



Alabama Department of Examiners of Public Accounts

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

October 1, 2021 through September 30, 2022

Filed: September 27, 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 Washington County Commission, Washington County, Alabama, for the period October 1, 2021 through September 30, 2022, by Examiners John Geary and Lynn Benson. I, John Geary, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

John Geary
Examiner of Public Accounts

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<p>Provides basic information related to the Commission, including reports and items required by generally accepted government auditing standards and/or Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i> for federal compliance audits.</p>	
Exhibit #21	Commission Members and Administrative Personnel – a listing of the Commission members and administrative personnel. 58
Exhibit #22	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – a report on internal controls related to the financial statements and on whether the Commission complied with laws and regulations which could have a direct and material effect on the Commission’s financial statements. 59
Exhibit #23	Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the <i>Uniform Guidance</i> – a report on internal controls over compliance with requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to major federal programs and an opinion on whether the Commission complied with federal statutes, regulations, and terms and conditions of its federal awards which could have a direct and material effect on each major program. 61
Exhibit #24	Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by the <i>Uniform Guidance</i> . 65



Department of
Examiners of Public Accounts

SUMMARY

**Washington County Commission
October 1, 2021 through September 30, 2022**

The Washington County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Washington County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 21. 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 Washington County.

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

An unmodified opinion was issued on the financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2022.

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

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 21, were invited to discuss the results of this report at an exit conference. Individuals in attendance were Sonya Kirkwood, Administrator/Treasurer; and Commissioners Marvin “Brad” Johnston, Jason Boothe, Joseph Abston, William Beasley, and Jack Allen Bailey, Jr. Also in attendance was the following representative from the Department of Examiners of Public Accounts: Cindy Wilson, Audit Manager.

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Independent Auditor's Report

Independent Auditor's Report

Members of Washington County Commission and County Administrator
Chatom, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington County Commission, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Washington County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 11.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington County Commission, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States (***Government Auditing Standards***). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Washington County Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 5 and 7, the Washington County Commission's basic financial statements for the year ended September 30, 2022, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement Number 87, ***Leases***. The Washington County Commission implemented the requirements of GASB Statement Number 87 during the fiscal year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Washington 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 Washington 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 Washington County Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Net Pension Liability, the Schedule of the Employer's Contributions-Pension and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 12 through 19), be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

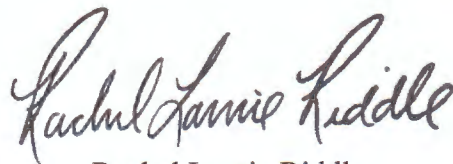
Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Washington County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 20), as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2024, on our consideration of the Washington 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 Washington 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 Washington County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

September 10, 2024

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Basic Financial Statements

Statement of Net Position
September 30, 2022

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 13,650,835.93	\$ 1,088,127.87	\$ 14,738,963.80
Receivables (Note 4)	311,399.04	2,006,586.61	2,317,985.65
Less: Allowance for Doubtful Accounts		(1,509,354.45)	(1,509,354.45)
Ad Valorem Taxes Receivable, Net	3,081,516.05		3,081,516.05
Total Current Assets	17,043,751.02	1,585,360.03	18,629,111.05
<u>Noncurrent Assets</u>			
Restricted Cash with Fiscal Agent	576,701.81		576,701.81
Capital Assets (Note 5):			
Nondepreciable	463,789.06		463,789.06
Depreciable, Net	20,282,057.64		20,282,057.64
Total Noncurrent Assets	21,322,548.51		21,322,548.51
Total Assets	38,366,299.53	1,585,360.03	39,951,659.56
<u>Deferred Outflows of Resources</u>			
Employer Pension Contributions	228,915.26	9,749.86	238,665.12
Deferred Outflows Related to Net Pension Liability	196,007.08	8,671.08	204,678.16
Total Deferred Outflows of Resources	424,922.34	18,420.94	443,343.28
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Payables	214,428.09	172,382.20	386,810.29
Unearned Revenue	2,267,598.92		2,267,598.92
Accrued Wages Payable	134,347.21	9,462.47	143,809.68
Long-Term Liabilities (Note 7):			
Portion Due Within One Year:			
Notes From Direct Borrowing	845,701.67		845,701.67
Warrants Payable	804,380.06		804,380.06
Less: Unamortized Discount	(540.73)		(540.73)
Estimated Liability for Compensated Absences	13,322.06	687.89	14,009.95
Total Current Liabilities	\$ 4,279,237.28	\$ 182,532.56	\$ 4,461,769.84

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

	Governmental Activities	Business-Type Activities	Total
<u>Noncurrent Liabilities</u>			
Portion Payable After One Year:			
Notes From Direct Borrowing	\$ 2,633,435.75	\$	\$ 2,633,435.75
Warrants Payable	6,538,225.91		6,538,225.91
Less: Unamortized Discount	(1,622.19)		(1,622.19)
Estimated Liability for			
Compensated Absences	119,898.50	6,191.01	126,089.51
Pension Liability	851,858.92	37,896.07	889,754.99
Total Noncurrent Liabilities	<u>10,141,796.89</u>	<u>44,087.08</u>	<u>10,185,883.97</u>
 Total Liabilities	 <u>14,421,034.17</u>	 <u>226,619.64</u>	 <u>14,647,653.81</u>
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue Property Taxes	3,081,516.05		3,081,516.05
Deferred Inflows Related to Net Pension Liability	987,940.46	38,817.54	1,026,758.00
Total Deferred Inflows of Resources	<u>4,069,456.51</u>	<u>38,817.54</u>	<u>4,108,274.05</u>
<u>Net Position</u>			
Net Investment in Capital Assets	9,926,266.23		9,926,266.23
Restricted for:			
Highways and Roads	8,187,527.53		8,187,527.53
Debt Service	577,408.76		577,408.76
Public Safety	950,323.65		950,323.65
Capital Projects	342,543.48		342,543.48
Other Purposes	170,587.73		170,587.73
Unrestricted	146,073.81	1,338,343.79	1,484,417.60
 Total Net Position	 <u>\$ 20,300,731.19</u>	 <u>\$ 1,338,343.79</u>	 <u>\$ 21,639,074.98</u>

Statement of Activities
For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 3,375,924.07	\$ 678,852.16	\$ 2,352,605.30	\$ 244,663.97	\$ (99,802.64)	\$	\$ (99,802.64)
Public Safety	1,897,211.30	252,191.26	1,199,266.97		(445,753.07)		(445,753.07)
Highways and Roads	8,046,440.26	232,368.12	3,316,157.05		(4,497,915.09)		(4,497,915.09)
Sanitation	799,929.02	280,519.45			(519,409.57)		(519,409.57)
Welfare	43,161.36		359,803.86		316,642.50		316,642.50
Culture and Recreation	10,000.00		31,006.20		21,006.20		21,006.20
Education	84,008.94				(84,008.94)		(84,008.94)
Interest and Fiscal Charges	358,592.02				(358,592.02)		(358,592.02)
Total Governmental Activities	14,615,266.97	1,443,930.99	7,258,839.38	244,663.97	(5,667,832.63)		(5,667,832.63)
Business-Type Activities							
Solid Waste	3,172,780.78	3,143,456.57				(29,324.21)	(29,324.21)
Total Business-Type Activities	3,172,780.78	3,143,456.57				(29,324.21)	(29,324.21)
Total Primary Government	\$ 17,788,047.75	\$ 4,587,387.56	\$ 7,258,839.38	\$ 244,663.97	(5,667,832.63)	(29,324.21)	(5,697,156.84)
General Revenues:							
Taxes:							
Property Taxes for General Purposes					2,848,953.60		2,848,953.60
Property Taxes for Specific Purposes					521,473.73		521,473.73
Tobacco Tax					109,431.08		109,431.08
Miscellaneous Taxes					341,456.11		341,456.11
Grants and Contributions Not Restricted for Specific Purposes					369,851.94		369,851.94
Unrestricted Investment Earnings					2,115.67	320.42	2,436.09
Miscellaneous					210,669.00		210,669.00
Sales Tax					3,735,844.88		3,735,844.88
Gain of Sale of Capital Assets					181,929.75		181,929.75
Total General Revenues					8,321,725.76	320.42	8,322,046.18
Change in Net Position					2,653,893.13	(29,003.79)	2,624,889.34
Net Position - Beginning of Year					17,646,838.06	1,367,347.58	19,014,185.64
Net Position - End of Year					\$ 20,300,731.19	\$ 1,338,343.79	\$ 21,639,074.98

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

Balance Sheet
Governmental Funds
September 30, 2022

	General Fund	Public Buildings, Roads and Bridges Fund	Sales Tax Fund	RRR Gasoline Tax Fund	Reappraisal Fund	Coronavirus State and Local Fiscal Recovery Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and Cash Equivalents	\$ 1,395,334.61	\$ 479,558.62	\$ 5,270,188.01	\$ 2,144,866.71	\$ 229,259.50	\$ 2,045,572.69	\$ 2,086,055.79	\$ 13,650,835.93
Cash with Fiscal Agent							576,701.81	576,701.81
Receivables (Note 4)	37,904.27	121,458.75		77,718.29			74,317.73	311,399.04
Ad Valorem Taxes Receivable	1,821,873.22	866,227.83			393,415.00			3,081,516.05
Total Assets	3,255,112.10	1,467,245.20	5,270,188.01	2,222,585.00	622,674.50	2,045,572.69	2,737,075.33	17,620,452.83
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
Payables	159,925.97	48,862.44		1,694.37	244.27		3,701.04	214,428.09
Unearned Revenue					222,026.23	2,045,572.69		2,267,598.92
Accrued Wages Payable	83,022.66	44,335.55			6,989.00			134,347.21
Total Liabilities	242,948.63	93,197.99		1,694.37	229,259.50	2,045,572.69	3,701.04	2,616,374.22
Deferred Inflows of Resources								
Unavailable Revenue Property Taxes	1,821,873.22	866,227.83			393,415.00			3,081,516.05
Total Deferred Inflows of Resources	1,821,873.22	866,227.83			393,415.00			3,081,516.05
Fund Balances								
Restricted for:								
Highways and Roads		3,938.22	5,270,188.01	2,220,890.63			692,510.67	8,187,527.53
Debt Service							577,408.76	577,408.76
Capital Projects							342,543.48	342,543.48
Public Safety							950,323.65	950,323.65
Other Purposes							170,587.73	170,587.73
Assigned for:								
Highways and Roads		503,881.16						503,881.16
Unassigned	1,190,290.25							1,190,290.25
Total Fund Balances	1,190,290.25	507,819.38	5,270,188.01	2,220,890.63			2,733,374.29	11,922,562.56
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,255,112.10	\$ 1,467,245.20	\$ 5,270,188.01	\$ 2,222,585.00	\$ 622,674.50	\$ 2,045,572.69	\$ 2,737,075.33	\$ 17,620,452.83

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

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2022***

Total Fund Balances - Governmental Funds (Exhibit 3)		\$ 11,922,562.56
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.		20,745,846.70
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		(563,018.12)
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 Portion of Long-Term Debt	\$ 1,662,863.06	
Noncurrent Portion of Long-Term Debt	<u>10,141,796.89</u>	
		<u>(11,804,659.95)</u>
Total Net Position - Governmental Activities (Exhibit 1)		<u><u>\$ 20,300,731.19</u></u>

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, 2022

	General Fund	Public Buildings, Roads and Bridges Fund	Sales Tax Fund	RRR Gasoline Tax Fund	Reappraisal Fund	Coronavirus State and Local Fiscal Recovery Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 2,067,400.23	\$ 957,188.00	\$ 3,349,991.37	\$	\$ 407,812.73	\$	\$ 69,994.52	\$ 6,852,386.85
Licenses and Permits	21,727.50						54,896.56	76,624.06
Intergovernmental	2,331,283.65	971,817.99	713,681.45	1,177,754.74		339,884.39	2,529,022.54	8,063,444.76
Charges for Services	947,169.15	232,368.12					606,998.06	1,786,535.33
Miscellaneous	160,669.17	52.64	50,000.00	254.77			97,262.77	308,239.35
Total Revenues	5,528,249.70	2,161,426.75	4,113,672.82	1,178,009.51	407,812.73	339,884.39	3,358,174.45	17,087,230.35
Expenditures								
Current:								
General Government	2,848,853.06				256,365.68	95,134.02	141,000.14	3,341,352.90
Public Safety	1,574,522.01						357,588.15	1,932,110.16
Highways and Roads		1,839,641.85	2,140,633.86	1,180,021.94			2,212,169.66	7,372,467.31
Sanitation	440,126.02						359,803.00	799,929.02
Welfare	9,000.00						34,161.36	43,161.36
Culture and Recreation	10,000.00							10,000.00
Education	84,008.94							84,008.94
Capital Outlay	33,776.27	2,297,864.80			178,118.00		167,756.58	2,677,515.65
Debt Service:								
Principal Retirement	34,430.64	749,061.22					780,985.53	1,564,477.39
Interest and Fiscal Charges		108,023.07					250,028.22	358,051.29
Total Expenditures	5,034,716.94	4,994,590.94	2,140,633.86	1,180,021.94	434,483.68	95,134.02	4,303,492.64	18,183,074.02
Excess (Deficiency) of Revenues Over Expenditures								
	493,532.76	(2,833,164.19)	1,973,038.96	(2,012.43)	(26,670.95)	244,750.37	(945,318.19)	(1,095,843.67)
Other Financing Sources (Uses)								
Transfers In	1,180,094.58	1,067,533.93			15,170.95		1,445,983.26	3,708,782.72
Long-Term Debt Issued		1,800,000.00						1,800,000.00
Sale of Capital Assets		401,570.00			11,500.00			413,070.00
Transfers Out	(663,279.20)		(1,504,572.94)	(261,180.21)		(244,750.37)	(1,035,000.00)	(3,708,782.72)
Total Other Financing Sources (Uses)	516,815.38	3,269,103.93	(1,504,572.94)	(261,180.21)	26,670.95	(244,750.37)	410,983.26	2,213,070.00
Net Changes in Fund Balances								
	1,010,348.14	435,939.74	468,466.02	(263,192.64)			(534,334.93)	1,117,226.33
Fund Balances - Beginning of Year								
	179,942.11	71,879.64	4,801,721.99	2,484,083.27			3,267,709.22	10,805,336.23
Fund Balances - End of Year								
	\$ 1,190,290.25	\$ 507,819.38	\$ 5,270,188.01	\$ 2,220,890.63	\$	\$	\$ 2,733,374.29	\$ 11,922,562.56

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2022

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 1,117,226.33

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

Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount which capital outlays (\$2,677,515.65) differ from depreciation (\$985,381.45). 1,692,134.20

In the Statement of Activities, only the gain (\$181,929.75) on the sale of capital assets is reported, whereas in the governmental funds, the proceeds (\$413,070.00) from the sale increase financial resources. Thus the change in net position differs from the change in fund balance by the net cost of the assets sold. (231,140.25)

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. (1,800,000.00)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not impact the Statement of Activities. 1,564,477.39

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 Decrease in Compensated Absences	\$	9,238.21	
Net Decrease in Pension Expense		302,497.98	
Amortization of Discounts on Debt Issued		(540.73)	
Total Additional Expenditures		311,195.46	311,195.46

Change in Net Position of Governmental Activities (Exhibit 2) \$ 2,653,893.13

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

Statement of Net Position
Proprietary Fund
September 30, 2022

	<u>Enterprise Fund</u>	
	Solid Waste Disposal Authority	Total Enterprise Fund
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 1,088,127.87	\$ 1,088,127.87
Accounts Receivable	2,006,586.61	2,006,586.61
Less: Allowance for Doubtful Accounts	(1,509,354.45)	(1,509,354.45)
Total Current Assets	1,585,360.03	1,585,360.03
<u>Deferred Outflows of Resources</u>		
Employer Pension Contributions	9,749.86	9,749.86
Deferred Outflows of Resources to Net Pension Liability	8,671.08	8,671.08
Total Deferred Outflows of Resources	18,420.94	18,420.94
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts Payables	172,382.20	172,382.20
Accrued Wages Payable	9,462.47	9,462.47
Long-Term Liabilities (Note 7):		
Portions Due or Payable Within One Year:		
Compensated Absences	687.89	687.89
Total Current Liabilities	182,532.56	182,532.56
<u>Noncurrent Liabilities</u>		
Long-Term Liabilities (Note 7):		
Portions Due or Payable After One Year:		
Net Pension Liability	37,896.07	37,896.07
Compensated Absences	6,191.01	6,191.01
Total Noncurrent Liabilities	44,087.08	44,087.08
Total Liabilities	226,619.64	226,619.64
<u>Deferred Inflows of Resources</u>		
Deferred Inflows Related to Net Pension Liability	38,817.54	38,817.54
Total Deferred Inflows of Resources	38,817.54	38,817.54
<u>Net Position</u>		
Unrestricted	1,338,343.79	1,338,343.79
Total Net Position	\$ 1,338,343.79	\$ 1,338,343.79

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

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2022

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Disposal</u> <u>Authority</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<u>Operating Revenues</u>		
Charges for Services	\$ 3,143,456.57	\$ 3,143,456.57
Total Operating Revenues	<u>3,143,456.57</u>	<u>3,143,456.57</u>
<u>Operating Expenses</u>		
Salaries and Benefits	257,983.67	257,983.67
Contractual and Professional Services	1,870,438.99	1,870,438.99
Legal	32,035.61	32,035.61
Materials and Supplies	958,412.91	958,412.91
Repairs and Maintenance	19,627.41	19,627.41
Utilities	16,934.18	16,934.18
Miscellaneous	17,348.01	17,348.01
Total Operating Expenses	<u>3,172,780.78</u>	<u>3,172,780.78</u>
Operating Income (Loss)	<u>(29,324.21)</u>	<u>(29,324.21)</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest	320.42	320.42
Total Nonoperating Revenues (Expenses)	<u>320.42</u>	<u>320.42</u>
Change in Net Position	(29,003.79)	(29,003.79)
Net Position - Beginning of Year	<u>1,367,347.58</u>	<u>1,367,347.58</u>
Net Position - End of Year	<u>\$ 1,338,343.79</u>	<u>\$ 1,338,343.79</u>

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

Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2022

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Disposal</u> <u>Authority</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from Customers	\$ 3,166,754.36	\$ 3,166,754.36
Payments to Suppliers	(2,867,619.44)	(2,867,619.44)
Payments to Employees	(264,841.34)	(264,841.34)
Net Cash Provided (Used) by Operating Activities	<u>34,293.58</u>	<u>34,293.58</u>
<u>Cash Flows from Investing Activities</u>		
Interest and Dividends	320.42	320.42
Net Cash Provided (Used) by Investing Activities	<u>320.42</u>	<u>320.42</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	34,614.00	34,614.00
Cash and Cash Equivalents - Beginning of Year	<u>1,053,513.87</u>	<u>1,053,513.87</u>
Cash and Cash Equivalents - End of Year	<u><u>1,088,127.87</u></u>	<u><u>1,088,127.87</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating Income (Loss)	(29,324.21)	(29,324.21)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</u>		
Pension Expense	(7,975.58)	(7,975.58)
Change in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable, Net	23,297.79	23,297.79
Increase/(Decrease) in Accounts Payable	47,177.67	47,177.67
Increase/(Decrease) in Accrued Wages Payable	(1,577.76)	(1,577.76)
Increase/(Decrease) in Compensated Absences	2,695.67	2,695.67
Total Adjustments	<u>63,617.79</u>	<u>63,617.79</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 34,293.58</u>	<u>\$ 34,293.58</u>

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

Statement of Fiduciary Net Position
September 30, 2022

	Custodial Funds
<u>Assets</u>	
Cash	\$ 672,849.82
Total Assets	<u>672,849.82</u>
<u>Liabilities</u>	
Payables	<u>623,528.81</u>
Total Liabilities	<u>623,528.81</u>
<u>Net Position</u>	
Held in Trust for Other Purposes	49,321.01
Total Net Position	<u>\$ 49,321.01</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, 2022***

	Custodial Funds
<u>Additions</u>	
Taxes	\$ 7,196,397.03
Charges for Services	1,820,729.74
Miscellaneous	15,928.38
Total Additions	<u>9,033,055.15</u>
<u>Deductions</u>	
General Government	<u>9,029,410.62</u>
Total Deductions	<u>9,029,410.62</u>
Changes in Net Position	3,644.53
Net Position - Beginning of Year	<u>45,676.48</u>
Net Position - End of Year	<u><u>\$ 49,321.01</u></u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Based on the application of the above criteria, the following entities are component units that have been included in the accompanying financial statements as blended component units.

Blended Component Units – Blended component units are legally separate entities that exist solely to provide services (usually financing) exclusively to the County. The blended component units are as follows:

- ◆ **Washington County Emergency Medical Rescue Board** – The revenues and expenditures of this Board are for the purpose of providing emergency medical services to the citizens of Washington County.
- ◆ **Washington County Solid Waste Authority** – The revenues and expenditures are used to account for the cost of providing solid waste service to county residents.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental 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.
- ◆ **Public Buildings, Roads and Bridges Fund** – This fund is used to account for the County's share of statewide seven-cent gasoline tax as well as certain ad valorem taxes. These revenues are earmarked for the conduction and maintenance of county roads.
- ◆ **Sales Tax Fund** – This fund is used to account the proceeds of a local sales tax. These revenues are earmarked for the construction and maintenance of county roads
- ◆ **RRR Gasoline Tax Fund** – This fund is used to account for the County's share of statewide four-cent gasoline tax. These revenues are earmarked for the resurfacing, restoration, and rehabilitation of county roads.
- ◆ **Reappraisal Fund** – This fund is used to account for property taxes and other revenues required to be expended for the costs of the property reappraisal program.

Notes to the Financial Statements

For the Year Ended September 30, 2022

- ◆ **Coronavirus State and Local Fiscal Recovery Fund** – This fund is used to account for the revenues and expenditures of the Coronavirus State and Local Fiscal Recovery Funds, which is part of the American Rescue Plan Act, for response to and recovery from the COVID-19 public health emergency.

The Commission reports the following major enterprise fund:

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

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 that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The Commission reports the following fiduciary fund type:

Fiduciary Fund Type

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

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

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

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2022

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

1. Deposits

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

2. Receivables

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

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

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

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

3. Restricted Assets

Certain general obligation and special revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Notes to the Financial Statements
For the Year Ended September 30, 2022

4. Capital Assets

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

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

	Capitalization Threshold	Estimated Useful Life
Buildings and Improvements	\$ 50,000	20 – 40 years
Equipment and Furniture	\$ 5,000	5 – 10 years
Roads	\$250,000	20 years
Bridges	\$ 50,000	40 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 outflow of resources is 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, 2022

6. Long-Term Obligations

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

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

7. Compensated Absences

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

Annual Leave

Employees shall accrue annual leave at the following rates to a maximum, at any one time of twenty (20) days plus any annual leave earned in the current year:

Completed Service	Vacation Credit Per Year
First Year	One Week (5 days)
Second to Tenth Year	Two Weeks (10 days)
Eleventh to Twentieth Years	Three Weeks (15 days)
Twenty-First and all Subsequent Years	Four Weeks (20 days)

Employee records will be balanced at the end of each calendar year. When department work schedules will not permit an employee to take annual leave, the employee may be paid for any earned leave, which would otherwise be forfeited. Accumulated annual leave shall be paid in full upon the employee's separation from County employment.

Notes to the Financial Statements

For the Year Ended September 30, 2022

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. Unused sick leave credits may be accumulated and carried over into successive fiscal years by employees. An employee may accrue up to a maximum, at any one time, of sixty (60) days. All unused sick leave is forfeited upon separation and is not compensated to the employee.

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

9. Net Position/Fund Balances

Net position is reported on the government-wide and proprietary fund financial statements and is required to be classified for accounting and reporting purposes into the following net asset 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 or resources and deferred inflows or 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.
- ◆ **Assigned** – Consists of amounts that are intended to be used by the Commission for specific purposes. The Commission delegated authority to the Commission Chairman of County Administrator to make determination of the assigned amounts of fund balance.
- ◆ **Unrestricted** – The net amount of assets, deferred outflows or resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restriction 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.

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- C. Committed fund balances consist of amounts that are subject to a specific purpose imposed by formal action or resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D. Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission or its designee makes the determination of the assigned fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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 are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund; the Public Buildings, Roads and Bridges Fund; and the Reappraisal Fund with the exception of salaries and benefits, which are budgeted only to the extent to be paid rather than on the modified accrual basis of accounting. Also, ad valorem taxes are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. The RRR Gasoline Tax Fund, Sales Tax Fund, and the Coronavirus State and Local Fiscal Recovery Fund budgets on a basis of accounting consistent with GAAP. Capital projects funds adopt project-length budgets. All other governmental funds prepare budgets on the modified accrual basis of accounting with the same exceptions, as applicable. 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 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, 2022

Note 3 – Deposits

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

Cash with Fiscal Agent

The ***Code of Alabama 1975***, Section 11-8-1 and Section 11-18-20, authorizes the Commission to invest in obligations of the U. S. Treasury and federal agency securities along with certain pre-refunded public obligations 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.

As of September 30, 2022, the Commission’s cash with fiscal agent was invested as follows:

Investments	Value
Fidelity Investments Money Market	<u>\$576,701.81</u>

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.

Notes to the Financial Statements
For the Year Ended September 30, 2022

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 investments be rated in the highest rating category of Standard & Poor’s Corporation and Moody’s Investors Service, Inc. The Commission has not adopted a policy. Fidelity Investment Money Market was rated AAA-mf by Moody’s and AAAM by Standard & Poor’s Rating Group.

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 an investment policy that limits the amount of securities that can be held by counterparties. The Commission’s deposits that are invested by the fiscal agent are held by the counterparty but not in the name of the Commission.

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 that limits the amount the Commission may invest in any one issuer.

Note 4 – Receivables

On September 30, 2022, receivables for the Commission’s individual major funds and other governmental funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Public Buildings, Roads and Bridges Fund	RRR Gasoline Tax Fund	Other	Total
Receivables:					
Intergovernmental	\$37,904.27	\$121,458.75	\$77,718.29	\$73,610.78	\$310,692.09
Accounts Receivable				706.95	706.95
Total Receivables	\$37,904.27	\$121,458.75	\$77,718.29	\$74,317.73	\$311,399.04

	Solid Waste Fund	Total Enterprise Fund
Receivables:		
Accounts Receivable	\$ 2,006,586.61	\$ 2,006,586.61
Less: Allowance for Doubtful Accounts	(1,509,354.45)	(1,509,354.45)
Net Total Receivables	\$ 497,232.16	\$ 497,232.16

Notes to the Financial Statements
For the Year Ended September 30, 2022

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2022, the Commission reported unspent restricted revenue totaling \$2,267,598.92.

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance 10/01/2021, as Restated (*)	Additions	Retirements	Balance 09/30/2022
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 463,789.06	\$	\$	\$ 463,789.06
Total Capital Assets, Not Being Depreciated	463,789.06			463,789.06
Capital Assets Being Depreciated:				
Infrastructure	15,526,646.85			15,526,646.85
Buildings and Improvements	6,293,163.24	5,800.00		6,298,963.24
Construction Equipment (*)	4,628,085.20	2,163,169.00	(722,079.19)	6,069,175.01
Office Equipment	502,012.96	157,500.00		659,512.96
Motor Vehicles	1,314,474.53	351,046.65	(329,261.52)	1,336,259.66
Total Capital Assets Being Depreciated	28,264,382.78	2,677,515.65	(1,051,340.71)	29,890,557.72
Less Accumulated Depreciation for:				
Infrastructure	(3,023,329.03)	(396,480.93)		(3,419,809.96)
Buildings and Improvements	(3,448,609.71)	(134,255.43)		(3,582,865.14)
Construction Equipment (*)	(1,680,572.29)	(363,600.39)	537,466.58	(1,506,706.10)
Office Equipment	(502,012.96)			(502,012.96)
Motor Vehicles	(788,795.10)	(91,044.70)	282,733.88	(597,105.92)
Total Accumulated Depreciation	(9,443,319.09)	(985,381.45)	820,200.46	(9,608,500.08)
Total Capital Assets, Being Depreciated, Net	18,821,063.69	1,692,134.20	(231,140.25)	20,282,057.64
Governmental Activities Capital Assets, Net	\$19,284,852.75	\$1,692,134.20	\$ (231,140.25)	\$20,745,846.70
(*) Restated due to the implementation of GASB Statement Number 87 – Leases.				

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$134,255.43
Public Safety	61,520.90
Highways and Roads	789,605.12
Total	<u>\$985,381.45</u>

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer plan (the "Plan"), was established October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Effective October 1, 2021, Act Number 2021-390, Acts of Alabama, created two additional representatives to the ERS Board of Control effective October 1, 2021. 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 15 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) Eight 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. One full-time employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.
 - d. One full-time employee of a participating county in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.
 - e. One full-time employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.
 - f. One full time employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.

Notes to the Financial Statements

For the Year Ended September 30, 2022

Benefits Provided

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

Act Number 2019-316, Acts of Alabama, allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of the partial lump sum distribution selected.

The ERS serves approximately 879 local participating employers. The ERS membership includes approximately 104,510 participants. As of September 30, 2021, membership consisted of:

Retirees and beneficiaries currently receiving benefits	29,727
Terminated employees entitled to but not yet receiving benefits	2,130
Terminated employees not entitled to a benefit	16,415
Active Members	56,184
Post-DROP participants who are still active service	54
Total	104,510

Contributions

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2022, the Washington County Commission's active employee contribution rate was 6.33% of covered employee payroll, and the County's average contribution rate to fund the normal and accrued liability costs was 6.89% of pensionable payroll.

The Washington County Commission's contractually required contribution rate for the year ended September 30, 2022, was 7.93% of pensionable pay for Tier 1 employees, and 5.78% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2019, 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 \$238,665.12 for the year ended September 30, 2022.

Notes to the Financial Statements
For the Year Ended September 30, 2022

B. Net Pension Liability

The Washington County Commission's net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2020, rolled forward to September 30, 2021, using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward			
	Expected	Actual Before Act 2019-132	Actual After Act 2019-132	Actual After 2020 Experience Study
(a) Total Pension Liability as of September 30, 2020	\$9,577,484	\$9,303,488	\$9,303,488	\$9,553,382
(b) Discount Rate	7.70%	7.70%	7.70%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2020 through September 30, 2021	253,517	253,517	253,517	278,998
(d) Transfers Among Employers		(250,961)	(250,961)	(250,961)
(e) Actual Benefit Payments and Refunds for the period October 1, 2020 through September 30, 2021	(545,707)	(545,707)	(545,707)	(545,707)
(f) Total Pension Liability as of September 30, 2021 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$10,001,751</u>	<u>\$9,455,695</u>	<u>\$9,455,695</u>	<u>\$9,727,112</u>
(g) Difference between Expected and Actual		\$ (546,056)		
(h) Less Liability Transferred for Immediate Recognition		<u>(250,961)</u>		
(i) Difference between Expected and Actual – Experience (Gain)/Loss		<u>\$ (295,095)</u>		
(j) Difference between Actual TPL Before and After Act 2019-132 – Benefit Change (Gain)/Loss			<u>\$</u>	
(k) Difference between Actual TPL Before and After 2020 Experience Study – Assumption Change (Gain)/Loss				<u>\$ 271,417</u>

Notes to the Financial Statements

For the Year Ended September 30, 2022

Actuarial Assumptions

The total pension liability as of September 30, 2021, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2020. The key actuarial assumptions are summarized below:

Inflation	2.50%
Projected Salary Increases, including inflation:	
State and Local Employees	3.25-6.00%
State Police	4.00-7.75%
Investment Rate of Return (*)	7.45%
(*) Net of pension plan investment expense	

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019.

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages <65, 96% ages >=65 Female: 96% all ages
FLC/State Police Service Retirees Beneficiaries	Public Safety Healthy Below Median Contingent Survivor Below Median	Male: +1, Female: none Male: +2, Female: +2	None None
Non-FLC Disabled Retirees FLC/State Police Disabled Retirees	General Disability Public Safety Disability	Male: +7, Female: +3 Male: +7, Female: none	None None

The actuarial assumptions used in the September 30, 2020, valuation were based on the results of an actuarial experience study for the period October 1, 2015 through September 30, 2020.

Notes to the Financial Statements
For the Year Ended September 30, 2022

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	15.00%	2.80%
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%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.00%.

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements
For the Year Ended September 30, 2022

C. Changes in Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at September 30, 2020	\$9,577,484	\$7,585,451	\$ 1,992,033
Changes for the Year:			
Service cost	253,517		253,517
Interest	716,457		716,457
Changes in assumptions	271,417		271,417
Differences between expected and actual experience	(295,095)		(295,095)
Contributions – employer		210,393	(210,393)
Contributions – employee		196,943	(196,943)
Net investment income		1,641,238	(1,641,238)
Benefit payments, including refunds of employee contributions	(545,707)	(545,707)	
Transfers among employers	(250,961)	(250,961)	
Net Changes	149,628	1,251,906	(1,102,278)
Balances at September 30, 2021	\$9,727,112	\$8,837,357	\$ 889,755

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 7.45%, 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 (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
Commission’s Net Pension Liability (Asset)	\$1,941,730	\$889,755	\$(6,252)

Notes to the Financial Statements
For the Year Ended September 30, 2022

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, 2021. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2021. The auditor’s report dated August 19, 2022, 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, 2022, the Washington County Commission recognized pension income of \$93,491.00. At September 30, 2022, the Washington County Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 379,344.00
Changes of assumptions	204,678.16	
Net difference between projected and actual earnings on pension plan investments		647,414.00
Employer contributions subsequent to the measurement date	238,665.12	
Total	<u>\$443,343.28</u>	<u>\$1,026,758.00</u>

Notes to the Financial Statements
For the Year Ended September 30, 2022

The \$238,665.12 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2023	\$(250,950)
2024	\$(152,741)
2025	\$(191,508)
2026	\$(216,078)
2027	\$ 0
Thereafter	\$ 0

Note 7 – Long-Term Debt

On December 1, 2011, General Obligation Warrants in the amount of \$1,110,000.00 were issued for the purpose of refunding a portion of the long-term note issued on January 28, 2008. Also, a portion of the proceeds is to be used to fund certain capital improvements.

On November 19, 2014, General Obligation Warrants in the amount of \$1,855,000.00 were issued for the purpose of currently refunding the 2007 General Obligation Warrants maturing after February 1, 2016 and to pay issuance expense on the Warrants.

On December 27, 2018, General Obligation Warrants in the amount of \$7,500,000.00 were issued for the purpose of making improvements to roads and bridges in Washington County.

On October 12, 2012, a Direct Borrowing-Note Payable in the amount of \$344,306.00 was issued for the purpose of implementing energy efficiency measures. In the event of default of the terms and conditions of the note payable, all rights and remedies available may be pursued, including, but not limited to, acceleration of all amounts due, or a suit for specific performance, injunctive relief or damages.

The Commission has entered into various Notes from Direct Borrowing for the purchase of equipment.

Notes to the Financial Statements
For the Year Ended September 30, 2022

The following is a summary of general long-term obligations for the Commission for the year ended September 30, 2022:

	Debt Outstanding 10/01/2021, as Restated (*)	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2022	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
Series 2011 General Obligation Warrants	\$ 510,000.00	\$	\$ (75,000.00)	\$ 435,000.00	\$ 80,000.00
Series 2014 General Obligation Warrants	1,050,000.00		(140,000.00)	910,000.00	140,000.00
Series 2018 General Obligation Warrants	6,563,591.50		(565,985.53)	5,997,605.97	584,380.06
Less: Unamortized Discount	(2,703.65)		540.73	(2,162.92)	(540.73)
Total Warrants Payable	8,120,887.85		(780,444.80)	7,340,443.05	803,839.33
Other Liabilities:					
Notes from Direct Borrowing (*)	2,462,629.28	1,800,000.00	(783,491.86)	3,479,137.42	845,701.67
Compensated Absences	142,458.77		(9,238.21)	133,220.56	13,322.06
Net Pension Liability	1,907,290.11		(1,055,431.19)	851,858.92	
Total Other Liabilities	4,512,378.16	1,800,000.00	(1,848,161.26)	4,464,216.90	859,023.73
Total Governmental Activities Long-Term Liabilities	12,633,266.01	1,800,000.00	(2,628,606.06)	11,804,659.95	1,662,863.06
Business-Type Activities:					
Other Liabilities:					
Pension Liability	84,742.88		(46,846.81)	37,896.07	
Compensated Absences	4,183.23	2,695.67		6,878.90	687.89
Total Business-Type Activities Long-Term Liabilities	\$ 88,926.11	\$ 2,695.67	\$ (46,846.81)	\$ 44,774.97	\$ 687.89
(*) Restated \$2,425,329.82 from Capital Leases to Notes from Direct Borrowing due to the implementation of GASB Statement Number 87 – Leases.					

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the General Fund and Debt Service Funds. The notes from direct borrowing for the governmental activities will be liquidated by the Gasoline Tax Fund and the Public Buildings, Roads and Bridges Fund.

Notes to the Financial Statements
For the Year Ended September 30, 2022

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

Fiscal Year Ending	Warrants Payable		Notes from Direct Borrowing		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	
September 30, 2023	\$ 804,380.06	\$ 225,189.78	\$ 845,701.67	\$ 84,353.71	\$ 1,959,625.22
2024	828,372.42	199,228.17	764,450.63	62,531.03	1,854,582.25
2025	852,982.02	172,104.28	751,583.25	41,881.35	1,818,550.90
2026	893,228.93	143,540.85	523,287.53	20,704.47	1,580,761.78
2027	919,133.88	113,816.21	271,022.20	9,387.44	1,313,359.73
2028-2032	3,044,508.66	193,465.86	323,092.14	4,051.94	3,565,118.60
Totals	\$7,342,605.97	\$1,047,345.15	\$3,479,137.42	\$222,909.94	\$12,091,998.48

Deferred Discounts

The Commission has a discount in connection with the issuance of its General Obligation Warrants, Series 2011. The discount is being amortized using the straight-line method over a period of fifteen years.

	Discount
Total Discount	\$ 27,260.95
Amount Amortized Prior Years	(24,557.30)
Balance Discount	2,703.65
Current Amount Amortized	(540.73)
Balance Discount	\$ 2,162.92

Pledged Revenues

The Commission has pledged a portion of the future general ad valorem taxes to repay principal amounts of \$5,997,605.97 in General Obligation Warrants, Series 2018 issued in December 2018 for capital improvements, \$910,000.00 in General Obligation Warrants, Series 2014 issued in November 2014 to refund the Commission's General Obligation Warrants, Series 2007, and \$435,000.00 in General Obligation Warrants, Series 2011 issued in December 2011 to refund and redeem a portion of outstanding General Obligation Warrants, Series 2001, and fund certain capital improvements. The warrants are payable from a share of the proceeds of the general ad valorem taxes that are levied and collected in Washington County. Total principal and interest remaining on the bonds at September 30, 2022, are \$6,916,259.23, \$994,279.39 and \$479,412.50, respectively payable through February 2031. For the current year, principal and interest paid from general ad valorem tax revenues were \$1,031,013.75.

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 8 – Risk Management

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 9 – Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2022, were as follows:

	Transfers Out					Totals
	General Fund	Sales Tax Fund	RRR Gasoline Tax Fund	Coronavirus State and Local Fiscal Recovery Fund	Other Governmental Funds	
Transfers In:						
General Fund	\$	\$	\$	\$145,094.58	\$1,035,000.00	\$1,180,094.58
Road and Bridge Fund		725,309.25	261,180.21	81,044.47		1,067,533.93
Reappraisal Fund				15,170.95		15,170.95
Other Governmental Funds	663,279.20	779,263.69		3,440.37		1,445,983.26
Totals	<u>\$663,279.20</u>	<u>\$1,504,572.94</u>	<u>\$261,180.21</u>	<u>\$244,750.37</u>	<u>\$1,035,000.00</u>	<u>\$3,708,782.72</u>

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

Note 10 – Related Organizations

A majority of the members of the Board of the organizations listed below are appointed by the Washington 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 organizations presented below are considered related organizations of the County Commission.

Related Organizations
Public Parks and Recreation Board of Washington County
Leroy Water Authority
Washington County Hospital Board
Washington County Housing Authority
Washington County Water Authority
McIntosh Water and Fire Protection Authority
Tibbie Water and Fire Protection Authority
Deer Park Water and Fire Protection Authority
Frankville Water and Fire Protection Authority
Washington County E-911 Communications District

Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 11 – Tax Abatements

The Washington County Commission entered into property tax abatement agreements under the state Tax Incentive Reform Act of 1992 (Section 40-9B-1 et seq.), ***Code of Alabama 1975***. Under the Act, localities may grant property tax abatements for all state and local noneducational property taxes, all construction related transaction taxes, except those local construction taxes levied for educational purposes or for capital improvement for education, and/or all mortgage and recording taxes. The abatements may be granted to any business located within or promising to relocate to Washington County. These programs have the stated purpose of increasing business activity and employment in the County. For the fiscal year ended September 30, 2022, total property taxes, real and personal, abated were \$181,470.23.

Company	Granting Jurisdiction	Purpose	County Personal Property Tax Abated	Percentage of Abatements
Chemical	Washington County Commission	Industrial Expansion	\$ 26,822.25	15%
Chemical	Washington County Commission	Industrial Expansion	83,934.48	46%
Chemical	Washington County Commission	Industrial Expansion	35,507.00	20%
Chemical	Washington County Commission	Industrial Expansion	35,206.50	19%
Total			<u>\$181,470.23</u>	<u>100%</u>

Note 12 – Subsequent Event

The Commission entered into a note from direct borrowing on September 25, 2023, in the amount of \$2,270,808.00, with an interest rate of 5.960%, to purchase nine dump trucks for the Road and Bridge Department. Debt payments are to be paid by the Gasoline Tax Fund.

Required Supplementary Information

***Schedule of Changes in the Employer's Net Pension Liability
For the Year Ended September 30, 2022***

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 253,517	\$ 229,454	\$ 229,113	\$ 224,829	\$ 228,179	\$ 224,408	\$ 214,230	\$ 217,544
Interest	716,457	664,261	646,338	656,800	624,479	597,248	604,712	586,103
Differences between expected and actual experience	(295,095)	(93,126)	(80,644)	(426,103)	159,613	(91,549)	(334,042)	
Changes of Assumptions	271,417	178,393		39,120		251,360		
Benefit payments, including refunds of employee contributions	(545,707)	(541,640)	(565,377)	(563,314)	(658,346)	(598,962)	(557,426)	(584,644)
Transfers Among Employers	(250,961)	242,562	(8,543)	(11,136)	15,604	239,381		
Net change in total pension liability	149,628	679,904	220,887	(79,804)	369,529	621,886	(72,526)	219,003
Total pension liability - beginning	9,577,484	8,897,580	8,676,693	8,756,497	8,386,968	7,765,082	7,837,608	7,618,605
Total pension liability - ending (a)	\$ 9,727,112	\$ 9,577,484	\$ 8,897,580	\$ 8,676,693	\$ 8,756,497	\$ 8,386,968	\$ 7,765,082	\$ 7,837,608
Plan fiduciary net position								
Contributions - employer	\$ 210,393	\$ 176,753	\$ 194,218	\$ 180,015	\$ 194,037	\$ 205,803	\$ 200,671	\$ 188,180
Contributions - employee	196,943	159,195	155,774	150,571	144,971	146,015	135,046	134,285
Net investment income	1,641,238	409,028	181,543	618,694	789,892	584,593	68,603	656,891
Benefit payments, including refunds of employee contributions	(545,707)	(541,640)	(565,377)	(563,314)	(658,346)	(598,962)	(557,426)	(584,644)
Other (Transfers among employers)	(250,961)	242,562	(8,543)	(11,136)	15,604	239,381	7,743	(222,146)
Net change in plan fiduciary net position	1,251,906	445,898	(42,385)	374,830	486,158	576,830	(145,363)	172,566
Plan fiduciary net position - beginning	7,585,451	7,139,553	7,181,938	6,807,108	6,320,950	5,744,120	5,889,483	5,716,917
Plan fiduciary net position - ending (b)	\$ 8,837,357	\$ 7,585,451	\$ 7,139,553	\$ 7,181,938	\$ 6,807,108	\$ 6,320,950	\$ 5,744,120	\$ 5,889,483
Commission's net pension liability - ending (a) - (b)	\$ 889,755	\$ 1,992,033	\$ 1,758,027	\$ 1,494,755	\$ 1,949,389	\$ 2,066,018	\$ 2,020,962	\$ 1,948,125
Plan fiduciary net position as a percentage of the total pension liability	90.85%	79.20%	80.24%	82.77%	77.74%	75.37%	73.97%	75.14%
Covered payroll (*)	\$ 3,320,423	\$ 2,743,822	\$ 2,726,571	\$ 2,740,359	\$ 2,664,751	\$ 2,776,273	\$ 2,475,093	\$ 2,551,810
Commission's net pension liability as a percentage of covered payroll	26.80%	72.60%	64.48%	54.55%	73.15%	74.42%	81.65%	76.34%

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2022 the measurement period is October 1, 2020 - September 30, 2021. GASB issued a statement "Pension Issues" in March, 2016 to redefine covered payroll beginning with fiscal year 2017.

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

Schedule of the Employer's Contributions - Pension
For the Year Ended September 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 228,915	\$ 210,393	\$ 176,753	\$ 194,218	\$ 180,015	\$ 194,037	\$ 205,803	\$ 200,671	\$ 188,180
Contributions in relation to the actuarially determined contribution (*)	\$ 228,915	\$ 210,393	\$ 176,753	\$ 194,218	\$ 180,015	\$ 194,037	\$ 205,803	\$ 200,671	\$ 188,180
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 3,320,423	\$ 3,166,282	\$ 2,743,822	\$ 2,726,571	\$ 2,740,359	\$ 2,664,751	\$ 2,776,273	\$ 2,475,093	\$ 2,551,810
Contributions as a percentage of covered payroll	6.89%	6.64%	6.44%	7.12%	6.57%	7.28%	7.41%	8.11%	7.37%

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

(**) Employer's covered payroll for fiscal year 2022 is the total covered payroll for the twelve 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 2022 were based on the September 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2021 to September 30, 2022:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	27.6 years
Asset valuation method	Five-year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
Taxes	\$ 2,835,000.00	\$ 2,835,000.00	\$ 2,067,400.23		\$	\$ 2,067,400.23
Licenses and Permits	27,200.00	27,200.00	21,727.50			21,727.50
Intergovernmental	774,520.00	774,520.00	1,131,283.65	(2)	1,200,000.00	2,331,283.65
Charges for Services	863,309.00	863,309.00	947,169.15			947,169.15
Miscellaneous	514,420.00	514,420.00	160,641.39	(2)	27.78	160,669.17
Total Revenues	5,014,449.00	5,014,449.00	4,328,221.92		1,200,027.78	5,528,249.70
Expenditures						
Current:						
General Government	2,531,627.00	2,531,627.00	2,740,656.25	(1) (3)	(105,327.99)	2,845,984.24
Public Safety	1,766,905.00	1,766,905.00	1,574,522.01			1,574,522.01
Sanitation	341,547.00	341,547.00	432,872.52	(3)	(7,253.50)	440,126.02
Welfare	9,000.00	9,000.00	9,000.00			9,000.00
Culture and Recreation	10,000.00	10,000.00	10,000.00			10,000.00
Education	56,530.00	56,530.00	84,008.94			84,008.94
Capital Outlay	35,500.00	35,500.00	33,776.27			33,776.27
Debt Service:						
Principal Retirement	145,000.00	145,000.00	37,299.46			37,299.46
Interest and Fiscal Charges	32,711.00	32,711.00				
Total Expenditures	4,928,820.00	4,928,820.00	4,922,135.45		(112,581.49)	5,034,716.94
Excess (Deficiency) of Revenues Over Expenditures	85,629.00	85,629.00	(593,913.53)		1,087,446.29	493,532.76
Other Financing Sources (Uses)						
Transfers In			1,180,094.58			1,180,094.58
Transfers Out			(669,159.49)	(4)	5,880.29	(663,279.20)
Total Other Financing Sources (Uses)			510,935.09		5,880.29	516,815.38
Net Change in Fund Balances	85,629.00	85,629.00	(82,978.44)		1,093,326.58	1,010,348.14
Fund Balances - Beginning of Year	20,000.00	20,000.00	188,265.64	(5)	(8,323.53)	179,942.11
Fund Balances - End of Year	\$ 105,629.00	\$ 105,629.00	\$ 105,287.20		\$ 1,085,003.05	\$ 1,190,290.25

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2022

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

The Commission budgets on the modified accrual basis of accounting with the following exceptions:

(1) The Commission budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis.	\$	13,853.97
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Some amounts are combined with the General Fund for reporting purposes, but are budgeted separately.

(2) Revenues		
Waste Water Treatment Fund	\$	0.17
Economic Development Fund		1,200,027.61
		<u>1,200,027.78</u>

(3) Expenditures		
Waste Water Treatment Fund	\$	(7,253.50)
Business Park Fund		(119,181.96)
		<u>(126,435.46)</u>

(4) Other Financing Sources/(Uses), Net		
Waste Water Treatment Fund		5,880.29
		<u>5,880.29</u>

Net Change in Fund Balance - Budget to GAAP	\$	<u><u>1,093,326.58</u></u>
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(5) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balance because of the cumulative effect of transactions such as those described above.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Public Buildings, Roads and Bridges Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
Taxes	\$ 463,915.00	\$ 463,915.00	\$ 957,188.00		\$	\$ 957,188.00
Intergovernmental	608,428.00	608,428.00	831,623.28	(2)	140,194.71	971,817.99
Charges for Services	500,000.00	500,000.00	232,368.12			232,368.12
Miscellaneous				(2)	52.64	52.64
Total Revenues	1,572,343.00	1,572,343.00	2,021,179.40		140,247.35	2,161,426.75
Expenditures						
Current:						
Highways and Roads	1,639,145.00	1,639,145.00	915,277.75	(1) (3)	(924,364.10)	1,839,641.85
Capital Outlay			235,091.55	(3)	(2,062,773.25)	2,297,864.80
Debt Service:						
Principal Retirement	70,000.00	70,000.00	574,692.85	(3)	(174,368.37)	749,061.22
Interest and Fiscal Charges	13,198.00	13,198.00	72,084.21	(3)	(35,938.86)	108,023.07
Total Expenditures	1,722,343.00	1,722,343.00	1,797,146.36		(3,197,444.58)	4,994,590.94
Excess (Deficiency) of Revenues Over Expenditures	(150,000.00)	(150,000.00)	224,033.04		(3,057,197.23)	(2,833,164.19)
Other Financing Sources (Uses)						
Transfers In	100,000.00	100,000.00	(544,374.55)	(4)	1,611,908.48	1,067,533.93
Proceeds From Issuance of Debt				(4)	1,800,000.00	1,800,000.00
Sale of Capital Assets			401,570.00			401,570.00
Transfers Out			6,342.29	(4)	(6,342.29)	
Total Other Financing Sources (Uses)	100,000.00	100,000.00	(136,462.26)		3,405,566.19	3,269,103.93
Net Change in Fund Balances	(50,000.00)	(50,000.00)	87,570.78		348,368.96	435,939.74
Fund Balances - Beginning of Year	50,000.00	50,000.00	110,799.62	(5)	(38,919.98)	71,879.64
Fund Balances - End of Year	\$	\$	\$ 198,370.40		\$ 309,448.98	\$ 507,819.38

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Public Buildings, Roads and Bridges Fund
For the Year Ended September 30, 2022***

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

The Commission budgets on the modified accrual basis of accounting with the following exceptions:

(1) The Commission budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis.	\$	7,391.21
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Some amounts are combined with the Public Buildings, Roads and Bridges Fund for reporting purposes, but are budgeted separately.

(2) Revenues			
Public Highway and Traffic Fund	\$	140,197.20	
Gasoline Tax Fund		50.15	
		<u> </u>	140,247.35
(3) Expenditures			
Public Highway and Traffic Fund	\$	(337,723.47)	
Gasoline Tax Fund		(2,867,112.32)	
		<u> </u>	(3,204,835.79)
(4) Other Financing Sources/(Uses), Net			
Public Highway and Traffic Fund	\$	188,657.71	
Gasoline Tax Fund		3,216,908.48	
		<u> </u>	<u>3,405,566.19</u>
Net Change in Fund Balance - Budget to GAAP			<u>\$ 348,368.96</u>

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Sales Tax Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Taxes	\$ 3,412,035.00	\$ 3,412,035.00	\$ 3,349,991.37	\$	\$ 3,349,991.37
Intergovernmental			713,681.45		713,681.45
Miscellaneous			50,000.00		50,000.00
Total Revenues	3,412,035.00	3,412,035.00	4,113,672.82		4,113,672.82
Expenditures					
Current:					
Highways and Roads	7,433,572.00	7,433,572.00	2,140,633.86		2,140,633.86
Debt Service:					
Principal Retirement	565,986.00	565,986.00			
Interest and Fiscal Charges	204,120.00	204,120.00			
Total Expenditures	8,203,678.00	8,203,678.00	2,140,633.86		2,140,633.86
Excess (Deficiency) of Revenues Over Expenditures	(4,791,643.00)	(4,791,643.00)	1,973,038.96		1,973,038.96
Other Financing Sources (Uses)					
Transfers Out			(1,504,572.94)		(1,504,572.94)
Total Other Financing Sources (Uses)			(1,504,572.94)		(1,504,572.94)
Net Change in Fund Balances	(4,791,643.00)	(4,791,643.00)	468,466.02		468,466.02
Fund Balances - Beginning of Year	4,791,643.00	4,791,643.00	4,801,721.99		4,801,721.99
Fund Balances - End of Year	\$	\$	\$ 5,270,188.01	\$	\$ 5,270,188.01

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - RRR Gasoline Tax Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Intergovernmental	\$ 2,473,527.00	\$ 2,473,527.00	\$ 1,177,754.74	\$	\$ 1,177,754.74
Miscellaneous			254.77		254.77
Total Revenues	2,473,527.00	2,473,527.00	1,178,009.51		1,178,009.51
Expenditures					
Current:					
Highways and Roads	2,473,527.00	2,473,527.00	1,180,021.94		1,180,021.94
Total Expenditures	2,473,527.00	2,473,527.00	1,180,021.94		1,180,021.94
Excess (Deficiency) of Revenues Over Expenditures			(2,012.43)		(2,012.43)
Other Financing Sources (Uses)					
Transfers Out			(261,180.21)		(261,180.21)
Total Other Financing Sources (Uses)			(261,180.21)		(261,180.21)
Net Change in Fund Balances			(263,192.64)		(263,192.64)
Fund Balances - Beginning of Year			2,484,083.27		2,484,083.27
Fund Balances - End of Year	\$	\$	\$ 2,220,890.63	\$	\$ 2,220,890.63

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2022***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Taxes	\$ 487,139.00	\$ 487,139.00	\$ 407,812.73	\$	\$ 407,812.73
Total Revenues	487,139.00	487,139.00	407,812.73		407,812.73
Expenditures					
Current:					
General Government	638,000.00	638,000.00	257,537.17 (1)	1,171.49	256,365.68
Capital Outlay			178,118.00		178,118.00
Total Expenditures	638,000.00	638,000.00	435,655.17	1,171.49	434,483.68
Excess (Deficiency) of Revenues Over Expenditures	(150,861.00)	(150,861.00)	(27,842.44)	1,171.49	(26,670.95)
Other Financing Sources (Uses)					
Transfers Out			15,170.95		15,170.95
Sale of Capital Assets			11,500.00		11,500.00
Total Other Financing Sources (Uses)			26,670.95		26,670.95
Net Change in Fund Balances	(150,861.00)	(150,861.00)	(1,171.49) (2)	1,171.49	
Fund Balances - Beginning of Year	150,861.00	150,861.00			
Fund Balances - End of Year	\$	\$	\$ (1,171.49)	\$ 1,171.49	\$

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

The Commission budgets on the modified accrual basis of accounting with the following exceptions:

- (1) The Commission budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis.

\$ 1,171.49

Net Change in fund Balance - Budget to GAAP

\$ 1,171.49

- (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 Balance because of the cumulative effect of transactions such as those described above.

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Coronavirus State and Local Fiscal Recovery Funds
For the Year Ended September 30, 2022***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Intergovernmental	\$ 1,585,658.00	\$ 1,585,658.00	\$ 339,884.39	\$	\$ 339,884.39
Total Revenues	1,585,658.00	1,585,658.00	339,884.39		339,884.39
Expenditures					
Current:					
General Government	3,171,316.00	3,171,316.00	95,134.02		95,134.02
Total Expenditures	3,171,316.00	3,171,316.00	95,134.02		95,134.02
Excess (Deficiency) of Revenues Over Expenditures	(1,585,658.00)	(1,585,658.00)	244,750.37		244,750.37
Other Financing Sources (Uses)					
Transfers Out			(244,750.37)		(244,750.37)
Total Other Financing Sources (Uses)			(244,750.37)		(244,750.37)
Net Change in Fund Balances	(1,585,658.00)	(1,585,658.00)			
Fund Balances - Beginning of Year	1,585,658.00	1,585,658.00			
Fund Balances - End of Year	\$	\$	\$	\$	\$

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Identifying Number	Pass-Through to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Housing and Urban Development</u>				
<u>Passed Through Alabama Department of Economic and Community Affairs</u>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CY CM PF 18 012	\$	\$ 3,200.00
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CV NC 20 013	249,915.18	249,915.18
Total U. S. Department of Housing and Urban Development			<u>249,915.18</u>	<u>253,115.18</u>
<u>U. S. Department of Interior</u>				
<u>Direct Program</u>				
Payments in Lieu of Taxes	15.226	N/A		1,481.00
Total U. S. Department of Interior				<u>1,481.00</u>
<u>U. S. Department of the Treasury</u>				
<u>Direct Program</u>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A		95,134.02
Total U. S. Department of the Treasury				<u>95,134.02</u>
<u>U. S. Department of Health and Human Services</u>				
<u>Passed Through Alabama Tombigbee Regional Commission</u>				
Special Programs for the Aging Title III, Part B - Grant for Supportive Services and Senior Centers	93.044	N/A		27,706.20
Total U. S. Department of Health and Human Services				<u>27,706.20</u>
<u>U. S. Department of Homeland Security</u>				
<u>Passed Through Alabama Emergency Management Agency</u>				
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4573-173-PA-AL		713,681.45
Emergency Management Performance Grants	97.042	N/A		6,222.57
Total U. S. Department of Homeland Security				<u>719,904.02</u>
Total Expenditures of Federal Awards			<u>\$ 249,915.18</u>	<u>\$ 1,097,340.42</u>

N/A = Not Available or Not Applicable

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

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2022***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Washington County Commission under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Washington County Commission, it is not intended to and does not present the financial position, changes in net position or cash flows of the Washington County Commission.

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Indirect Cost Rate

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

Note 4 – Approved Project Worksheets

The Washington County Commission incurred eligible expenditures in a previous fiscal year and the Federal Emergency Management Agency (FEMA) approved the Commission’s project worksheets during the fiscal year ended September 30, 2022. The Commission recorded the eligible expenditures of \$713,681.45 in Assistance Listing Number 97.036 on this year’s Schedule of Expenditures of Federal Awards.

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Additional Information

Commission Members and Administrative Personnel
October 1, 2021 through September 30, 2022

<u>Commission Members</u>		<u>Term Expires</u>
Hon. Jack Allen Bailey, Jr.	Chairman	2022
Hon. Joseph Abston	Member	2024
Hon. Jason Boothe	Member	2022
Hon. Marvin “Brad” Johnston	Member	2024
Hon. William Beasley	Member	2024
 <u>Administrative Personnel</u>		
Sonya Kirkwood	Administrator	Indefinite

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

Independent Auditor's Report

Members of the Washington County Commission and County Administrator
Chatom, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States (***Government Auditing Standards***), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington County Commission, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Washington County Commission's basic financial statements and have issued our report thereon dated September 10, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Washington 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 Washington County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Washington 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 considered to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

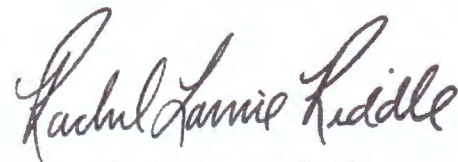
***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Washington 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

September 10, 2024

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

Independent Auditor's Report

Members of the Washington County Commission and County Administrator
Chatom, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Washington County Commission's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Washington County Commission's major federal programs for the year ended September 30, 2022. The Washington County Commission's major federal program is identified in the Summary of Examiner's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Washington County Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

Report on Internal Control Over Compliance

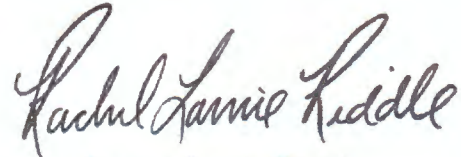
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

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

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

September 10, 2024

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section I – Summary of Examiner's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with

2 CFR 200.516(a) of the *Uniform Guidance*?

_____ Yes X No

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between

Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

_____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.