



Alabama Department of Examiners of Public Accounts

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

October 1, 2019 through September 30, 2020

Filed: September 13, 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

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

Dear Madam:

An audit was conducted on the Conecuh County Commission, Conecuh County, Alabama, for the period October 1, 2019 through September 30, 2020. Under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Dalton Myers
Examiner of Public Accounts

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Department of **Examiners of Public Accounts**

SUMMARY

Conecuh County Commission October 1, 2019 through September 30, 2020

The Conecuh County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Conecuh County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 15. 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 Conecuh County.

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

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

Financial statements for the fiscal year ending September 30, 2020, were not prepared by management until October 26, 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.

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 15, were invited to discuss the results of this report at an exit conference. Individuals in attendance were County Administrator Stephanie Brown and Commissioner Michael Riley. Representing the Department of Examiners of Public Accounts were Miranda Bonner, Audit Manager and Dalton Myers, Examiner.

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Independent Auditor's Report

Independent Auditor's Report

Members of the Conecuh County Commission and County Administrator
Evergreen, Alabama

Report on the Audit of the Financial Statements

Opinions

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

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

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 Conecuh 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Conecuh 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 Conecuh County Commission's ability to continue as a going concern for a reasonable period of time.

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

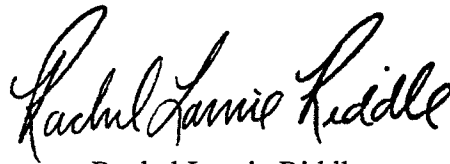
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Net Pension Liability, the Schedule of the Employer's Contributions – Pension and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 14), be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated August 14, 2024, on our consideration of the Conecuh County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Conecuh 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 Conecuh County Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Rachel Laurie Riddle". The signature is written in a cursive, flowing style.

Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

August 14, 2024

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Basic Financial Statements

Statement of Net Position ***September 30, 2020***

	Governmental Activities
<u>Assets</u>	
Cash	\$ 5,229,250.52
Cash with Fiscal Agent	356,682.40
Investments	897,830.90
Due from Other Governments	261,782.79
Accounts Receivable	94,748.05
Ad Valorem Taxes Receivable	2,109,881.77
Accrued Interest Receivable	6,138.53
Funding Agreement Receivable	309,262.71
Lease Receivable	124,080.00
Long-Term Receivable (Note 4)	1,610,000.00
Capital Assets (Note 5):	
Nondepreciable	295,291.50
Depreciable, Net	15,932,098.09
Total Assets	<u>27,227,047.26</u>
<u>Deferred Outflows of Resources</u>	
Deferred Loss on Refunding	217,813.83
Deferred Insurance Premiums on Issuance	18,141.38
Deferred Employer Pension Contributions	122,923.77
Proportionate Share of Collective Deferred Outflows Related to Defined Benefit Pension Plans	<u>172,538.30</u>
Total Deferred Outflows of Resources	<u>531,417.28</u>
<u>Liabilities</u>	
Accounts Payable	98,290.16
Due to Other Governments	3,383.46
Due to External Funds	62,497.06
Unearned Revenue	106,582.51
Accrued Wages Payable	17,413.09
Accrued Interest Payable	66,621.57
Long-Term Liabilities (Note 9):	
Portion Payable Within One Year	1,139,191.91
Portion Payable After One Year	13,261,350.88
Total Liabilities	<u>\$ 14,755,330.64</u>

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

	Governmental Activities
<hr/>	
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Tax	\$ 2,109,881.77
Revenue Received in Advance - Motor Vehicle Taxes	94,816.03
Unearned Revenue - Funding Agreement Principal	120,000.00
Unearned Revenue - Funding Agreement Interest	4,080.00
Unearned Revenue - Lease Principal	226,655.39
Unearned Revenue - Lease Interest	82,607.32
Proportionate Share of Collective Deferred Inflows Related to Defined Benefit Pension Plans	413,614.00
Total Deferred Inflows of Resources	<u>3,051,654.51</u>
 <u>Net Position</u>	
Net Investment in Capital Assets	2,687,904.67
Restricted for:	
Debt Service	356,682.40
Highways and Roads	1,186,489.35
Other Purposes	904,288.31
Unrestricted	<u>4,816,114.66</u>
Total Net Position	<u><u>\$ 9,951,479.39</u></u>

Statement of Activities
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Total Governmental Activities
Primary Government					
Governmental Activities					
General Government	\$ 2,506,836.40	\$ 745,365.97	\$ 184,969.06	\$	\$ (1,576,501.37)
Public Safety	2,334,042.25	212,192.80	732,892.84		(1,388,956.61)
Highways and Roads	2,436,164.66	14,545.05	2,563,580.14		141,960.53
Health	89,329.63				(89,329.63)
Welfare	5,300.00				(5,300.00)
Culture and Recreation	50,600.00				(50,600.00)
Education	913,247.40				(913,247.40)
Interest and Fiscal Charges	501,991.83				(501,991.83)
Total Governmental Activities	\$ 8,837,512.17	\$ 972,103.82	\$ 3,481,442.04	\$	(4,383,966.31)
General Revenues:					
Taxes:					
Property Taxes for General Purposes					2,001,885.63
Property Taxes for Specific Purposes					306,148.17
General Sales Tax					9,545.41
Special Sales Tax					1,063,614.15
Other County Sales and Use Tax					193,116.50
Miscellaneous Taxes					102,434.76
Grants/Contributions Not Restricted					1,578,647.53
Unrestricted Investment Earnings					78,677.42
Miscellaneous Revenue					350,722.20
Total General Revenues					5,684,791.77
Change in Net Position					1,300,825.46
Net Position - Beginning of Year					8,650,653.93
Net Position - End of Year				\$	9,951,479.39

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

Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Gasoline Tax Fund	Road and Bridge Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ 2,424,279.41	\$ 200,495.39	\$ 165,334.87	\$ 107,153.80	\$ 2,331,987.05	\$ 5,229,250.52
Cash with Fiscal Agent					356,682.40	356,682.40
Investments	897,830.90					897,830.90
Accounts Receivable	78,818.89		12,761.14		3,168.02	94,748.05
Ad Valorem Taxes Receivable	1,019,185.76		874,487.29	216,208.72		2,109,881.77
Due from Other Governments	179,816.67	53,930.93	11,018.61		17,016.58	261,782.79
Due from Other Funds	57,114.95	122,303.93		1,075.70		180,494.58
Funding Agreement Receivable	309,262.71					309,262.71
Lease Receivable	124,080.00					124,080.00
Total Assets	5,090,389.29	376,730.25	1,063,601.91	324,438.22	2,708,854.05	9,564,013.72
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts Payable	92,968.11	5,280.81		41.24		98,290.16
Due to Other Governments		1,530.81			1,852.65	3,383.46
Due to Other Funds	121,499.91	1,075.70	55,794.60	804.02	1,320.35	180,494.58
Due to External Funds	31,916.57	30,580.49				62,497.06
Unearned Revenue				106,582.51		106,582.51
Accrued Wages Payable	10,970.81	5,640.55		801.73		17,413.09
Total Liabilities	257,355.40	44,108.36	55,794.60	108,229.50	3,173.00	468,660.86
Deferred Inflows of Resources						
Unavailable Revenue - Property Tax	1,019,185.76		874,487.29	216,208.72		2,109,881.77
Revenue Received in Advance - Motor Vehicle Taxes	43,301.17		51,514.86			94,816.03
Unearned Revenue - Funding Agreement Principal	226,655.39					226,655.39
Unearned Revenue - Funding Agreement Interest	82,607.32					82,607.32
Unearned Revenue - Lease Principal	120,000.00					120,000.00
Unearned Revenue - Lease Interest	4,080.00					4,080.00
Total Deferred Inflows of Resources	1,495,829.64		926,002.15	216,208.72		2,638,040.51
Fund Balances						
Restricted for:						
Debt Service					356,682.40	356,682.40
Highways and Roads					1,186,489.35	1,186,489.35
Other Purposes					970,909.88	970,909.88
Assigned to:						
Highways and Roads		332,621.89	81,805.16			414,427.05
Other Purposes					191,599.42	191,599.42
Unassigned	3,337,204.25					3,337,204.25
Total Fund Balances	3,337,204.25	332,621.89	81,805.16		2,705,681.05	6,457,312.35
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,090,389.29	\$ 376,730.25	\$ 1,063,601.91	\$ 324,438.22	\$ 2,708,854.05	\$ 9,564,013.72

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

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position September 30, 2020

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 6,457,312.35

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. 16,227,389.59

Certain receivables are not soon enough to pay for the current periods expenditures,
and therefore are not shown in the governmental funds.

Accrued Interest Receivable	\$ 6,138.53	
Long-Term Receivable	1,610,000.00	1,616,138.53

Losses on refunding of debt and insurance premiums on debt issuance are reported as
deferred outflows of resources and are not available to pay for current period
expenditures and therefore are deferred on the Statement of Net Position.

Deferred Charges on Refunding	\$ 217,813.83	
Insurance Premium on Issuance	18,141.38	235,955.21

Deferred outflows and inflows of resources related to pensions are applicable to future
periods and, therefore, are not reported in the governmental funds. (118,151.93)

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	
Accrued Interest Payable	\$ 66,621.57	\$	
Warrants Payable	365,000.00	3,150,000.00	
Funding Agreement Payable	450,000.00	9,175,000.00	
Notes from Direct Borrowing	321,981.25	418,760.67	
Compensated Absences	10,822.57	97,403.09	
Net Pension Liability		516,877.00	
Less: Unamortized Discount	(8,611.91)	(96,689.88)	
Total Long-Term Liabilities	\$ 1,205,813.48	\$ 13,261,350.88	(14,467,164.36)

Total Net Position - Governmental Activities (Exhibit 1) \$ 9,951,479.39

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2020

	General Fund	Gasoline Tax Fund	Road and Bridge Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 2,495,116.31	\$	\$ 944,450.36	\$ 237,177.95	\$	\$ 3,676,744.62
Licenses and Permits	25,198.52				204,872.67	230,071.19
Intergovernmental	1,763,616.59	806,023.37			2,490,449.61	5,060,089.57
Charges for Services	512,275.98	14,545.05			215,211.60	742,032.63
Miscellaneous	168,669.41	52,177.85		645.00	357,907.36	579,399.62
Total Revenues	4,964,876.81	872,746.27	944,450.36	237,822.95	3,268,441.24	10,288,337.63
Expenditures						
Current:						
General Government	1,876,043.08			237,822.95	30,447.24	2,144,313.27
Public Safety	1,903,479.61				383,863.63	2,287,343.24
Highways and Roads		1,009,011.12			775,000.00	1,784,011.12
Health	89,178.56					89,178.56
Welfare	5,300.00					5,300.00
Culture and Recreation	50,600.00					50,600.00
Education	913,247.40					913,247.40
Debt Service:						
Principal Retirement	45,884.02	294,115.83	265,000.00		525,000.00	1,129,999.85
Interest and Fiscal Charges	1,741.65	37,310.51	65,584.13		397,687.52	502,323.81
Total Expenditures	4,885,474.32	1,340,437.46	330,584.13	237,822.95	2,111,998.39	8,906,317.25
Excess (Deficiency) of Revenues Over Expenditures	79,402.49	(467,691.19)	613,866.23		1,156,442.85	1,382,020.38
Other Financing Sources (Uses)						
Transfers In		471,905.96			587,697.48	1,059,603.44
Transfers Out	(350,859.69)		(536,837.79)		(171,905.96)	(1,059,603.44)
Total Other Financing Sources (Uses)	(350,859.69)	471,905.96	(536,837.79)		415,791.52	
Net Changes in Fund Balances	(271,457.20)	4,214.77	77,028.44		1,572,234.37	1,382,020.38
Fund Balances - Beginning of Year	3,608,661.45	328,407.12	4,776.72		1,133,446.68	5,075,291.97
Fund Balances - End of Year	\$ 3,337,204.25	\$ 332,621.89	\$ 81,805.16	\$	\$ 2,705,681.05	\$ 6,457,312.35

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

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***Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2020***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 1,382,020.38

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$0.00) differed from depreciation (\$1,021,462.10) in the current period. (1,021,462.10)

Reductions to debt principal is an expenditure or use of funds in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,129,999.85

Some expenses reported in the Statement of Activities that do not require the use of the current financial resources are not reported as expenditures in the funds.

Net Change in Accrued Interest Payable	\$	440.29	
Current Year Amortization/Reduction of Deferred Amounts			
Related to Long-Term Debt		(30,311.72)	
Pension Expense, Net Change		(9,861.24)	
Sub-Total			(39,732.67)

Revenues in the Statement of Activities that do not provide current financial resources, are not reported as revenues in the funds.

Net Decrease in Long-Term Receivable	(150,000.00)
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Change in Net Position of Governmental Activities (Exhibit 2)	\$ 1,300,825.46
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The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Fiduciary Net Position
September 30, 2020

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash	\$ 315,493.19	\$ 105,437.88
Receivables	22,054.06	
Due from External Funds	551.73	60,503.01
Total Assets	<u>338,098.98</u>	<u>165,940.89</u>
<u>Liabilities</u>		
Other Payables	91,618.96	165,940.89
Due to External Parties	165,148.92	
Total Liabilities	<u>256,767.88</u>	<u>\$ 165,940.89</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	<u>81,331.10</u>	
Total Net Position	<u>\$ 81,331.10</u>	

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

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

	Private-Purpose Trust Funds
<hr/>	
<u>Additions</u>	
Contributions from:	
Charges for Services	\$ 24,938.88
Interest	421.37
Total Additions	<u>25,360.25</u>
<u>Deductions</u>	
Administrative	<u>31,643.64</u>
Total Deductions	<u>31,643.64</u>
Changes in Net Position	(6,283.39)
Net Position - Beginning of Year	<u>87,614.49</u>
Net Position - End of Year	<u><u>\$ 81,331.10</u></u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Fund Financial Statements

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission.
- ◆ **Gasoline Tax Fund** – This fund is used to report the expenditures of the seven-cent State gasoline tax revenue for the construction, improvement, maintenance and supervision of highways, bridges and streets.
- ◆ **Road and Bridge Fund** – This fund is used to account for the expenditure of special county property tax revenue for the payment of pledged debt incurred for building and maintaining necessary public buildings, roads and bridges.
- ◆ **Reappraisal Fund** – This fund is used to account for the revenues and expenditures related to the County's property reappraisal program.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

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

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

1. Deposits and Investments

Cash includes cash on hand and demand deposits.

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

2. Receivables

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

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

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and revenues due from the State of Alabama.

3. Restricted Assets

Included in cash and cash with fiscal agent on the balance sheet are assets which are restricted. Resources set aside for the repayment of warrants, are considered as restricted assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The Series 2014 General Obligation Warrants Fund, 2011 Limited Obligation School Warrants Fund and Series 2015 General Obligation and Refunding Warrants Funds are all debt service funds and are used to segregate resources accumulated for debt service payments.

Notes to the Financial Statements

For the Year Ended September 30, 2020

4. Capital Assets

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

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

	Capitalization Threshold	Estimated Useful Life
Land	\$ 1	N/A
Buildings	\$ 50,000	25 - 50 Years
Equipment and Furniture	\$ 5,000	5 - 10 Years
Automotive Equipment	\$ 5,000	5 - 10 Years
Roads	\$250,000	20 Years
Bridges	\$ 50,000	40 Years
Water and Sewer Systems	\$100,000	25 Years

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

5. Deferred Outflows of Resources

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Warrant discounts are deferred and amortized over the life of the debt. Warrants payable are reported at gross with a separate line item for the warrant discount. Issuance costs are expensed in the period incurred.

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

7. Compensated Absences

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

Annual Leave

Employees shall accrue annual leave based upon year of service as follows: 0-10 years – 8 hours per month; 10-15 years – 10 hours per month; over 15 years – 13 1/3 hours per month. Twenty days of annual leave may be carried forward each year. Upon separation from county service, an individual may be paid for up to fifteen days of annual leave at the regular rate of pay for the individual.

Sick Leave

Sick leave benefits with pay are provided for permanent full-time employees in the amount of 12 workdays per fiscal year. Sick leave benefits are accrued by all non-probationary permanent full-time employees at a rate of 1 workday per month of continuous employment and credited each month. Unused sick leave credits may be accumulated and carried over into successive fiscal years by employees. There is no limit on the number of hours an employee may accrue. All unused sick leave is forfeited upon separation and is not compensated to the employee.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Compensatory Leave

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

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

8. Deferred Inflows of Resources

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

9. Net Position/Fund Balances

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

- ◆ **Unrestricted** – Net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

Fund balance is reported in the governmental fund financial statements. Fund balances of governmental funds are reported in classifications to indicate the level of constraints on the use of the fund balances. Those classifications and associated constraints are as follows:

- ◆ **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balances shall not be available of financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- ◆ **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- ◆ **Committed** – 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** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission authorizes the Commission Chairman or County Administrator to make a determination of the assigned amount of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- ◆ **Unassigned** – Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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.

Note 2 – Stewardship, Compliance, and Accountability Budgets

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. Also, ad valorem taxes and sales and use taxes are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. The Gasoline Tax Fund budgets on a basis of accounting consistent with GAAP with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. The Road and Bridge Fund budgets on a basis of accounting consistent with GAAP, with the exception of ad valorem taxes which are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. All other governmental funds adopt budgets on the modified accrual basis of accounting. All appropriations lapse at fiscal year-end.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 3 – Deposits and Investments

A. Deposits

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

B. Cash with Fiscal Agent

The *Code of Alabama 1975*, Section 11-8-11 and Section 11-81-20, authorizes the Commission to invest in obligations of the U. S. Treasury and federal agency securities along with certain pre-refunded public obligation such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state. The Commission does not have a formal policy on investments.

As of September 30, 2020, the Commission had the following cash held by fiscal agent:

	Maturities	Balance	Ratings
<u>Money Market Mutual Funds:</u>			
Morgan Stanley Institutional Liquidity Funds – Treasury Portfolio	Avg 33 days	\$305,046.63	AAAm
Regions Trust Cash Sweep	Unknown	51,635.77	Unknown
Total Cash with Fiscal Agent		<u>\$356,682.40</u>	

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor's Corporation and Moody's Investors Service, Inc. The Commission does not have a formal policy relating to credit risk. As of September 30, 2020, the Commission's investments were rated AAAm by Standard & Poor's.

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

Concentrations of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission does not have a formal investment policy regarding concentrations of credit risk.

Note 4 – Receivables

Long-Term Receivable

On July 10, 2014, the Commission issued \$2,450,000 of General Obligation Warrants for the purpose of refunding the 2009 General Obligation Warrants. The purpose of the 2009 General Obligation Warrants was to ensure the Knud Nielson Company was to continue the operation of facilities in Conecuh County. The Knud Nielson Company will continue to make payments to the Conecuh County Commission each month to cover the principal and interest payments due on the warrants. At September 30, 2020, the balance of the receivable as reflected on Statement of Net Position is \$1,610,000.

Unearned Revenues

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2020, the Reappraisal Fund, a governmental fund, reported \$106,528.51 in unused reappraisal funds.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 5 – Capital Assets

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

	Balance 10/01/2019	Additions	Retirements	Balance 09/30/2020
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 295,291.50	\$	\$	\$ 295,291.50
Total Capital Assets, Not Being Depreciated	295,291.50			295,291.50
Capital Assets Being Depreciated:				
Infrastructure	15,229,886.19			15,229,886.19
Buildings	14,527,286.90			14,527,286.90
Furniture and Equipment	2,180,490.87			2,180,490.87
Automotive Equipment	2,090,174.36			2,090,174.36
Equipment Under Notes from Direct Borrowing	1,862,871.96			1,862,871.96
Total Capital Assets Being Depreciated	35,890,710.28			35,890,710.28
Less Accumulated Depreciation for:				
Infrastructure	(9,004,630.49)	(360,269.43)		(9,364,899.92)
Buildings	(5,921,855.14)	(328,936.68)		(6,250,791.82)
Furniture and Equipment	(2,037,282.77)	(57,283.25)		(2,094,566.02)
Automotive Equipment	(1,070,629.80)	(138,467.43)		(1,209,097.23)
Equipment Under Notes from Direct Borrowing	(902,751.89)	(136,505.31)		(1,039,257.20)
Total Accumulated Depreciation	(18,937,150.09)	(1,021,462.10)		(19,958,612.19)
Total Capital Assets Being Depreciated, Net	16,953,560.19	(1,021,462.10)		15,932,098.09
Total Governmental Activities Capital Assets, Net	\$ 17,248,851.69	\$(1,021,462.10)	\$	\$ 16,227,389.59

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

	Current Year Depreciation Expense
General Government	\$ 330,146.52
Public Safety	42,385.43
Highways and Roads	648,930.15
Total Depreciation Expense - Governmental Activities	<u>\$1,021,462.10</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 6 – Defined Benefit Pension Plan

A. General Information About the Pension Plan Description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945. The purpose of the ERS is to provide 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. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 36-27-2 grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Benefits Provided

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Contributions

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2020, the Conecuh County Commission's active employee contribution rate was 5.78% of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 6.85% of covered employee payroll.

The Conecuh County Commission's contractually required contribution rate for the year ended September 30, 2020, was 6.50% of pensionable pay for Tier 1 employees, and 3.78% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$122,923.77 for the year ended September 30, 2020.

Notes to the Financial Statements

For the Year Ended September 30, 2020

B. Net Pension Liability

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

	Total Pension Liability Roll-Forward	
	Expected	Actual
(a) Total Pension Liability as of September 30, 2018	\$6,950,408	\$6,791,679
(b) Discount rate	7.70%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2018 through September 30, 2019	205,945	205,945
(d) Transfers Among Employers		47,167
(e) Actual Benefit Payments and Refunds for the period October 1, 2018 through September 30, 2019	(391,487)	(391,487)
(f) Total Pension Liability as of September 30, 2019 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+.5*(b))]	<u>\$7,284,975</u>	<u>\$7,161,191</u>
(g) Difference between Expected and Actual		\$ (123,784)
(h) Less Liability Transferred for Immediate Recognition		<u>47,167</u>
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ (170,951)</u>

Actuarial Assumptions

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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.

Changes in Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2018	\$6,950,408	\$6,540,626	\$ 409,782
Changes for the Year:			
Service cost	205,945		205,945
Interest	520,109		520,109
Differences between expected and actual experience	(170,951)		(170,951)
Contributions – employer		147,813	(147,813)
Contributions – employee		133,059	(133,059)
Net investment income		167,136	(167,136)
Benefit payments, including refunds of employee contributions	(391,487)	(391,487)	
Transfers among employers	47,167	47,167	
Net Changes	210,783	103,688	107,095
Balances at September 30, 2019	\$7,161,191	\$6,644,314	\$ 516,877

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

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

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Commission's Net Pension Liability/(Asset)	\$1,322,711	\$516,877	(\$165,576)

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, 2019. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2019. The auditor's report dated August 27, 2020 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2020, the Commission recognized pension expense of \$121,147. At September 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,572.00	\$413,614.00
Changes of assumptions	69,964.00	
Net difference between projected and actual earnings on pension plan investments	81,002.30	
Employer contributions subsequent to the measurement date	122,923.77	
Total	\$295,462.07	\$413,614.00

Notes to the Financial Statements

For the Year Ended September 30, 2020

\$122,923.77 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2021	\$(72,643)
2022	\$(97,769)
2023	\$(47,465)
2024	\$ 382
2025	\$(23,581)
Thereafter	\$ 0

Note 7 – Lease Obligations

Direct Finance Lease

On July 1, 2011, the Commission issued \$1,090,000 of Series 2011 Limited Obligation School Warrants pursuant to the provisions of the constitution and laws of the State of Alabama, including particularly Chapter 28, Title 11, ***Code of Alabama 1975***. The Series 2011 Warrants were issued in order to provide funds (i) to pay the costs of acquiring and constructing various capital improvements to public school facilities in the County and (ii) to pay the issuance expenses of the Series 2011 Warrants. Contemporaneously with and as a condition to the issuance of the Warrants, the County entered into a third supplemental lease agreement dated July 1, 2011, supplemental to the certain other lease agreements noted above for a term extending until final maturity of the 2011 Warrants. The Board of Education agreed to pay principal and interest payments under the lease that would coincide with the principal and interest payments due on the 2011 Limited Obligation Warrants issued by the Commission.

The components of the net investment in the direct-financing lease as of September 30, 2020, are as follows:

Total Minimum Lease Payments to Be Received	\$124,080.00
Less: Unearned Income	(12,070.00)
Net Investment in Direct Financing Lease	\$112,010.00

Notes to the Financial Statements

For the Year Ended September 30, 2020

At September 30, 2020, minimum lease payments for each of the five succeeding fiscal years are as follows:

September 30, 2021	\$124,080.00
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Note 8 – Funding Agreement Receivable

On January 1, 2006, the Commission issued \$2,340,000 in Series 2006 General Obligation Warrants. From the net proceeds of the warrant issue, the Commission made a payment of \$320,000 to the Conecuh County Emergency Number Communications District (the “District”) to enable it to construct a new building in the County for occupancy by the District, and thereby to enable the District to provide improved emergency telephone service in the County. With the issuance of the Series 2006 General Obligation Warrants, the District entered into a funding agreement with the Commission for the principal amount of \$340,000 (\$320,000 which was paid by the Commission to the District plus an additional \$20,000 for a portion of the issuance expenses of the Series 2006 General Obligation Warrants). The funding agreement is being accounted for as a direct financing lease.

The components of the net investment in the funding agreement receivable as of September 30, 2020, are as follows:

Total Minimum Lease Payments to Be Received	\$309,262.71
Less: Unearned Income	(92,521.64)
Net Investment in Direct Financing Lease	<u>\$216,741.07</u>

At September 30, 2020, minimum lease payments for each of the five succeeding fiscal years are as follows:

September 30, 2021	\$20,169.33
2022	\$20,169.28
2023	\$20,169.29
2024	\$20,169.28
2025	\$20,169.33

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 9 – Long-Term Debt

On July 1, 2011, the Commission issued \$1,090,000 of Limited Obligation School Warrants, Series 2011, with interest rates from 1.25% to 3.40%, (i) to pay the costs of acquiring and constructing various capital improvements to public school facilities in the County and (ii) pay issuance expenses of the 2011 Warrants. Debt service payments are made from lease payments received from the Conecuh County Board of Education.

On July 10, 2014, the Commission issued \$2,450,000 of General Obligation Warrants for the purpose of refunding the 2009 General Obligation Warrants. The purpose of the 2009 General Obligation Warrants was to ensure the Knud Nielson Company was to continue the operation of facilities in Conecuh County. The Knud Nielson Company will continue to make payments to the Conecuh County Commission each month to cover the principal and interest payments due to the warrants.

On April 29, 2015, the Commission issued the Series 2015-A and 2015-B General Obligation Refunding Warrants in the amount of \$1,930,000 and \$270,000, respectively. The purpose of the issuance was to refund the Series 2006 General Obligation Warrant. The purpose of the Series 2006 General Obligation Warrant was to enable the District to construct a new building in the County and to help finance the cost of the new county jail and new county courthouse. Debt service payments are made using ad valorem taxes, sales tax, and payment received from the Conecuh County Emergency Number Communications District. The Series 2015-A portion of these warrants were fully extinguished in fiscal year 2019.

Funding Agreement

The Commission entered into a funding agreement with the Conecuh County Public Building Authority dated March 1, 2012 for \$4,050,000 for the purposes of refunding the Series 2002 Revenue Warrant (which is the remainder of the outstanding 2002 Series Warrants).

Notes to the Financial Statements

For the Year Ended September 30, 2020

On March 25, 2015, the Commission issued the Series 2015-B Revenue Bonds in the amount of \$1,740,000. The purpose of the issuance was to refund the Series 2006-B Bonds. The proceeds of the 2006-B bonds were to be used for (a) the acquisition, development, construction, and installation of the improvements described in the Project Agreement by and among Guyoung Tech USA, Inc., the City of Evergreen and the County; (b) the acquisition, development, construction, and installation of improvements described in the Industrial Grant and Incentives Agreement by and among W & B Trading Company, L.L.C., the City of Evergreen and the County; and (c) any other project that the City of Evergreen and the County may mutually agree in writing to fund. In the event of default of the terms and conditions of the revenue bonds, the Trustee may (1) declare the principal of all Bonds then outstanding and interest accrued immediately due and payable, (2) compel performance with respect to the use of funds for payment of the Bonds, (3) proceed to protect and enforce its rights by a suit or suits, and (4) may claim expenses incurred due to the event of default under any federal or state bankruptcy, insolvency, or other debtor relief law.

The Commission entered into the Series 2015-A and 2015-B funding agreement with the Conecuh County Public Building Authority dated December 10, 2015 for \$280,000 and \$6,270,000, respectively. The purpose of the issuance was to refund the 2006 Public Building Authority Funding Agreement. The purposes of the 2006 Public Building Authority Funding Agreement were for building and equipping a new county jail and a new county courthouse. In the event of default of the terms and conditions of the funding agreement, the Authority may take any of the following remedial actions: (1) take possession of the County Jail or the County Courthouse and rent all or any part; (2) terminate the agreement, take possession of the County Jail or the County Courthouse and lease the same, holding the County liable; (3) have access to, and inspect, examine and make copies of the books, records and accounts of the County; and (4) take whatever other actions at law or in equity may appear necessary to collect the rent then due or to enforce any obligation, covenant or agreement of the County under the debt agreement. The Series 2015-A portion of this funding agreement was fully extinguished in fiscal year 2019.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

	Debt Outstanding 10/01/2019	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2020	Amounts Due Within One Year
Governmental Activities:					
Warrants and Leases Payable:					
General Obligation Warrants	\$ 3,635,000.00	\$	\$ (240,000.00)	\$ 3,395,000.00	\$ 245,000.00
Limited Obligation Warrant	235,000.00		(115,000.00)	120,000.00	120,000.00
Funding Agreements	10,060,000.00		(435,000.00)	9,625,000.00	450,000.00
Notes from Direct Borrowing	1,080,728.77		(339,999.85)	740,728.92	321,981.25
Less: Unamortized Discount	(113,900.70)		8,611.91	(105,288.79)	(8,611.91)
Total Warrants and Leases Payable	14,896,828.07		(1,121,387.94)	13,775,440.13	1,128,369.34
Other Liabilities:					
Net Pension Liability	409,782.00	107,095.00		516,877.00	
Compensated Absences	108,225.66			108,225.66	10,822.57
Total Other Liabilities	518,007.66	107,095.00		625,102.66	10,822.57
Governmental Activities Long-Term Liabilities	\$15,414,835.73	\$107,095.00	\$(1,121,387.94)	\$14,400,542.79	\$1,139,191.91

Payments on the warrants payable and funding agreements are made by the General Fund, Gasoline Tax Fund, Public Buildings, Roads and Bridges Fund and Debt Service Funds using various tax revenue and payment received from the Conecuh County Emergency Number Communications District. The Limited Obligation Warrant is paid from lease payments received from the Conecuh County Board of Education. The notes from direct borrowing for the governmental activities will be liquidated by the General Fund and Gasoline Tax Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds.

The Commission's outstanding notes from direct borrowing, (a) originally issued at \$57,522.40 was secured by two Chevy Tahoes; (b) originally issued at \$44,784.55 was secured by a 2017 Chevy Silverado; (c) originally issued at \$78,028.28 was secured by two 2017 Chevy Tahoe; (d) originally issued at \$713,169.00 was secured by three 2018 John Deere Motor Graders; (e) originally issued at \$28,000.00 was secured by two 2018 Woods Bush Hogs; and (f) originally issued at \$444,771.00 was secured by three 2020 Kenworth Dump Trucks. The outstanding notes contain a provision that in the event of default, the bank may (1) declare unpaid principal immediately due and payable, plus accrued interest; (2) terminate contract ceasing the Commission's rights to the secured equipment; (3) take possession of the secured equipment; (4) at Commission's expense, require prompt return of equipment to Seller; (5) dispose of secured equipment on Commission's premises or any location without affecting the obligations of the Commission to the contract; (6) sell or lease the secured equipment at public auction or by private sale, giving proper notice; (7) proceed by appropriate action either at law or in equity to enforce performance by the Commission to recover damages for breach of contract; and (8) exercise any and all rights accruing to seller under any applicable law upon a default by the Commission, including recovery of damages for the loss of a bargain.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

Fiscal Year Ending	Governmental Activities			
	General Obligation Warrants		Limited Obligation Warrants	
	Principal	Interest	Principal	Interest
September 30, 2021	\$ 245,000.00	\$108,117.51	\$120,000.00	\$4,080.00
2022	255,000.00	100,991.26		
2023	265,000.00	93,350.01		
2024	265,000.00	85,167.51		
2025	275,000.00	76,502.51		
2026-2030	1,325,000.00	232,260.05		
2031-2035	625,000.00	77,453.15		
2036	140,000.00	2,362.50		
Total	<u>\$3,395,000.00</u>	<u>\$776,204.50</u>	<u>\$120,000.00</u>	<u>\$4,080.00</u>

Deferred Outflows on Refunding and Discounts

The Commission has deferred amounts in connection with the issuance of its 2011 Limited Obligation School Warrants, 2012 Funding Agreement, 2014 General Obligation Warrant, 2015 General Obligation Warrant and 2015 Revenue Bond. The deferred amounts are being amortized using the straight-line method over a period of zero, sixteen, sixteen, twenty-two and twenty-two years, respectively for the deferred charges on refunding; for discounts and insurance premiums are over a period of eleven, sixteen, sixteen, twenty-two and twenty-two years, respectively.

In accordance with GASB Statement Number 65, GASB concluded that deferred charges on refunding and insurance premiums associated with the issuance of long-term debt are classified as deferred outflows of resources.

	Discounts	Deferred Outflows of Resources
Total Deferred Outflows of Resources and Discounts	\$163,047.35	\$ 384,726.50
Amount Amortized Prior Years	(49,146.65)	(127,071.48)
Balance Deferred Outflows of Resources and Discounts	113,900.70	257,655.02
Current Amount Amortized	(8,611.91)	(21,699.81)
Balance Deferred Outflows of Resources and Discounts	<u>\$105,288.79</u>	<u>\$ 235,955.21</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

Governmental Activities				Total Principal and Interest Requirements
Funding Agreements		Notes from Direct Borrowing		
Principal	Interest	Principal	Interest	
\$ 450,000.00	\$ 337,006.26	\$321,981.25	\$27,303.73	\$ 1,613,488.75
460,000.00	324,803.76	300,997.51	15,830.55	1,457,623.08
470,000.00	311,326.26	117,750.16	4,675.98	1,262,102.41
495,000.00	297,113.76			1,142,281.27
505,000.00	281,938.76			1,138,441.27
2,880,000.00	1,130,746.30			5,568,006.35
3,565,000.00	509,581.30			4,777,034.45
800,000.00	15,968.76			958,331.26
\$9,625,000.00	\$3,208,485.16	\$740,728.92	\$47,810.26	\$17,917,308.84

Pledged Revenues

The Commission issued Series 2015-A General Obligation Warrants and the 2015-B and 2012 PBA Funding Agreements (Conecuh County Jail and Courthouse Project) which are pledged to be repaid from the revenues derived from the proceeds of the General County Ad Valorem Tax, the Special County Ad Valorem Tax, and the Special Sales Tax. Future revenues in the amount of \$13,333,140.75 are pledged to repay the principal and interest on the Warrants and Funding Agreements at September 30, 2020. Pledged funds in the amount of \$810,901.26 were used to pay principal and interest on the warrants during the fiscal year ended September 30, 2020. The Commission received \$2,308,033.80 in General and Special County Ad Valorem Taxes and \$1,063,614.15 in Special Taxes during the fiscal year. The debt will mature in fiscal year 2027 (2012 PBA Funding Agreement), and fiscal year 2036 (2015-B PBA Funding Agreement and 2015-A General Obligation Warrants).

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 coverage and limits can be added by endorsement.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

Note 11 – Interfund Transactions

Interfund Receivables and Payables

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

	Due From Other Funds			Total
	General Fund	Gasoline Tax Fund	Reappraisal Fund	Governmental Funds
<u>Due To Other Funds:</u>				
General Fund	\$	\$121,499.91	\$	\$121,499.91
Gasoline Tax Fund			1,075.70	1,075.70
Road and Bridge Fund	55,794.60			55,794.60
Reappraisal Fund		804.02		804.02
Other Governmental Funds	1,320.35			1,320.35
Totals	<u>\$57,114.95</u>	<u>\$122,303.93</u>	<u>\$1,075.70</u>	<u>\$180,494.58</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

Interfund Transfers

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

	Transfers Out			Totals
	General Fund	Road and Bridge Fund	Other Governmental Funds	
Transfers In:				
Gasoline Tax Fund	\$100,000.00	\$200,000.00	\$171,905.96	\$ 471,905.96
Other Governmental Funds	250,859.69	336,837.79		587,697.48
Totals	\$350,859.69	\$536,837.79	\$171,905.96	\$1,059,603.44

The Commission typically used transfers to fund ongoing operating subsidies, to transfer the portion from the General Fund and Gasoline Tax Fund to the Debt Service Funds to service current-year debt requirements, and to transfer a portion of the Oil and Gas Severance Tax funds received by the General Fund to the Gasoline Tax Fund.

Note 12 – Related Organizations

The majority of the members of the boards of the organizations listed below are appointed by the Conecuh 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 the organizations are not considered part of the Commission's financial reporting entity. The following organizations are considered related organizations: the Conecuh County Emergency Number Communication District, the Conecuh County Industrial Development Authority, and the Conecuh County Public Building Authority.

Note 13 – Tax Abatements

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

For fiscal year ended September 30, 2020, total property taxes abated by the County were \$50,254.92 under this program, including the following tax abatement which makes up the total amount abated by the county:

- ◆ An 84 percent property tax abatement to an automotive parts manufacturer for increasing the size of its facilities and increasing employment. The abatement amounted to \$50,254.92.

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

Granting Jurisdiction	Type	Property Tax
Evergreen Industrial Development Board	Meat Processing	\$20,859.84
City of Evergreen	Plastic Manufacturing	1,109.88
Total County Abated Taxes		<u>\$21,969.72</u>

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

- ◆ A 57 percent property tax abatement to a meat processing business for increasing the size of its facilities and increasing employment. The abatement amounted to \$20,859.84.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 14 – Subsequent Events

On January 26, 2021, the Commission approved the financing for six pick-up trucks from Bancorp South in the amount of \$160,758.00 with an interest rate of 2.41% for a period of four years.

On March 23, 2021, the Commission approved the purchase of 2 tractors totaling \$150,620.00.

On April 13, 2021, the Commission approved the purchase of six dump trucks totaling \$917,586.00.

On May 25, 2021, the Commission awarded two bids for various road projects for \$98,063.36 and \$325,240.00.

On May 10, 2022, the Commission awarded a bid for various road projects for \$904,871.25.

On August 9, 2022, the Commission approved the purchase of two side cutters totaling \$345,800.00.

On January 10, 2023, the Commission approved a resurfacing bid totaling \$1,891,040.00.

On March 28, 2023, the Commission approved the purchase of three dump trucks totaling \$627,000.00.

On March 12, 2024, the Commission awarded a bid for road work for \$527,046.00.

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Required Supplementary Information

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

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 205,945	\$ 212,649	\$ 225,260	\$ 225,168	\$ 227,530	\$ 197,612
Interest	520,109	522,138	500,621	464,126	421,953	400,901
Differences between expected and actual experience	(170,951)	(337,417)	(112,128)	75,813	207,820	
Changes in Assumptions		36,519		200,455		
Benefit payments, including refunds of employee contributions	(391,487)	(432,989)	(309,347)	(283,381)	(376,893)	(293,850)
Transfers among employers	47,167	(4,257)	35,061	(11,146)		
Net change in total pension liability	210,783	(3,357)	339,467	671,035	480,410	304,663
Total pension liability - beginning	6,950,408	6,953,765	6,614,298	5,943,263	5,462,853	5,158,190
Total pension liability - ending (a)	<u>\$ 7,161,191</u>	<u>\$ 6,950,408</u>	<u>\$ 6,953,765</u>	<u>\$ 6,614,298</u>	<u>\$ 5,943,263</u>	<u>\$ 5,462,853</u>
Plan fiduciary net position						
Contributions - employer	\$ 147,813	\$ 138,200	\$ 151,288	\$ 201,144	\$ 173,949	\$ 173,114
Contributions - employee	133,059	132,433	133,814	149,940	139,122	135,960
Net investment income	167,136	561,098	697,018	500,040	56,855	504,489
Benefit payments, including refunds of employee contributions	(391,487)	(432,989)	(309,347)	(283,381)	(376,893)	(293,850)
Other (Transfers among employers)	47,167	(4,257)	35,061	(11,146)	128,930	86,159
Net change in plan fiduciary net position	103,688	394,485	707,834	556,597	121,963	605,872
Plan fiduciary net position - beginning	6,540,626	6,146,141	5,438,307	4,881,710	4,759,747	4,153,875
Plan fiduciary net position - ending (b)	<u>\$ 6,644,314</u>	<u>\$ 6,540,626</u>	<u>\$ 6,146,141</u>	<u>\$ 5,438,307</u>	<u>\$ 4,881,710</u>	<u>\$ 4,759,747</u>
Commission's net pension liability - ending (a) - (b)	\$ 516,877	\$ 409,782	\$ 807,624	\$ 1,175,991	\$ 1,061,553	\$ 703,106
Plan fiduciary net position as a percentage of the total pension liability	92.78%	94.10%	88.39%	82.22%	82.14%	87.13%
Covered payroll (*)	\$ 2,438,091	\$ 2,414,421	\$ 2,444,370	\$ 3,097,377	\$ 2,625,532	\$ 2,582,059
Commission's net pension liability as a percentage of covered payroll	21.20%	16.97%	33.04%	37.97%	40.43%	27.23%

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

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, 2020

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 159,343	\$ 147,813	\$ 138,200	\$ 151,288	\$ 201,144	\$ 173,949	\$ 173,114
Contributions in relation to the actuarially determined contribution	\$ 159,343	\$ 147,813	\$ 138,200	\$ 151,288	\$ 201,144	\$ 173,949	\$ 173,114
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 2,327,071	\$ 2,438,091	\$ 2,414,421	\$ 2,444,370	\$ 3,097,377	\$ 2,625,532	\$ 2,582,059
Contributions as a percentage of covered payroll	6.85%	6.06%	5.72%	6.19%	6.49%	6.63%	6.70%

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

(**) Employer's covered payroll for fiscal year 2020 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	13.7 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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

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

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
Taxes	\$ 2,539,909.74	\$ 2,539,909.74	\$ 2,486,155.00	(1)	\$ 8,961.31	\$ 2,495,116.31
Licenses and Permits			25,198.52			25,198.52
Intergovernmental	2,502,922.39	2,502,922.39	1,763,616.59			1,763,616.59
Charges for Services	460,996.64	460,996.64	512,275.98			512,275.98
Miscellaneous	199,666.45	199,666.45	168,669.41			168,669.41
Total Revenues	5,703,495.22	5,703,495.22	4,955,915.50		8,961.31	4,964,876.81
Expenditures						
Current:						
General Government	2,428,528.90	2,428,528.90	1,892,585.71	(2)	(16,542.63)	1,876,043.08
Public Safety	2,030,153.13	2,030,153.13	1,903,479.61			1,903,479.61
Health	101,344.47	101,344.47	89,178.56			89,178.56
Welfare	6,500.00	6,500.00	5,300.00			5,300.00
Culture and Recreation	50,600.00	50,600.00	50,600.00			50,600.00
Education	1,229,377.00	1,229,377.00	913,247.40			913,247.40
Debt Service:						
Principal Retirement	45,884.02	45,884.02	45,884.02			45,884.02
Interest and Fiscal Charges	1,741.65	1,741.65	1,741.65			1,741.65
Total Expenditures	5,894,129.17	5,894,129.17	4,902,016.95		(16,542.63)	4,885,474.32
Excess (Deficiency) of Revenues Over Expenditures	(190,633.95)	(190,633.95)	53,898.55		25,503.94	79,402.49
Other Financing Sources (Uses)						
Transfers In	1,301,553.97	1,301,553.97				
Transfers Out	(1,110,920.02)	(1,110,920.02)	(350,859.69)			(350,859.69)
Total Other Financing Sources (Uses)	190,633.95	190,633.95	(350,859.69)			(350,859.69)
Net Change in Fund Balances			(296,961.14)		25,503.94	(271,457.20)
Fund Balances - Beginning of Year			3,670,514.75	(3)	(61,853.30)	3,608,661.45
Fund Balances - End of Year	\$	\$	\$ 3,373,553.61		\$ (36,349.36)	\$ 3,337,204.25

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

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

With the exception of the following, the Commission budgets on the modified accrual basis of accounting (GAAP):

(1) The Commission budgets motor vehicle ad valorem tax and sales tax when collected, rather than on the modified accrual basis (GAAP).	\$ 8,961.31
(2) The Commission budgets salaries as they are actually paid, rather than on the modified accrual basis (GAAP).	<u>16,542.63</u>
Net Change in Fund Balance - Budget to GAAP	<u><u>\$ 25,503.94</u></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 (Exhibit 5) because of the cumulative effect of transactions such as those described above.	

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		<u>Budget to GAAP</u>	<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>		<u>Differences</u>	<u>GAAP Basis</u>
<u>Revenues</u>						
Intergovernmental	\$ 860,420.50	\$ 860,420.50	\$ 806,023.37		\$	\$ 806,023.37
Charges for Services	21,762.81	21,762.81	14,545.05			14,545.05
Miscellaneous	7,837.55	7,837.55	52,177.85			52,177.85
Total Revenues	890,020.86	890,020.86	872,746.27			872,746.27
<u>Expenditures</u>						
Current:						
Highways and Roads	1,965,001.91	1,965,001.91	1,017,636.45	(1)	(8,625.33)	1,009,011.12
Debt Service:						
Principal Retirement	294,007.52	294,007.52	294,007.52			294,007.52
Interest and Fiscal Charges	37,418.82	37,418.82	37,418.82			37,418.82
Total Expenditures	2,296,428.25	2,296,428.25	1,349,062.79		(8,625.33)	1,340,437.46
Excess (Deficiency) of Revenues Over Expenditures	(1,406,407.39)	(1,406,407.39)	(476,316.52)		8,625.33	(467,691.19)
<u>Other Financing Sources (Uses)</u>						
Transfers In	1,406,407.39	1,406,407.39	471,905.96			471,905.96
Total Other Financing Sources (Uses)	1,406,407.39	1,406,407.39	471,905.96			471,905.96
Net Change in Fund Balances			(4,410.56)		8,625.33	4,214.77
Fund Balances - Beginning of Year			342,673.00	(2)	(14,265.88)	328,407.12
Fund Balances - End of Year	\$	\$	\$ 338,262.44		\$ (5,640.55)	\$ 332,621.89

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

With the exception of the following, the Commission budgets on the modified accrual basis of accounting (GAAP):

- (1) The Commission budgets salaries as they are actually paid, rather than on the modified accrual basis (GAAP).

\$ 8,625.33

Net Change in Fund Balance - Budget to GAAP

\$ 8,625.33

- (2) 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 (Exhibit 5) because of the cumulative effect of transactions such as those described above.

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

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
Taxes	\$ 1,011,674.98	\$ 1,011,674.98	\$ 964,758.86	(1)	\$ (20,308.50)	\$ 944,450.36
Miscellaneous	8,843.40	8,843.40				
Total Revenues	1,020,518.38	1,020,518.38	964,758.86		(20,308.50)	944,450.36
Expenditures						
Debt Service:						
Principal Retirement			265,000.00			265,000.00
Interest and Fiscal Charges			65,584.13			65,584.13
Total Expenditures			330,584.13			330,584.13
Excess (Deficiency) of Revenues Over Expenditures	1,020,518.38	1,020,518.38	634,174.73		(20,308.50)	613,866.23
Other Financing Sources (Uses)						
Transfers Out	(870,170.00)	(870,170.00)	(536,837.79)			(536,837.79)
Total Other Financing Sources (Uses)	(870,170.00)	(870,170.00)	(536,837.79)			(536,837.79)
Net Change in Fund Balances	150,348.38	150,348.38	97,336.94		(20,308.50)	77,028.44
Fund Balances - Beginning of Year			35,983.08	(2)	(31,206.36)	4,776.72
Fund Balances - End of Year	\$ 150,348.38	\$ 150,348.38	\$ 133,320.02		\$ (51,514.86)	\$ 81,805.16

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

With the exception of the following, the Commission budgets on the modified accrual basis of accounting (GAAP):

- (1) The Commission budgets ad valorem taxes when collected, rather than on the modified accrual basis (GAAP).

\$ (20,308.50)

Net Change in Fund Balance - Budget to GAAP

\$ (20,308.50)

- (2) 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 (Exhibit 5) 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, 2020

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
Revenues					
Taxes	\$ 313,404.02	\$ 342,646.09	\$ 237,177.95	\$	\$ 237,177.95
Miscellaneous	1,600.00	1,600.00	645.00		645.00
Total Revenues	315,004.02	344,246.09	237,822.95		237,822.95
Expenditures					
Current:					
General Government	378,671.02	378,671.02	237,822.95		237,822.95
Total Expenditures	378,671.02	378,671.02	237,822.95		237,822.95
Excess (Deficiency) of Revenues Over Expenditures	(63,667.00)	(34,424.93)			
Other Financing Sources (Uses)					
Transfers Out					
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	(63,667.00)	(34,424.93)			
Fund Balances - Beginning of Year	63,667.00	34,424.93			
Fund Balances - End of Year	\$	\$	\$	\$	\$

Additional Information

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

Commission Members		Term Expires
Hon. Leonard Millender	Chairman	November 2020
Hon. Johnny W. Andrews, Jr.	Member	November 2020
Hon. David Campbell	Member	November 2020
Hon. Michael Riley	Member	November 2020
Hon. Wendell Byrd	Member	November 2020

Administrative Personnel

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

Independent Auditor's Report

Members of the Conecuh County Commission and the County Administrator
Evergreen, 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, each major fund, and the aggregate remaining fund information of the Conecuh County Commission, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Conecuh County Commission's basic financial statements, and have issued our report thereon dated August 14, 2024.

Report on Internal Control Over Financial Reporting

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

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

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.

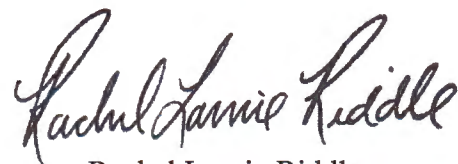
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Conecuh 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

August 14, 2024