

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

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

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.

Notes to the Financial Statements

For the Year Ended September 30, 2021

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

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

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

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

1. Deposits

Cash includes cash on hand and demand deposits.

Notes to the Financial Statements

For the Year Ended September 30, 2021

2. Receivables

All ad valorem tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles for ad valorem taxes is based on past collections.

Millage rates for property taxes were levied by the Commission in February 2015 and will remain in place unless altered by the County Commission pursuant to a change in tax rate by general law. 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 and capital projects, reimbursements from other agencies and taxes and fees from the State of Alabama.

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

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

3. Inventories

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

4. Restricted Assets

Certain general obligation warrants, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. The Debt Service Funds are used to segregate resources accumulated for debt service payments.

Notes to the Financial Statements

For the Year Ended September 30, 2021

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Such assets are valued at 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.

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
Buildings and Building Improvements	\$ 50,000	20 – 40 years
Equipment, Vehicles and Furniture	\$ 5,000	5 – 20 years
Roads	\$250,000	20 – 50 years
Bridges	\$ 50,000	40 – 50 years

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

6. Deferred Outflows of Resources

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

In the fund financial statements, governmental fund types report the face amount of the debt as other financing sources.

8. Compensated Absences

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

Annual Leave

A maximum of 240 hours can be carried forward for annual leave at December 31. Upon separation from county service, the employee may be paid for all unused annual leave. Commission employees earn annual leave according to the number of years they have worked for the Commission.

0 – 1 Years	4 hours earned per month
1 – 2 Years	6 hours earned per month
3 – 5 Years	8 hours earned per month
6 – 10 Years	10 hours earned per month
More than 10 Years	12 hours earned per month

Notes to the Financial Statements

For the Year Ended September 30, 2021

Sick Leave

Sick leave accrues to regular, full-time employees at the rate of one day per calendar month. Upon retirement an employee shall be paid one-half of their accumulated sick leave not to exceed 240 hours.

The Commission uses the termination method to accrue its sick leave liability.

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.

Termination Payment Method

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

9. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide, fund and proprietary 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

10. Net Position/Fund Balances

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

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

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

E. Pensions

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

F. Postemployment Benefits Other Than Pensions (OPEB)

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the balances of the Commission's OPEB Plan have been determined on the same basis as they are reported by the Commission. For this purpose, the Commission's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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 capital project funds, which adopt project-length budgets. Additionally, there was no budget prepared for the ARPA Revenue Reduction Fund due to the Commission receiving these funds with only two months remaining in the fiscal year with no expenditures made from these funds. All appropriations lapse at fiscal year-end.

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

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

Note 3 – 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.

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, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
<u>Governmental Funds:</u>				
<u>Receivables:</u>				
Due from Other Governments	\$349,009.97	\$99,395.56	\$319,161.12	\$767,566.65
Total Receivables	<u>\$349,009.97</u>	<u>\$99,395.56</u>	<u>\$319,161.12</u>	<u>\$767,566.65</u>

	Solid Waste Fund	Total Enterprise Fund
<u>Proprietary Fund:</u>		
<u>Receivables:</u>		
Accounts Receivable	\$216,302.11	\$216,302.11
Gross Receivables	216,302.11	216,302.11
Less: Allowance for Doubtful Accounts	(68,864.61)	(68,864.61)
Net Receivables	<u>\$147,437.50</u>	<u>\$147,437.50</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	Deletions	Balance 09/30/2021
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land Under Capital Lease	\$ 205,622.50	\$	\$	\$ 205,622.50
Land	125,631.75			125,631.75
Total Capital Assets, Not Being Depreciated	331,254.25			331,254.25
Capital Assets Being Depreciated:				
Land Improvements – Exhaustible	369,835.00			369,835.00
Infrastructure	6,114,982.61			6,114,982.61
Buildings and Building Improvements	4,008,287.68			4,008,287.68
Buildings Under Capital Lease	10,020,486.66			10,020,486.66
Equipment and Furniture	6,388,344.76	667,594.43	(879,180.06)	6,176,759.13
Total Capital Assets Being Depreciated	26,901,936.71	667,594.43	(879,180.06)	26,690,351.08
Less Accumulated Depreciation for:				
Land Improvements – Exhaustible	(226,523.94)	(18,491.75)		(245,015.69)
Infrastructure	(1,573,102.76)	(152,874.57)		(1,725,977.33)
Buildings and Building Improvements	(2,384,153.97)	(82,693.46)		(2,466,847.43)
Buildings Under Capital Lease	(3,110,525.78)	(250,512.17)		(3,361,037.95)
Equipment and Furniture	(4,583,627.67)	(395,841.64)	828,646.90	(4,150,822.41)
Total Accumulated Depreciation	(11,877,934.12)	(900,413.59)	828,646.90	(11,949,700.81)
Total Capital Assets Being Depreciated, Net	15,024,002.59	(232,819.16)	(50,533.16)	14,740,650.27
Total Governmental Activities Capital Assets, Net	\$ 15,355,256.84	\$ (232,819.16)	\$ (50,533.16)	\$ 15,071,904.52

	Balance 10/01/2020	Additions	Deletions	Balance 09/30/2021
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 63,157.41	\$	\$	\$ 63,157.41
Total Capital Assets, Not Being Depreciated	63,157.41			63,157.41
Capital Assets Being Depreciated:				
Buildings and Building Improvements	234,135.00			234,135.00
Equipment and Furniture	2,897,065.16	18,000.00		2,915,065.16
Total Capital Assets Being Depreciated	3,131,200.16	18,000.00		3,149,200.16
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(111,667.15)	(5,853.38)		(117,520.53)
Equipment and Furniture	(1,999,646.08)	(258,539.18)		(2,258,185.26)
Total Accumulated Depreciation	(2,111,313.23)	(264,392.56)		(2,375,705.79)
Total Capital Assets Being Depreciated, Net	1,019,886.93	(246,392.56)		773,494.37
Total Business-Type Activities Capital Assets, Net	\$ 1,083,044.34	\$ (246,392.56)	\$	\$ 836,651.78

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

	Balance 10/01/2020	Additions	Deletions	Balance 09/30/2021
Fiduciary Funds:				
Capital Assets Being Depreciated:				
Equipment and Furniture	\$ 93,133.91	\$	\$	\$ 93,133.91
Total Capital Assets Being Depreciated	93,133.91			93,133.91
Less Accumulated Depreciation for:				
Equipment and Furniture	(88,457.74)	(4,676.17)		(93,133.91)
Total Accumulated Depreciation	(88,457.74)	(4,676.17)		(93,133.91)
Total Capital Assets Being Depreciated, Net	4,676.17	(4,676.17)		
Total Fiduciary Funds Capital Assets, Net	\$ 4,676.17	\$(4,676.17)	\$	\$

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$ 41,765.18
Public Safety	369,979.38
Highways and Roads	432,818.30
Health	32,920.53
Welfare	22,930.20
Total Depreciation Expense – Governmental Activities	<u>\$900,413.59</u>

	Current Year Depreciation Expense
Business-Type Activities:	
Sanitation	\$264,392.56
Total Depreciation Expense – Business-Type Activities	<u>\$264,392.56</u>

	Current Year Depreciation Expense
Fiduciary Funds:	
Administrative Expenses	\$4,676.17
Total Depreciation Expense – Fiduciary Funds	<u>\$4,676.17</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 composure 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 Commission adopted a resolution to implement this at its regularly scheduled meeting on March 15, 2021.

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	<u>101,245</u>

Contributions

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

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.

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 Commission's active employee contribution rate was 5.49 percent of covered payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 7.40 percent of pensionable payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2021, was 8.21% of pensionable pay for Tier 1 employees, and 5.52% 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 \$367,809.66 for the year ended September 30, 2021.

Notes to the Financial Statements

For the Year Ended September 30, 2021

B. Net Pension Liability

The 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 of 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 as of September 30, 2019	\$16,923,054	\$17,116,039	\$17,116,039
(b) Discount Rate	7.70%	7.70%	7.70%
(c) Entry Age Normal Cost for the Period October 1, 2019 – September 30, 2020	413,230	413,230	413,230
(d) Transfers Among Employers		(9,825)	(9,825)
(e) Actual Benefit Payments and Refunds for the Period October 1, 2019 – September 30, 2020	(857,397)	(857,397)	(857,397)
(f) Total Pension Liability, as of September 30, 2020 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$17,748,952</u>	<u>\$17,946,972</u>	<u>\$17,946,972</u>
(g) Difference between Expected and Actual		\$ 198,020	
(h) Less Liability Transferred for Immediate Recognition		<u>(9,825)</u>	
(i) Difference between Expected and Actual – Experience (Gain)/Loss		<u>\$ 207,845</u>	
(j) Difference between Actual TPL Before and After Act 2019-132 – Benefit Change (Gain)/Loss			<u>\$</u>

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

(*) Net of Pension Plan Investment Expense,
including inflation

Notes to the Financial Statements

For the Year Ended September 30, 2021

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 Disability Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

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

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	<u>100.00%</u>	
(*) Geometric mean, includes 2.50% inflation.		

Notes to the Financial Statements

For the Year Ended September 30, 2021

Discount Rate

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

C. Changes in Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2019	\$16,923,054	\$13,689,380	\$3,233,674
Changes for the Year:			
Service cost	413,230		413,230
Interest	1,270,065		1,270,065
Differences between expected and actual experience	207,845		207,845
Contributions – employer		343,856	(343,856)
Contributions – employee		269,720	(269,720)
Net investment income		775,003	(775,003)
Benefit payments, including refunds of employee contributions	(857,397)	(857,397)	
Transfers among employers	(9,825)	(9,825)	
Net Changes	1,023,918	521,357	502,561
Balances at September 30, 2020	<u>\$17,946,972</u>	<u>\$14,210,737</u>	<u>\$3,736,235</u>

Notes to the Financial Statements

For the Year Ended September 30, 2021

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	\$5,972,065	\$3,736,235	\$1,861,557

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 Franklin County Commission recognized pension expense of \$548,057. At September 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 429,556.00	\$
Changes of assumptions	142,448.00	
Net difference between projected and actual earnings on pension plan investments	433,428.00	
Employer contributions subsequent to the measurement date	367,809.66	
Total	<u>\$1,373,241.66</u>	<u>\$</u>

Notes to the Financial Statements

For the Year Ended September 30, 2021

The \$367,809.66 Employer Contributions applied to pension liability 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	\$219,699
2023	\$312,074
2024	\$297,249
2025	\$139,228
2026	\$ 37,182
Thereafter	\$ 0

Note 7 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description

The Commission provides certain continuing health care benefits for its retired employees. The Commission's OPEB Plan (the "OPEB Plan") is a single employer defined benefit OPEB Plan administered by the Commission. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the Commission. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions – Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria – Defined Benefit*.

Benefits Provided

Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or age 60 and 10 years of service (called "Tier 1" members). Employees hired on and after January 1, 2013, (called "Tier 2" members) are eligible to retire only after attainment of age 62 and completion of 10 years of service.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Employees Covered by Benefit Terms

At September 30, 2019, the following employees were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefit payments	3
Active employees	133
Total	136

Total OPEB Liability

The Commission's total OPEB liability of \$109,399.00 as of the reporting date of September 30, 2021, was measured as of September 30, 2020, and was determined by an actuarial valuation as of September 30, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Real wage growth	0.25%
Wage inflation	3.00%
Salary increases, including wage inflation	3.25% - 5.00%
Municipal bond index rate:	
Prior measurement date	2.66%
Measurement date	2.21%
Healthcare cost trends:	
Pre-Medicare	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026

The Commission selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Index published at the last Thursday of September by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date was the discount rate used to measure the total OPEB liability.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Mortality rates for active employees were based on the sex distinct RP-2000 Employee Mortality Table projected with Scale BB to 2020 with an adjustment factor of 70% for males and 50% for females. Postretirement mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table projected with Scale BB to 2020. An adjustment of 125% at all ages for males and 120% for females beginning at age 78 was made for service retirements and beneficiaries. An adjustment of 130% for females at all ages was made for disability retirements.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2019, valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015, and were submitted to and adopted by the Board of the Employees' Retirement System of Alabama on September 29, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2019, valuation were based on a review of recent plan experience done concurrently with the September 30, 2019 valuation.

Changes in the Total OPEB Liability

Balance at September 30, 2019	\$102,769
Changes for the year:	
Service cost at the end of the year	6,297
Interest on the total OPEB liability and cash flows	2,475
Difference between expected and actual experience	14,313
Changes of assumptions or other inputs	3,122
Benefit payments	(19,577)
Net Changes	<u>6,630</u>
Total OPEB Liability at September 30, 2020	<u>\$109,399</u>

Notes to the Financial Statements

For the Year Ended September 30, 2021

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Commission, as well as what the Commission's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) or 1-percentage point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$116,731	\$109,399	\$102,608

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the Commission recognized OPEB expense of \$13,215. At September 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$19,732.00	\$
Changes in assumptions	10,022.00	
OPEB Contributions	18,491.21	
Total	<u>\$48,245.21</u>	<u>\$</u>

Notes to the Financial Statements

For the Year Ended September 30, 2021

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

Years Ending	
September 30, 2021	\$4,443
2022	\$4,443
2023	\$4,443
2024	\$4,443
2025	\$4,443
Thereafter	\$7,539

Note 8 – Long-Term Debt

The Commission issues general obligation warrants providing funds for the acquisition and construction of major capital facilities.

On January 1, 2003, the County issued general obligation warrants to construct a health department building. These warrants were in the amount of \$1,125,000.00 with interest rates ranging from 2.5 percent to 4.9 percent.

The Commission entered into a general obligation warrant on October 21, 2013, in the amount of \$7,679,000.00 to refund the General Obligation Warrants, Series 2003-B, to secure matching funds for various ATRIP projects, and purchase an office building for the Revenue Commissioner's office in Red Bay. Debt payments are to be paid from the General Fund. On October 8, 2019, following a payment of the balance of ATRIP reimbursement of \$691,427.08, the debt was re-amortized. These warrants were refunded during the 2021 fiscal year.

On April 1, 2015, the Commission entered into a capital lease with the County Public Building Authority in the amount of \$3,650,000.00, with interest rates ranging from 2.00 to 3.50 percent for the purpose of currently refunding the Public Building Authority Capital Leases dated October 1, 2003, and June 1, 2005. Payments are to be made from the special county ad valorem tax. This lease was refunded during the 2021 fiscal year.

On July 27, 2021, the Franklin County Commission issued its \$7,435,000 General Obligation Warrant 2021 by means of private placement for the purpose of refunding and retiring the Series 2013 Warrants and 2015 Warrants, with a 2.15% interest rate. Series 2013 Warrants were issued to refund a General Obligation Warrant, Series 2003-B, originally issued to match funds for various ATRIP projects and purchase an office building for the Revenue Commissioner's office in Red Bay. Series 2015 Warrants were issued to enter into a Capital Lease with the County Public Building Authority.

Notes to the Financial Statements

For the Year Ended September 30, 2021

The Commission has various notes from direct borrowings for the purpose of purchasing equipment.

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:					
General Obligation Warrants – 2003	\$ 240,000.00	\$	\$ (75,000.00)	\$ 165,000.00	\$ 80,000.00
General Obligation Warrants – 2013	5,112,436.95		(5,112,436.95)		
Warrant from Direct Placement – 2021		7,435,000.00	(33,127.52)	7,401,872.48	429,708.85
Total Warrants Payable	5,352,436.95	7,435,000.00	(5,220,564.47)	7,566,872.48	509,708.85
Other Liabilities:					
Capital Leases	2,645,000.00		(2,645,000.00)		
Notes from Direct Borrowing	1,218,388.47	315,043.50	(183,106.43)	1,350,325.52	234,358.55
Net Pension Liability	2,686,819.64	420,643.56		3,107,463.20	
Estimated Liability for Compensated Absences	507,226.34	84,129.79		591,356.13	59,135.61
Total OPEB Liability	86,345.72	5,785.34		92,131.06	
Total Other Liabilities	7,143,780.17	825,602.19	(2,828,106.43)	5,141,275.91	293,494.16
Total Governmental Activities Long-Term Liabilities	\$12,496,217.12	\$8,260,602.19	\$(8,048,670.90)	\$12,708,148.39	\$803,203.01

	Debt Outstanding 10/01/2020	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2021	Amounts Due Within One Year
Business-Type Activities:					
Notes from Direct Borrowing	\$ 988,078.33	\$	\$(319,171.97)	\$ 668,906.36	\$229,649.66
Pension Liability	546,854.36	81,917.44		628,771.80	
Estimated Liability for Compensated Absences	124,862.04		(3,671.00)	121,191.04	12,119.10
Estimated Liability for Landfill Postclosure Costs	29,303.21		(3,665.00)	25,638.21	3,204.78
Total OPEB Liability	16,423.28	844.66		17,267.94	
Total Business-Type Activities Long-Term Liabilities	\$1,705,521.22	\$82,762.10	\$(326,507.97)	\$1,461,775.35	\$244,973.54

Notes to the Financial Statements

For the Year Ended September 30, 2021

Payments on the warrants payable and warrant from direct placement that pertain to the Commission's governmental activities are made by the General Fund and debt service funds. The notes from direct borrowing are paid by the General Fund, Gasoline Tax Fund and the Solid Waste Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 60% has been paid by the General Fund and 40% by the Gasoline Tax Fund.

The Commission's outstanding note from direct borrowing, originally issued at \$302,563.08 is secured by a Roscoe Pothole Patcher. The outstanding notes contain a provision that in the event of default, the bank may (1) declare outstanding amounts immediately due, plus all collections expenses, attorney fees, and interest at the default rate and/or (2) make collateral property available to sell for repayment of the note along with the application of any bank accounts held by the lender.

The Commission's outstanding note from direct borrowing, originally issued at \$438,620.85 is secured by garbage trucks. The outstanding notes contain a provision that in the event of default, the bank may (1) declare outstanding amounts immediately due, plus all collections expenses, attorney fees, and interest at the default rate and/or (2) make collateral property available to sell for repayment of the note along with the application of any bank accounts held by the lender.

The Commission's outstanding note from direct borrowing, originally issued at \$590,296.00 is secured by four dump trucks. The outstanding notes contain a provision that in the event of default, the bank may (1) declare outstanding amounts immediately due, plus all collections expenses, attorney fees, and interest at the default rate and/or (2) make collateral property available to sell for repayment of the note along with the application of any bank accounts held by the lender.

The Commission's outstanding note from direct borrowing, originally issued at \$218,192.50 is secured by a tractor and six pickup trucks. The outstanding notes contain a provision that in the event of default, the bank may (1) declare outstanding amounts immediately due, plus all collections expenses, attorney fees, and interest at the default rate and/or (2) make collateral property available to sell for repayment of the note along with the application of any bank accounts held by the lender.

Notes to the Financial Statements

For the Year Ended September 30, 2021

The Commission's outstanding note from direct borrowing, originally issued at \$162,461.52 is secured by a Maddock Ditcher. The outstanding notes contain a provision that in the event of default, the bank may (1) declare outstanding amounts immediately due, plus all collections expenses, attorney fees, and interest at the default rate and/or (2) make collateral property available to sell for repayment of the note along with the application of any bank accounts held by the lender.

The Commission's outstanding note from direct borrowing, originally issued at \$351,908.68 is secured by garbage cans. The outstanding notes contain a provision that in the event of default, the bank may (1) declare outstanding amounts immediately due, plus all collections expenses, attorney fees, and interest at the default rate and/or (2) make collateral property available to sell for repayment of the note along with the application of any bank accounts held by the lender.

The Commission's outstanding note from direct borrowing, originally issued at \$362,889.12 is secured by garbage trucks. The outstanding notes contain a provision that in the event of default, the bank may (1) declare outstanding amounts immediately due, plus all collections expenses, attorney fees, and interest at the default rate and/or (2) make collateral property available to sell for repayment of the note along with the application of any bank accounts held by the lender.

The Commission's outstanding note from direct borrowing, originally issued at \$315,043.50 is secured by road department equipment. The outstanding notes contain a provision that in the event of default, the bank may (1) declare outstanding amounts immediately due, plus all collections expenses, attorney fees, and interest at the default rate and/or (2) make collateral property available to sell for repayment of the note along with the application of any bank accounts held by the lender.

The Commission issued its \$7,435,000 General Obligation Warrant 2021 for the purpose of refunding and retiring the Series 2013 Warrants and 2015 Warrants, with a 2.15% interest rate. The outstanding notes contain a provision that in the event of default, the bank may (1) declare outstanding amounts immediately due, plus all collections expenses, attorney fees, and interest at the default rate and/or (2) make collateral property available to sell for repayment of the note along with the application of any bank accounts held by the lender.

Notes to the Financial Statements

For the Year Ended September 30, 2021

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

Fiscal Year Ending	Governmental Activities			
	General Obligation Warrants, 01/01/2003		Warrant from Direct Placement Warrants, 07/27/2021	
	Principal	Interest	Principal	Interest
September 30, 2022	\$ 80,000.00	\$6,125.00	\$ 429,708.85	\$ 145,369.19
2023	85,000.00	2,082.50	438,459.44	136,618.60
2024			447,033.72	128,044.32
2025			456,491.65	118,586.39
2026			465,787.65	109,290.39
2027-2031			2,474,874.14	400,516.06
2032-2036			2,689,517.03	137,949.42
Totals	<u>\$165,000.00</u>	<u>\$8,207.50</u>	<u>\$7,401,872.48</u>	<u>\$1,176,374.37</u>

Pledged Revenues

The Commission issued Series 2003 General Obligation Warrants for the purpose of constructing a health department building. The Commission pledged to repay the warrants from the proceeds for the revenues received for leasing the building. Future revenues of \$173,207.50 are pledged to repay the principal and interest on the warrants as of September 30, 2021. Proceeds of the lease revenue in the amount of \$87,605.28 were received by the Commission during the fiscal year ended September 30, 2021, of which \$84,922.50 was used to pay principal and interest on the warrants. The 2003 General Obligation Warrants will mature in fiscal year 2023.

The Commission issued Series 2013 General Obligation Warrants for the purpose of refunding the General Obligation Warrant 2003-B, to secure matching funds for various ATRIP projects, and to purchase an office building for the Red Bay Revenue Commissioner's office. The Commission pledged to repay the warrants from the County's portion of the proceeds of the special county ad valorem tax levied on all taxable property in the county at the rate of 4.8 mils pursuant to Section 215 of the *Constitution of Alabama of 1901*, as amended. These warrants were amortized following a lump sum payment of the remaining ATRIP balance on October 8, 2020. Future revenues of \$8,578,246.85 are pledged to repay the principal and interest on the warrants as of September 30, 2021. Proceeds of the special county ad valorem tax in the amount of \$1,299,178.02 were received by the Commission during the fiscal year ended September 30, 2021, of which \$47,923.17 was used to pay principal and interest. The 2013 General Obligation Warrants will mature in fiscal year 2034.

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

Governmental Activities		Business-Type Activities		Total Principal and Interest Requirements
Notes From Direct Borrowing		Notes From Direct Borrowing		
Principal	Interest	Principal	Interest	
\$ 234,358.55	\$ 33,059.51	\$229,649.66	\$17,031.90	\$ 1,175,302.66
240,364.82	27,053.24	233,126.54	10,711.22	1,173,416.36
246,508.23	20,910.42	149,771.97	3,325.44	995,594.10
252,863.33	14,554.73	56,358.19	543.85	899,398.14
228,523.83	8,364.13			811,966.00
147,706.76	5,410.59			3,028,507.55
				2,827,466.45
\$1,350,325.52	\$109,352.62	\$668,906.36	\$31,612.41	\$10,911,651.26

Defeased Debt

On July 27, 2021, the Commission issued its \$7,435,000.00 General Obligation Warrant. The purpose of this warrant was to currently refund the outstanding principal and interest on the Series 2015 Public Building Authority Warrants (Capital Lease) and the Series 2013 Warrants. As a result, they refunded debt is considered to be defeased and the liability for them has been removed.

The Commission decreased its total debt service payment by approximately \$1,251,100.00. Which resulted in an economic gain (difference between present values of the debt service payments on the old and new debt) of \$1,212,908.00.

Note 9 – Landfill Closure and Postclosure Care Costs

The Alabama Department of Environmental Management required the Franklin County Commission to close the sanitary landfill to municipal solid waste during fiscal year 1994. State and federal laws and regulations require that the Commission place a final cover on its landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The estimated landfill postclosure care costs in the amount of \$25,638.21 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were incurred as of September 30, 2021. However, the actual cost of closure and postclosure care might 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 10 – Risk Management

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

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

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

The Commission has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). They may choose to 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 11 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2021, were as follows:

	Due To Other Funds		
	General Fund	Other Governmental Funds	Totals
<u>Due From Other Funds:</u>			
Other Governmental Funds	\$50,000.00	\$87,439.76	\$137,439.76
Total	<u>\$50,000.00</u>	<u>\$87,439.76</u>	<u>\$137,439.76</u>

Interfund Transfers

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

	Transfers In			
	General Fund	Gasoline Tax Fund	Other Governmental Funds	Totals
<u>Transfers Out:</u>				
General Fund	\$	\$100,000.00	\$3,053,601.93	\$3,153,601.93
Gasoline Tax Fund	40,000.00			40,000.00
Other Governmental Funds	100,000.00	100,000.00		200,000.00
Totals	<u>\$140,000.00</u>	<u>\$200,000.00</u>	<u>\$3,053,601.93</u>	<u>\$3,393,601.93</u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 12 – Related Organizations

A majority of the members of the Board of the Franklin County E-911 and the Industrial Development Authority are appointed by the Franklin County Commission. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship, for these organizations and these organizations are not considered part of the Commission's financial reporting entity. These organizations are considered to be related organizations of the Franklin County Commission.

Note 13 – Subsequent Events

The Commission entered into a note from direct borrowing on September 19, 2022, in the amount of \$390,000.00, with an interest rate of 3.64%, to purchase two dump trucks for the Solid Waste Department. Debt payments are to be paid by the Solid Waste Fund.

The Commission entered into a note from direct borrowing on December 5, 2022, in the amount of \$329,000.00, with an interest rate of 3.95%, to purchase a dumpster truck for the Solid Waste Department. Debt payments are to be paid by the Solid Waste Fund.

The Commission entered into a note from direct borrowing on July 17, 2023, in the amount of \$427,000.00, with an interest rate of 4.04%, to purchase a dumpster truck for the Solid Waste Department. Debt payments are to be paid by the Solid Waste Fund.

The Commission entered into a note from direct borrowing on March 18, 2024, in the amount of \$488,870.00, with an interest rate of 4.04%, to purchase a dumpster truck for the Solid Waste Department. Debt payments are to be paid by the Solid Waste Fund.

The United States encountered a COVID-19 pandemic which adversely affected the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions were modified to ensure the safety of citizenry as well as employees. As a result of the pandemic, there was an impact on the Franklin County Commission's revenues from several sources. As expected, the Franklin County Commission incurred an increase in costs associated with the aftermath of COVID-19. The Commission was eligible for and received approximately \$3,045,850.50 through the American Rescue Plan Act of 2021 from the federal government during fiscal year 2022. Otherwise, the Commission does not anticipate there will be any other significant increase or decrease in revenues or costs associated with the aftermath of COVID-19. Budgets have not been significantly impacted at this time; however, the duration and severity of the effects of COVID-19 are still indeterminable at this time.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 14 – 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 to custodial funds, which have beginning net position. Also, some clearing funds previously reported as agency funds were reclassified to the General Fund.

	Custodial Funds	Private-Purpose Trust Funds
Net Position, September 30, 2020, as Previously Reported	\$	\$ 511,081.20
<u>Restatements:</u>		
Funds Reclassified Due to GASB 84 Implementation	511,081.20	(511,081.20)
Net Position, September 30, 2020, as Restated	<u>\$511,081.20</u>	<u>\$</u>

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Required Supplementary Information

Schedule of Changes in the Employer's Net Pension Liability
For the Year Ended September 30, 2021

	2020	2019	2018	2017	2016	2015	2014
<u>Total Pension Liability</u>							
Service cost	\$ 413,230	\$ 397,202	\$ 387,685	\$ 399,826	\$ 397,979	\$ 388,995	\$ 382,175
Interest	1,270,065	1,184,159	1,157,832	1,125,556	1,045,070	979,980	929,015
Changes in assumptions			92,778		367,166		
Difference between expected and actual experience	207,845	263,836	18,905	112,747	71,360	81,351	
Benefit payments, including refunds of employee contributions	(857,397)	(806,743)	(823,313)	(771,064)	(680,622)	(592,769)	(755,492)
Transfers among employers	(9,825)	102,537	(403,249)	(424,479)	304,199		
Net change in total pension liability	1,023,918	1,140,991	430,638	442,586	1,505,152	857,557	555,698
Total pension liability - beginning	16,923,054	15,782,063	15,351,425	14,908,839	13,403,687	12,546,130	11,990,432
Total pension liability - ending (a)	\$ 17,946,972	\$ 16,923,054	\$ 15,782,063	\$ 15,351,425	\$ 14,908,839	\$ 13,403,687	\$ 12,546,130
<u>Plan fiduciary net position</u>							
Contributions - employer	\$ 343,856	\$ 361,408	\$ 319,937	\$ 326,969	\$ 349,153	\$ 352,551	\$ 375,064
Contributions - employee	269,720	282,524	257,650	255,364	249,538	239,306	235,147
Net investment income	775,003	343,471	1,163,094	1,498,141	1,099,527	125,059	1,125,908
Benefit payments, including refundsof employee contributions	(857,397)	(806,743)	(823,313)	(771,064)	(680,622)	(592,769)	(755,492)
Transfers among employers	(9,825)	102,537	(403,249)	(424,479)	304,199	39,051	159,646
Net change in plan fiduciary net position	521,357	283,197	514,119	884,931	1,321,795	163,198	1,140,273
Plan fiduciary net position - beginning	13,689,380	13,406,183	12,892,064	12,007,133	10,685,338	10,522,140	9,381,867
Plan fiduciary net position - ending (b)	\$ 14,210,737	\$ 13,689,380	\$ 13,406,183	\$ 12,892,064	\$ 12,007,133	\$ 10,685,338	\$ 10,522,140
Commission's net pension liability - ending (a) - (b)	\$ 3,736,235	\$ 3,233,674	\$ 2,375,880	\$ 2,459,361	\$ 2,901,706	\$ 2,718,349	\$ 2,023,990
Plan fiduciary net position as a percentage of the total pension liability	79.18%	80.89%	84.95%	83.98%	80.54%	79.72%	83.87%
Covered payroll (*)	\$ 4,957,730	\$ 5,015,769	\$ 4,779,208	\$ 4,748,752	\$ 4,742,411	\$ 4,573,836	\$ 4,530,919
Commission's net pension liability as a percentage of covered payroll	75.36%	64.47%	49.71%	51.79%	61.19%	59.43%	44.67%

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2021, the measurement period is October 1, 2019 through September 30, 2020. GASB issued statements "Pension Issues" in March 2016 to redefine covered payroll beginning with fiscal year 2017.

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

Schedule of the Employer's Contributions - Pension
For the Year Ended September 30, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 370,263	\$ 343,856	\$ 361,408	\$ 319,937	\$ 326,969	\$ 349,153	\$ 352,551	\$ 375,064
Contributions in relation to the actuarially determined contribution (*)	\$ 370,263	\$ 343,856	\$ 361,408	\$ 319,937	\$ 326,969	\$ 349,153	\$ 352,551	\$ 375,064
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 5,005,517	\$ 4,957,730	\$ 5,015,769	\$ 4,779,208	\$ 4,748,752	\$ 4,742,411	\$ 4,573,836	\$ 4,530,919
Contributions as a percentage of covered payroll	7.40%	6.94%	7.21%	6.69%	6.89%	7.36%	7.71%	8.28%

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

(**) 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

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	19.6 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 Changes in the Employer's Other Postemployment
Benefits (OPEB) Liability
For the Year Ended September 30, 2021***

	2020	2019
<u>Total OPEB liability</u>		
Service Cost	\$ 6,297	\$ 4,902
Interest	2,475	3,452
Difference between expected and actual experience	14,313	9,462
Changes of assumptions	3,122	9,622
Benefit payments	<u>(19,577)</u>	<u>(14,364)</u>
Net change in total OPEB liability	6,630	13,074
 Total OPEB liability - beginning	 <u>102,769</u>	 <u>89,695</u>
 Total OPEB liability - ending (a)	 <u>\$ 109,399</u>	 <u>\$ 102,769</u>
 Covered-employee payroll	 \$ 4,984,483	 \$ 4,984,483
 Net pension liability as a percentage of covered-employee payroll	 2.19%	 2.06%

Notes to Schedule:

Benefit Changes. There were no changes of benefit terms for the year ended September 30, 2021.

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
Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2021***

	2021	2020
Actuarially determined contribution (*)	\$ 18,491	\$ 14,165
Contributions in relation to the actuarially determined contribution	\$ 18,491	\$ 14,165
Contribution deficiency (excess)	\$	\$
Covered-employee payroll	\$ 4,984,483	\$ 4,984,483
Contributions as a percentage of covered-employee payroll	0.37097%	0.28418%

(*) There are no actuarially determined contributions. Amounts reported are premiums paid.

Notes to Schedule

Valuation date: September 30, 2019

Actuarially determined contribution rates are calculated as of September 30, of the last day of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Asset valuation method	Market Value
Inflation	2.75% annually
Healthcare cost trend rate:	
Pre-Medicare Medical and	7.00% initially, decreasing to an ultimate rate of
Prescription Drug	4.50% by 2026
Salary increases	3.25%-5.00%, including wage inflation
Discount Rate	2.21% Current Measurement Date
	2.66% Prior Measurement Date
Retirement age	25 years of service at any age or attainment of age 60 and 10 years of service; employees hired on and after January 1, 2013 are not eligible to retire until age 62 with 10 years of service.
Mortality:	
Deaths before retirement	RP-2000 employee base rates projected to 2020 using Scale BB. Rates are adjusted 70% for males and 50% for females.
Deaths after retirement	RP-2000 Blue Collar base rates projected to 2020 using Scale BB. Rates are adjusted by 125% for males at all ages and 120% for females at ages on and after age 78.
Deaths after retirement (disabled)	RP-2000 Disabled Retiree base rates projected to 2020 using Scale BB. Rates are adjusted by 130% for females at all ages.

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		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
Taxes	\$ 3,646,748.77	\$ 3,646,748.77	\$ 4,211,765.95	(1)	\$ 1,299,178.02	\$ 5,510,943.97
Licenses and Permits	30,000.00	30,000.00	38,358.04			38,358.04
Intergovernmental	1,525,299.10	1,525,299.10	1,631,113.62	(1)	72,087.49	1,703,201.11
Charges for Services	672,750.00	672,750.00	843,238.68			843,238.68
Miscellaneous	65,040.00	96,056.27	131,649.69	(1)	14,742.99	146,392.68
Total Revenues	5,939,837.87	5,970,854.14	6,856,125.98		1,386,008.50	8,242,134.48
Expenditures						
Current:						
General Government	2,078,361.10	2,078,361.10	2,045,274.30	(2)	164,672.60	2,209,946.90
Public Safety	3,940,753.71	3,951,060.46	3,953,598.76			3,953,598.76
Health	143,354.14	143,354.14	128,080.07			128,080.07
Welfare	11,200.00	11,200.00	11,495.00			11,495.00
Culture and Recreation				(2)	16,446.38	16,446.38
Education	330,791.56	330,791.56	451,996.99			451,996.99
Intergovernmental	144,803.00	144,803.00	145,164.23			145,164.23
Capital Outlay	216,673.23	237,382.75	102,254.28			102,254.28
Debt Service:						
Principal Retirement	295,295.07	295,295.07	278,438.40			278,438.40
Interest and Fiscal Charges	217,963.29	217,963.29	214,019.48			214,019.48
Bond Issuance Costs			98,653.24			98,653.24
Total Expenditures	7,379,195.10	7,410,211.37	7,428,974.75		181,118.98	7,610,093.73
Excess (Deficiency) of Revenues Over Expenditures	(1,439,357.23)	(1,439,357.23)	(572,848.77)		1,204,889.52	632,040.75
Other Financing Sources (Uses)						
Transfers In	1,020,000.00	1,020,000.00	1,020,000.00	(3)	(880,000.00)	140,000.00
Proceeds from Sale of Capital Assets	1,000.00	1,000.00	325.00			325.00
Long-Term Debt Issued			7,435,000.00			7,435,000.00
Transfers Out	(287,151.26)	(287,151.26)	(2,828,601.93)	(3)	(325,000.00)	(3,153,601.93)
Payment to Refunding Escrow Agent			(4,867,126.07)			(4,867,126.07)
Total Other Financing Sources (Uses)	733,848.74	733,848.74	759,597.00		(1,205,000.00)	(445,403.00)
Net Change in Fund Balances	(705,508.49)	(705,508.49)	186,748.23		(110.48)	186,637.75
Fund Balances - Beginning of Year	1,113,469.22	1,113,469.22	2,189,596.96	(4)	507,823.15	2,697,420.11
Fund Balances - End of Year	\$ 407,960.73	\$ 407,960.73	\$ 2,376,345.19		\$ 507,712.67	\$ 2,884,057.86

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

Explanation of differences:

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

(1) Revenues		
Public Buildings, Roads and Bridges Fund	\$ 1,316,297.01	
GIS Consortium Fund	56,947.93	
Industrial Development Fund	1.56	
Franklin County Archives Fund	<u>12,762.00</u>	\$ 1,386,008.50
(2) Expenditures		
Public Buildings, Roads and Bridges Fund	\$ (149,515.42)	
GIS Consortium Fund	(13,480.11)	
Industrial Development Fund	(1,677.07)	
Franklin County Archives Fund	<u>(16,446.38)</u>	(181,118.98)
(3) Other Financing Sources /(Uses), Net		
Public Buildings, Roads and Bridges Fund	<u>\$ (1,205,000.00)</u>	<u>(1,205,000.00)</u>
Net Increase in Fund Balance - Budget to GAAP		<u><u>\$ (110.48)</u></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		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
Intergovernmental	\$ 1,012,411.76	\$ 1,012,411.76	\$ 1,066,657.61	(1)	\$ 255,239.84	\$ 1,321,897.45
Miscellaneous	507,000.00	507,000.00	540,421.35	(1)	249.56	540,670.91
Total Revenues	1,519,411.76	1,519,411.76	1,607,078.96		255,489.40	1,862,568.36
Expenditures						
Current:						
Highways and Roads	1,612,044.08	1,612,044.08	1,498,106.55		217,121.59	1,715,228.14
Capital Outlay	748,839.70	748,839.70	353,980.89			353,980.89
Debt Service:						
Principal Retirement	178,740.98	178,740.98	183,106.45			183,106.45
Interest and Fiscal Charges	32,524.40	32,524.40	32,881.82			32,881.82
Total Expenditures	2,572,149.16	2,572,149.16	2,068,075.71		217,121.59	2,285,197.30
Excess (Deficiency) of Revenues Over Expenditures	(1,052,737.40)	(1,052,737.40)	(460,996.75)		38,367.81	(422,628.94)
Other Financing Sources (Uses)						
Transfers In	375,000.00	375,000.00	200,000.00			200,000.00
Proceeds from Sale of Capital Assets	602,839.70	602,839.70	41,438.38			41,438.38
Long-Term Debt Issued			315,043.50			315,043.50
Transfers Out				(2)	(40,000.00)	(40,000.00)
Total Other Financing Sources (Uses)	977,839.70	977,839.70	556,481.88		(40,000.00)	516,481.88
Net Change in Fund Balances	(74,897.70)	(74,897.70)	95,485.13		(1,632.19)	93,852.94
Fund Balances - Beginning of Year	395,598.62	395,598.62	378,939.61	(3)	16,659.01	395,598.62
Fund Balances - End of Year	\$ 320,700.92	\$ 320,700.92	\$ 474,424.74		\$ 15,026.82	\$ 489,451.56

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

Explanation of differences:

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

(1) Revenues	
Public Highway and Traffic Fund	\$ 255,489.40
(2) Other Financing Sources/(Uses), Net	
Public Highway and Traffic Fund	(217,121.59)
(3) Transfers In/Out, Net	
Public Highway and Traffic Fund	<u>(40,000.00)</u>
Net Increase in Fund Balance - Budget to GAAP	<u>\$ (1,632.19)</u>
(3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.	

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

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
Revenues					
Taxes	\$ 674,400.26	\$ 674,400.26	\$ 637,199.69	\$	\$ 637,199.69
Miscellaneous	500.00	500.00	761.83		761.83
Total Revenues	674,900.26	674,900.26	637,961.52		637,961.52
Expenditures					
Current:					
General Government	760,209.33	757,583.79	637,881.52		637,881.52
Capital Outlay	9,374.46	12,000.00			
Total Expenditures	769,583.79	769,583.79	637,881.52		637,881.52
Excess (Deficiency) of Revenues Over Expenditures	(94,683.53)	(94,683.53)			
Net Change in Fund Balances	(94,683.53)	(94,683.53)			
Fund Balances - Beginning of Year	95,237.53	95,237.53			
Fund Balances - End of Year	\$ 554.00	\$ 554.00	\$	\$	\$

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	Pass-Through to Subrecipients	Total Federal Expenditures
<u>U. S. Department of Agriculture</u>				
<u>Passed Through Alabama Department of Finance</u>				
Schools and Roads - Grants to States	10.665	N/A	\$ 1,343.36	\$ 2,686.73
<u>U. S. Department of Housing and Urban Development</u>				
<u>Passed Through Alabama Department of Economic and Community Affairs</u>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CV-NC-20-024	211,359.26	217,021.35
<u>U. S. Department of Interior</u>				
<u>Direct Program</u>				
Payments in Lieu of Taxes	15.226	N/A		2,416.00
<u>U. S. Department of Justice</u>				
<u>Passed Through Marion County Commission</u>				
Edward Byrne Memorial Justice Assistance Grant	16.738	18-DJ-01-005		7,563.92
<u>U. S. Department of Transportation</u>				
<u>Passed Through Alabama Department of Economic and Community Affairs</u>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	20-FP-PT-007	38,117.73	38,117.73
State and Community Highway Safety	20.600	20-FP-CP-003		171,268.31
State and Community Highway Safety	20.600	20-FP-PT-003	597,598.37	597,598.37
Sub-Total State and Community Highway Safety			635,716.10	806,984.41
National Priority Safety Programs	20.616	20-ID-M5-003	118,837.43	118,837.43
National Priority Safety Programs	20.616	20-ID-M5-007	29,909.36	29,909.36
Sub-Total National Priority Safety Programs			148,746.79	148,746.79
Total Highway Safety Cluster/U. S. Department of Transportation			784,462.89	955,731.20
<u>U. S. Department of Treasury</u>				
<u>Passed Through Alabama Department of Finance</u>				
COVID-19 Coronavirus Relief Fund	21.019	N/A		103,798.05
Sub-Total Forward			\$ 997,165.51	\$ 1,289,217.25

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	Pass-Through to Subrecipients	Total Federal Expenditures
Sub-Total Brought Forward			\$ 997,165.51	\$ 1,289,217.25
<u>U. S. Department of Homeland Security</u>				
<u>Passed Through Alabama Emergency Management Agency</u>				
Emergency Management Performance Grants	97.042	20EMF		30,407.24
Homeland Security Grant Program	97.067	0LOC	46,547.95	46,547.95
Homeland Security Grant Program	97.067	20LOC	21,326.67	21,326.67
Sub-Total Homeland Security Grant Program			67,874.62	67,874.62
Total U. S. Department of Homeland Security			67,874.62	98,281.86
Total Expenditures of Federal Awards			\$ 1,065,040.13	\$ 1,387,499.11

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 Franklin 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 Franklin County Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Franklin 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 Franklin County Commission has elected not to use the 10-percent de minimis indirect cost rate allowed in the *Uniform Guidance*.

Additional Information

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

Commission Members		Term Expires
Hon. Barry Moore	Ex-Officio Chairman	2025
Hon. Chris Wallace	Member	2024
Hon. Jason Miller	Member	2024
Hon. Joseph Baldwin	Member	2024
Hon. David Hester	Member	2024
Hon. Rayburn Massey	Member	Deceased
<u>Administrative Personnel</u>		
Leah Mansell	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 Franklin County Commission and County Administrator
Russellville, 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 Franklin County Commission, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Franklin County Commission's basic financial statements, and have issued our report thereon dated June 27, 2024.

Report on Internal Control over Financial Reporting

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

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

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

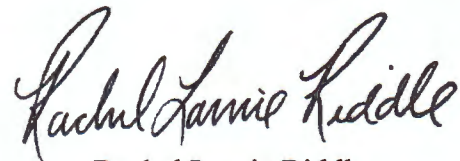
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the 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 27, 2024

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by OMB Circular A-133***

Independent Auditor's Report

Members of the Franklin Commission and County Administrator
Russellville, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Franklin 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 Franklin County Commission's major federal program for the year ended September 30, 2021. The Franklin County Commission's major federal program is identified in the Summary of Examiner's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Franklin 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 Franklin 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 Franklin 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 OMB Circular A-133

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 Franklin 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 Franklin 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 Franklin 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 Franklin 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 Franklin 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 Franklin 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 OMB Circular A-133***

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 OMB Circular A-133***

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 27, 2024

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?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X 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*?

_____ Yes X No

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Programs or Clusters
20.600 and 20.616	Highway Safety Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

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)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.