



# Marengo County Commission

## Marengo County, Alabama

October 1, 2022 through September 30, 2023

Filed: August 29, 2025

ALABAMA DEPARTMENT OF  
**EXAMINERS** of Public Accounts

Rachel Laurie Riddle, Chief Examiner | 334-777-0500 | [www.alexaminers.gov](http://www.alexaminers.gov)





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

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Rachel Laurie Riddle  
*Chief Examiner*

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

Dear Madam:

An audit was conducted on the Marengo County Commission, Marengo County, Alabama, for the period October 1, 2022 through September 30, 2023. 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,

Anna Gann  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Marengo County Commission  
October 1, 2022 through September 30, 2023**

The Marengo County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Marengo County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 15. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Marengo County.

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

An unmodified opinion was issued on the basic financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2023.

Financial statements for the fiscal year ending September 30, 2023, were not prepared by management until February 8, 2025. The Commission’s failure to prepare timely financial statements may impact the relevance of the financial information presented to users of the financial statements.

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

An Alternative Compliance Examination Engagement on the Commission’s Coronavirus State and Local Fiscal Recovery Fund Program for the year ended September 30, 2023 was issued by the Department on July 12, 2024.

### **EXIT CONFERENCE**

Commission members and administrative personnel, as reflected on Exhibit 15, were invited to discuss the results of this report at an exit conference. Individuals in attendance were Shannon Drake, Administrator and Commissioners Freddie Armstead, Jr., John Crawford, Jr., and Calvin Martin. Representing the Department of Examiners of Public Accounts were Sherry Owen, Audit Manager and Anna Gann, Examiner.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Members of Marengo County Commission and County Administrator  
Linden, Alabama

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marengo County Commission, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Marengo County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 8.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marengo County Commission, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with ***Government Auditing Standards***, we have also issued our report dated August 12, 2025, on our consideration of the Marengo County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Marengo 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 Marengo County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

August 12, 2025

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*Basic Financial Statements*

# ***Statement of Net Position***

## ***September 30, 2023***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 16,250,829.22
Investments	217,664.85
Receivables (Note 4)	913,596.29
Ad Valorem Taxes Receivable	5,447,968.74
Capital Assets (Note 5):	
Nondepreciable	318,065.50
Depreciable, Net	13,678,586.77
Total Assets	<u>36,826,711.37</u>
<b><u>Deferred Outflows of Resources</u></b>	
Employer Pension Contributions	405,625.00
Deferred Outflows Related to Pension Plan	1,695,803.00
Deferred Charges on Refunding	<u>246,480.69</u>
Total Deferred Outflows of Resources	<u>2,347,908.69</u>
<b><u>Liabilities</u></b>	
Payables (Note 7)	888,364.14
Accrued Wages Payable	112,289.11
Unearned Revenue	1,567,575.62
Short-Term Note Payable	427,000.00
Accrued Interest Payable	189,240.56
Long-Term Liabilities (Note 10):	
Portion Due or Payable Within One Year:	
Note Payable	286,411.14
Warrants Payable	1,215,000.00
Compensated Absences	66,522.11
Portion Due or Payable After One Year:	
Note Payable	6,258,448.88
Warrants Payable	19,680,000.00
Compensated Absences	598,699.01
Net Pension Liability	<u>5,711,118.00</u>
Total Liabilities	<u>37,000,668.57</u>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Tax	5,447,968.74
Revenue Received in Advance - Motor Vehicle Tax	264,106.61
Deferred Inflows Related to Pension Plan	<u>237,746.00</u>
Total Deferred Inflows of Resources	<u>\$ 5,949,821.35</u>

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

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	<b>Governmental Activities</b>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	\$ 9,904,631.79
Restricted for:	
Highways and Roads	4,951,845.38
Capital Improvement	312,564.77
Debt Service	557,516.35
Healthcare	318,716.22
Other Purposes	1,984,903.88
Unrestricted	<u>(21,806,048.25)</u>
Total Net Position	<u>\$ (3,775,869.86)</u>

**Statement of Activities**  
**For the Year Ended September 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government Governmental Activities:</b>					
General Government	\$ 2,865,050.32	\$ 749,685.62	\$ 516,316.89	\$	\$ (1,599,047.81)
Public Safety	3,013,307.16	421,180.95	70,290.17		(2,521,836.04)
Highways and Roads	3,100,312.30	187,478.42	3,363,085.01	1,876,753.96	2,327,005.09
Sanitation	27,424.24	26,133.25			(1,290.99)
Health	6,050,247.48				(6,050,247.48)
Welfare	23,478.51				(23,478.51)
Culture and Recreation	260,423.90				(260,423.90)
Interest on Long-Term Debt	940,236.38				(940,236.38)
Intergovernmental	20,000.00				(20,000.00)
Total Governmental Activities	<u>\$ 16,300,480.29</u>	<u>\$ 1,384,478.24</u>	<u>\$ 3,949,692.07</u>	<u>\$ 1,876,753.96</u>	<u>\$ (9,089,556.02)</u>
<b>General Revenues:</b>					
Taxes:					
Property Taxes for General Purposes					3,022,342.38
Property Taxes for Specific Purposes					3,502,039.31
General Sales Tax					1,421,492.52
Miscellaneous Taxes					163,060.84
Grants and Contributions Not Restricted for Specific Programs					1,018,268.47
Interest Earned					26,689.58
Gain on Sale of Capital Assets					279,360.97
Miscellaneous					313,416.66
Total General Revenues					<u>9,746,670.73</u>
Change in Net Position					657,114.71
Net Position - Beginning of Year, as Restated (Note 14)					<u>(4,432,984.57)</u>
Net Position - End of Year					<u>\$ (3,775,869.86)</u>

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

**Balance Sheet**  
**Governmental Funds**  
**September 30, 2023**

	General Fund	Gasoline Tax Fund	Hospital Tax Fund	ARPA Revenue Reduction Fund	2021 Road Improvements Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and Cash Equivalents	\$ 6,703,430.54	\$ 425,652.42	\$ 493,531.52	\$ 1,474,642.82	\$ 14,982.17	\$ 7,138,589.75	\$ 16,250,829.22
Investments	133,684.46					83,980.39	217,664.85
Receivables (Note 4)	192,515.17	294,488.13			274,835.54	151,757.45	913,596.29
Property Tax Receivable	3,692,793.93		1,214,512.36			540,662.45	5,447,968.74
<b>Total Assets</b>	<b>10,722,424.10</b>	<b>720,140.55</b>	<b>1,708,043.88</b>	<b>1,474,642.82</b>	<b>289,817.71</b>	<b>7,914,990.04</b>	<b>22,830,059.10</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities</b>							
Payables (Note 7)	190,152.34	226,015.99			282,317.71	189,878.10	888,364.14
Accrued Wages Payable	72,174.11	32,575.04				7,539.96	112,289.11
Short-Term Note Payable	427,000.00						427,000.00
Unearned Revenue				1,462,101.19		105,474.43	1,567,575.62
<b>Total Liabilities</b>	<b>689,326.45</b>	<b>258,591.03</b>	<b>1,214,512.36</b>	<b>1,462,101.19</b>	<b>282,317.71</b>	<b>302,892.49</b>	<b>2,995,228.87</b>
<b>Deferred Inflows of Resources</b>							
Unavailable Revenue - Property Taxes	3,692,793.93		1,214,512.36			540,662.45	5,447,968.74
Revenue Received in Advance - Motor Vehicle Taxes	198,897.85		65,208.76				264,106.61
<b>Total Deferred Inflows of Resources</b>	<b>3,891,691.78</b>		<b>1,279,721.12</b>			<b>540,662.45</b>	<b>5,712,075.35</b>
<b>Fund Balances</b>							
Restricted for:							
Debt Service						634,858.04	634,858.04
Highways and Roads		396,000.17			7,500.00	4,548,345.21	4,951,845.38
Capital Improvement						312,564.77	312,564.77
Healthcare			428,322.76				428,322.76
Other Purposes	396,695.17			12,541.63		1,575,667.08	1,984,903.88
Assigned to:							
Emergency Management Operations	18,720.89						18,720.89
Highways and Roads		65,549.35					65,549.35
Unassigned	5,725,989.81						5,725,989.81
<b>Total Fund Balances</b>	<b>6,141,405.87</b>	<b>461,549.52</b>	<b>428,322.76</b>	<b>12,541.63</b>	<b>7,500.00</b>	<b>7,071,435.10</b>	<b>14,122,754.88</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 10,722,424.10</b>	<b>\$ 720,140.55</b>	<b>\$ 1,708,043.88</b>	<b>\$ 1,474,642.82</b>	<b>\$ 289,817.71</b>	<b>\$ 7,914,990.04</b>	<b>\$ 22,830,059.10</b>

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

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***Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position***  
***September 30, 2023***

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Total Fund Balances - Governmental Funds (Exhibit 3) \$ 14,122,754.88

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. 13,996,652.27

Deferred Outflows and Inflows of Resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pension Plan	\$ 2,101,428.00
Deferred Inflows Related to Pension Plan	<u>(237,746.00)</u>
	1,863,682.00

Losses on refunding of debt are reported as Deferred Outflows of Resources and are not available to pay for current period expenditures and, therefore, are deferred on the Statement of Net Position. 246,480.69

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

	Amounts Due or Payable Within One Year (Current)	Amounts Due or Payable After One Year (Noncurrent)
Note Payable	\$ 286,411.14	\$ 6,258,448.88
Warrants Payable	1,215,000.00	19,680,000.00
Compensated Absences	66,522.11	598,699.01
Net Pension Liability		5,711,118.00
Accrued Interest Payable	189,240.56	
Total Long-Term Liabilities	\$ 1,757,173.81	\$ 32,248,265.89 <u>(34,005,439.70)</u>
Total Net Position - Governmental Activities (Exhibit 1)		\$ <u>(3,775,869.86)</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, 2023**

	General Fund	Gasoline Tax Fund	Hospital Tax Fund	ARPA Revenue Reduction Fund	2021 Road Improvements Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 6,018,204.59	\$ 15,458.35	\$ 49,656.47	\$ 1,467,496.70	\$ 1,579,403.67	\$ 623,233.76	\$ 8,108,935.05
Licenses and Permits							65,114.82
Intergovernmental	1,123,919.33		1,040,923.99		350,000.00	2,569,970.52	6,664,217.51
Charges for Services	962,278.53		59,009.03			226,457.44	1,247,745.00
Miscellaneous	203,965.04		114,227.02	1,052.07	10,707.20	262,270.32	592,221.65
Total Revenues	8,323,825.84	1,263,816.51	1,468,548.77	1,590,110.87	350,000.00	3,681,932.04	16,678,234.03
<b>Expenditures</b>							
Current:							
General Government	2,180,871.14			48,016.75		424,087.39	2,652,975.28
Public Safety	2,556,079.40			4,632.96		199,912.55	2,760,624.91
Highways and Roads	1,100.00	2,328,276.87				309,185.26	2,638,562.13
Sanitation	25,392.76						25,392.76
Health	5,225.17		6,017,758.63			27,263.68	6,050,247.48
Welfare	23,478.51						23,478.51
Culture and Recreation	107,885.70					142,211.50	250,097.20
Capital Outlay	647,217.00	240,770.00		1,526,753.96	2,804,154.84	435,676.54	5,654,572.34
Debt Service:							
Principal Retirement	37,351.83					1,284,388.94	1,321,740.77
Interest and Fiscal Charges	1,961.17		121,816.66			670,760.08	794,537.91
Intergovernmental	20,000.00						20,000.00
Total Expenditures	5,606,562.68	2,569,046.87	6,139,575.29	1,579,403.67	2,804,154.84	3,493,485.94	22,192,229.29
Excess (Deficiency) of Revenues Over Expenditures	2,717,263.16	(1,305,230.36)	(4,671,026.52)	10,707.20	(2,454,154.84)	188,446.10	(5,513,995.26)
<b>Other Financing Sources (Uses)</b>							
Transfers In		1,436,685.77				1,720,757.05	3,157,442.82
Proceeds of Debt	170,853.00		6,000,000.00				6,170,853.00
Sale of Capital Assets		281,783.50					281,783.50
Transfers Out	(1,846,849.28)		(869,816.04)		(133,128.35)	(307,649.15)	(3,157,442.82)
Total Other Financing Sources (Uses)	(1,675,996.28)	1,718,469.27	5,130,183.96	(133,128.35)	1,413,107.90	6,452,636.50	
Net Changes in Fund Balances	1,041,266.88	413,238.91	459,157.44	10,707.20	(2,587,283.19)	1,601,554.00	938,641.24
Fund Balances - Beginning of Year, as Restated (Note 14)	5,100,138.99	48,310.61	(30,834.68)	1,834.43	2,594,783.19	5,469,881.10	13,184,113.64
Fund Balances - End of Year	\$ 6,141,405.87	\$ 461,549.52	\$ 428,322.76	\$ 12,541.63	\$ 7,500.00	\$ 7,071,435.10	\$ 14,122,754.88

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

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***Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2023***

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Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 938,641.24

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 those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense differed from capital outlay in the current period.

Capital Outlay Expenditures	\$ 5,654,572.34
Depreciation Expense	<u>(771,454.42)</u>
	4,883,117.92

Debt proceeds provide current financial resources in governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which repayments exceeded proceeds.

Debt Issuance:	
Notes from Direct Borrowings	\$ (6,170,853.00)
Repayments:	
Warrants Payable	1,180,000.00
Notes from Direct Borrowings	<u>141,740.77</u>
Total	(4,849,112.23)

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by the book value of the capital assets sold.

Proceeds from the Sale of Capital Assets	\$ (281,783.50)
Gain on Disposition of Capital Assets	<u>279,360.97</u>
	(2,422.53)

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

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

Amortization of Deferred Amount on Refunding	\$ (41,080.12)
Net Decrease in Compensated Absences	114,093.78
Net Increase in Accrued Interest Payable	(104,618.35)
Net Change in Pension Expense	<u>(281,505.00)</u>
Total Additional Expenses	<u>(313,109.69)</u>
Change in Net Position of Governmental Activities (Exhibit 2)	<u>\$ 657,114.71</u>

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***Statement of Fiduciary Net Position***  
***For the Year Ended September 30, 2023***

	<b>Custodial Funds</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 1,659,238.22
Investments	66,196.93
Total Assets	<u>1,725,435.15</u>
<b><u>Liabilities</u></b>	
Due to Other Governments	288,895.37
Total Liabilities	<u>288,895.37</u>
<b><u>Net Position</u></b>	
Restricted for:	
Individuals, Organizations and Other Governments	1,436,539.78
Total Net Position	<u>\$ 1,436,539.78</u>

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

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***Statement of Change in Fiduciary Net Position  
For the Year Ended September 30, 2023***

	<b>Custodial Funds</b>
<b>Additions</b>	
Contributions from:	
Property Tax Collections for Other Governments	\$ 8,398,364.05
Other Taxes and Fees for Other Parties	3,020,123.20
Fiduciary Fund Receipts	1,208,149.89
Interest	1,540.84
Total Additions	<u>12,628,177.98</u>
<b>Deductions</b>	
Payment of Property Tax to Other Governments	8,398,364.05
Payment of Other Taxes and Fees to Other Parties	3,020,123.20
Payments to Beneficiaries	1,085,067.79
Land Redemption	10,219.85
Total Deductions	<u>12,513,774.89</u>
Change in Net Position	114,403.09
Total Net Position - Beginning of Year	<u>1,322,136.69</u>
Total Net Position - End of Year	<u>\$ 1,436,539.78</u>

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

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2023***

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

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

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

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

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

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

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

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

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2023***

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#### **Fund Financial Statements**

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental 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. The fund is also used to report the expenditures for building and maintaining public buildings, roads and bridges.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of gasoline taxes for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges, and rights-of-way. The Gasoline Tax Fund is also used to account for the expenditures of motor vehicle license taxes and fees and driver's license revenues for the construction, improvement and maintenance of public highways and streets. Special user fees for road system improvements collected pursuant to the *Code of Alabama 1975*, Section 45-46-210.01, are also accounted for in this fund.
- ◆ **Hospital Tax Fund** – This fund is used to account for the expenditures of special county property taxes for healthcare.
- ◆ **ARPA Revenue Reduction Fund** – This fund is used to account for the expenditure of the American Rescue Plan Act of 2021 (“ARPA”) revenues received by the Commission. ARPA allows a county to use payments from the Fiscal Recovery Funds for the provision of government services to the extent of the reduction in revenue experienced due to the COVID-19 public health emergency.
- ◆ **2021 Road Improvements Fund** – This fund is used to account for expenditures of warrant proceeds to finance capital improvements to the County's roads.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

#### **Governmental Fund Types**

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

The Commission reports the following fiduciary fund type:

#### **Fiduciary Fund Type**

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

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

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

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

Cash and cash equivalents include cash on hand.

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

##### **2. Receivables**

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

Millage rates for property taxes are levied by the Commission. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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Receivables due from other governments include amounts due from grantors for grants issued for a capital project, revenues collected by the State and shared with the Commission and amounts due from local governmental entities.

#### **3. Restricted Assets**

Certain resources set aside for repayment of debt are included in cash and cash equivalents on the balance sheet but are considered restricted because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. The Debt Service Fund accounts are used to segregate resources accumulated for debt service payments. The 2021 Road Improvements account is restricted for improvements to roads.

#### **4. Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the government-wide financial statements. Such assets are valued at their original historical cost-plus ancillary charges such as transportation, installation, and site preparation costs. Donated capital assets are valued at their acquisition value (plus any ancillary costs) at the acquisition date. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

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

	Capitalization Threshold	Estimated Useful Life
Infrastructure – Roads	\$250,000.00	20 years
Infrastructure – Bridges	\$ 50,000.00	40 years
Buildings	\$ 50,000.00	20 – 40 years
Building Improvements	\$ 50,000.00	7 – 30 years
Equipment and Furniture	\$ 5,000.00	5 – 15 years

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

#### **5. Deferred Outflows of Resources**

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

#### **6. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. In the fund financial statements, governmental fund types report the issuance of debt as other financing sources.

#### **7. Compensated Absences**

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

##### **Annual Leave**

Eligible employees shall earn leave according to the following schedule:

Completed Service	Annual Leave Earned
Fewer than 5 years	13 days per year
5 but less than 10 years	16 days and 2 hours per year
10 but less than 15 years	19 days and 4 hours per year
15 but less than 20 years	22 days and 6 hours per year
20 but less than 25 years	26 days per year
25 years or more	29 days and 2 hours per year

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2023***

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Employees may accumulate and carry up to sixty days of annual leave into the next leave year. Accumulated leave in excess of sixty days at the end of the leave year is forfeited by the employee. Upon separation from county service, an employee will be paid for his unused accrued annual leave, not to exceed sixty days. Such entitlement will be calculated on the basis of the daily pay rate at the time of separation multiplied by the number of days leave due.

#### **Sick Leave**

Eligible employees earn sick leave credit at the rate of 4 hours for each bi-weekly period of service. Eligible county employees may accumulate but not exceed a maximum of 150 days of sick leave. An employee who retires shall be entitled to be paid for fifty percent of his accumulated sick leave at the time of his retirement.

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

#### **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.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2023***

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#### **8. Deferred Inflows of Resources**

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

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

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

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2023***

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#### **E. Pensions**

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

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

##### **A. 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 and Hospital Tax Fund with the exception of motor vehicle ad valorem taxes, which are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. All other governmental funds budget on a basis of accounting consistent with GAAP. 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.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2023***

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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.

#### **B. Deficit Fund Balances/Net Position**

At September 30, 2023, the government-wide financial statements reported a deficit net position of \$3,775,869.86. The deficit in net position is due to the implementation of GASB Statement Number 68 related to Pensions.

#### **Note 3 – Deposits and Investments**

##### **Deposits**

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

All of the Commission's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **Note 4 – Receivables**

On September 30, 2023, receivables for the Commission's individual major and nonmajor funds, in the aggregate, are as follows:

	Accounts Receivable	Due from Other Governmental Activities	Total Receivables
<b><u>Governmental Activities</u></b>			
General Fund	\$132,896.16	\$ 59,619.01	\$192,515.17
Gasoline Tax Fund	121,369.20	173,118.93	294,488.13
2021 Road Improvements Fund		274,835.54	274,835.54
Other Governmental Funds		151,757.45	151,757.45
<b>Total Governmental Activities</b>	<b>\$254,265.36</b>	<b>\$659,330.93</b>	<b>\$913,596.29</b>

Governmental funds defer revenue recognition in connection with resources that have been received but not yet earned. At September 30, 2023, the unearned revenues reported in the governmental funds were as follows:

Grant Funds Received Prior to Meeting Eligibility Requirements	\$ 1,562,101.19
Unexpended Reappraisal Funds	5,474.43
<b>Total Unearned Revenue for Governmental Funds</b>	<b>\$1,567,575.62</b>

## **Notes to the Financial Statements**

### **For the Year Ended September 30, 2023**

#### **Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2023, was as follows:

	Balance 10/01/2022 (**)	Additions (*)	Retirements (*)	Balance 09/30/2023
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land and Improvements – Inexhaustible	\$ 318,065.50	\$	\$	\$ 318,065.50
Construction in Progress	764,179.47	190,135.91	(954,315.38)	
Total Capital Assets, Not Being Depreciated	<u>1,082,244.97</u>	<u>190,135.91</u>	<u>(954,315.38)</u>	<u>318,065.50</u>
Capital Assets Being Depreciated:				
Buildings	6,347,422.54			6,347,422.54
Building Improvements	4,800,279.80			4,800,279.80
Infrastructure	3,163,379.36	3,947,645.35		7,111,024.71
Equipment and Furniture	5,294,456.41	2,471,106.46	(913,466.49)	6,852,096.38
Total Capital Assets Being Depreciated	<u>19,605,538.11</u>	<u>6,418,751.81</u>	<u>(913,466.49)</u>	<u>25,110,823.43</u>
Less Accumulated Depreciation for:				
Buildings	(4,192,279.39)	(137,434.41)		(4,329,713.80)
Building Improvements	(1,886,603.87)	(116,519.58)		(2,003,123.45)
Infrastructure	(1,327,576.68)	(128,430.04)		(1,456,006.72)
Equipment and Furniture	(4,165,366.26)	(389,070.39)	911,043.96	(3,643,392.69)
Total Accumulated Depreciation	<u>(11,571,826.20)</u>	<u>(771,454.42)</u>	<u>911,043.96</u>	<u>(11,432,236.66)</u>
Total Capital Assets Being Depreciated, Net	<u>8,033,711.91</u>	<u>5,647,297.39</u>	<u>(2,422.53)</u>	<u>13,678,586.77</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 9,115,956.88</u></u>	<u><u>\$ 5,837,433.30</u></u>	<u><u>(\$956,737.91)</u></u>	<u><u>\$ 13,996,652.27</u></u>
(*) The "Additions" and "Retirements" columns include a reclassification from Construction in Progress to Infrastructure in the amount of \$954,315.38.				
(**) Beginning Balance includes a restatement of Capital Assets not previously reported in the amount of \$764,179.47 (Note 14).				

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
General Government	\$135,311.28
Public Safety	186,024.82
Highway and Roads	444,790.49
Culture and Recreation	5,327.83
Total Depreciation Expense – Governmental Activities	<u><u>\$771,454.42</u></u>

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2023***

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#### **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](http://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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **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.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2023***

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

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, 2022, membership consisted of:

Retirees and beneficiaries currently receiving benefits	30,598
Terminated employees entitled to but not yet receiving benefits	2,286
Terminated employees not entitled to a benefit	18,689
Active Members	57,278
Post-DROP participants who are still in active service	39
<b>Total</b>	<b>108,890</b>

#### **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.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2023***

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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. The Commission did not adopt Act 2011-676.

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, 2023, the Commission's active employee contribution rate was 7.57% of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 14.10% of pensionable payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2023, was 13.35% of pensionable pay for Tier 1 employees, and 11.79% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2020, 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 \$405,625.00 for the year ended September 30, 2023.

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## ***Notes to the Financial Statements*** ***For the Year Ended September 30, 2023***

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### **B. Net Pension Liability**

The 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, 2021, rolled forward to September 30, 2022, using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) Total Pension Liability as of September 30, 2021	\$15,952,371	\$ 15,709,412	\$15,720,291
(b) Discount Rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2021 through September 30, 2022	269,056	269,056	269,337
(d) Transfers Among Employers		(73,786)	(73,786)
(e) Actual Benefit Payments and Refunds for the period October 1, 2021 through September 30, 2022	(1,019,663)	(1,019,663)	(1,019,663)
(f) Total Pension Liability as of September 30, 2022 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+.05 * (b))]	<u>\$16,352,233</u>	<u>\$ 16,017,388</u>	<u>\$16,029,358</u>
(g) Difference between Expected and Actual:		\$ (334,845)	
(h) Less Liability Transferred for Immediate Recognition		<u>(73,786)</u>	
(i) Difference between Expected and Actual – Experience (Gain)/Loss		<u>\$(261,059.00)</u>	
(j) Difference between Actual Total Pension Liability Before and After Plan Changes – Benefit Change (Gain)/Loss			\$ 11,970

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **Actuarial Assumptions**

The total pension liability as of September 30, 2022, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2021. 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	Public Safety Healthy Below Median	Male: +1, Female: none	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of an actuarial experience study for the period October 1, 2015 through September 30, 2020.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2023***

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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 Equivalents	5.00%	1.50%
<b>Total</b>	<b><u>100.00%</u></b>	

(\*) 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, 2023**

**C. Changes in Net Pension Liability**

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2021	\$15,952,371	\$12,388,802	\$3,563,569
<b>Changes for the year:</b>			
Service cost	269,056		269,056
Interest	1,150,469		1,150,469
Changes of benefit terms	11,970		11,970
Difference between expected and actual experience	(261,059)		(261,059)
Contributions – Employer		383,322	(383,322)
Contributions – Employee		190,750	(190,750)
Net investment income		(1,551,185)	(1,551,185)
Benefit payments, including refunds of employee contributions	(1,019,663)	(1,019,663)	
Transfers among employers	(73,786)	(73,786)	
Net changes	76,987	(2,070,562)	2,147,549
Balances at September 30, 2022	<u>\$16,029,358</u>	<u>\$10,318,240</u>	<u>\$5,711,118</u>

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

The following table presents the Commission's net pension liability calculated using the discount rate of 7.45%, as well as what the Commission's 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 Discount Rate (7.45%)	1% Increase (8.45%)
Commission's Net Pension Liability	\$7,435,934	\$5,711,118	\$4,253,351

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2023***

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#### **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, 2022. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2022. 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](http://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, 2023, the Commission recognized pension expense of \$687,130.00. At September 30, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 161,211.00	\$237,746.00
Changes of assumptions	284,383.00	
Net difference between projected and actual earnings on pension plan investments	1,250,209.00	
Employer contributions subsequent to the measurement date	405,625.00	
<b>Total</b>	<b>\$2,101,428.00</b>	<b>\$237,746.00</b>

The \$405,625.00 of employer contributions 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, 2024. 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, 2024	\$396,351.00
2025	\$329,605.00
2026	\$259,356.00
2027	\$472,745.00
2028	\$ 0.00
Thereafter	\$ 0.00

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **Note 7 – Payables**

On September 30, 2023, payables for the Commission’s individual major and nonmajor funds in the aggregate are as follows:

	Vendors	Due to Other Governments	Other Payables	Total Payables
<b>Governmental Activities:</b>				
General Fund	\$172,109.93	\$17,499.22	\$543.19	\$190,152.34
Gasoline Tax Fund	226,015.99			226,015.99
2021 Road Improvements Fund	282,317.71			282,317.71
Other Governmental Funds	189,878.10			189,878.10
<b>Total Governmental Activities</b>	<b>\$870,321.73</b>	<b>\$17,499.22</b>	<b>\$543.19</b>	<b>\$888,364.14</b>

#### **Note 8 – Contingent Liabilities**

The Commission received federal financial assistance from the U. S. Department of Homeland Security, passed through Alabama Emergency Management Agency, for storm cleanup of a Presidentially declared disaster that occurred in fiscal year 2021. The Commission had contracts in place with two vendors to provide cleanup services. During the federal review of submitted claims for reimbursement, the federal grantor denied a portion of the claim for reimbursement. The Commission in turn denied payment to the vendor who performed the work while the Commission appealed the federal grantor’s denial. In November 2023, the Commission was notified that they had won the appeal and would receive additional federal funds of \$759,602.31. After receiving the additional federal funds in fiscal year 2024, the Commission paid the vendor for the unpaid work.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2023***

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#### **Note 9 – Short-Term Debt**

During the year, the Commission entered into a short-term note payable to finance the purchase of two dump trucks. Short-term debt activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Proceeds	Ending Balance
Note Payable	\$	\$427,000.00	\$427,000.00

#### **Note 10 – Long-Term Debt**

In June 2018, the Commission issued Series 2018-A General Obligation Warrants in the amount of \$3,770,000.00 with interest rates ranging from 2.00 to 3.00 percent. The purpose of the debt was to refund on a current basis the 2011-B General Obligation Warrant and finance road improvements. The warrants are insured by a policy issued by Assured Guaranty Municipal Corporation. In the event of default by the Commission, the warrant holders would be paid with proceeds from the policy.

In June 2018, the Commission issued Series 2018-B General Obligation Warrants in the amount of \$2,095,000.00 with interest rates ranging from 2.75 to 4.00 percent. The purpose of the debt was to retire a loan obtained to assist a local hospital. The warrants are insured by a policy issued by Assured Guaranty Municipal Corporation. In the event of default by the Commission, the warrant holders would be paid with proceeds from the policy.

In September 2018, the Commission entered into a financial agreement, a direct borrowing from a financial institution in the amount of \$1,000,350.00, with an interest rate of 4.09%. The purpose of the loan was to provide financial assistance to Tombigbee Healthcare Authority. The outstanding note contains a provision that in the event of default, the financial institution may make any or all of the outstanding amount due immediately if (1) the Commission fails to make a payment in full when due; (2) upon the insolvency or bankruptcy of the Commission; (3) default occurs on any other debt or agreement with the financial institution.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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In April 2020, the Commission issued Series 2020 General Obligation Warrants in the amount of \$16,500,000 with interest rates ranging from 2.00 to 4.00 percent. The purpose of the debt was to make a grant to the Tombigbee Healthcare Authority and to pay off and retire a portion of the bank loan obtained in September 2018. A special ad valorem tax in the amount of four mills was approved by the electors of the county in December 2019. It is the intent of the Commission and the Tombigbee Healthcare Authority that the warrants will be repaid from the proceeds of the special tax although the proceeds of the tax are not pledged for the repayment of the debt. The warrants are insured by a policy issued by Assured Guaranty Municipal Corporation. In the event of default by the Commission, the warrant holders would be paid with proceeds from the policy.

In February 2021, the Commission issued Series 2021 General Obligation Warrants in the amount of \$2,625,000.00 with an interest rate of 2.00 percent. The purpose of the debt was to provide funds for capital improvements to the County's infrastructure and pay the issuance expenses of the warrants. The warrants are insured by a policy issued by Assured Guaranty Municipal Corporation. In the event of default by the Commission, the warrant holders would be paid with proceeds from the policy.

In October 2022, the Commission entered into a financial agreement, a direct borrowing from a financial institution in the amount of \$6,000,000.00, with an interest rate of 3.95%. The purpose of the loan was to provide capital improvements to Tombigbee Healthcare Authority. The outstanding note contains a provision that in the event of default, the financial institution may make any or all of the outstanding amount due immediately if (1) the Commission fails to make a payment in full when due; (2) upon the insolvency or bankruptcy of the Commission; (3) default occurs on any other debt or agreement with the financial institution.

In May 2023, the Commission entered into a financial agreement, a direct borrowing from a financial institution, in the amount of \$170,853, to purchase three 2023 Ford F150 Responder Supercrew pickup trucks for the Sheriff's department. In the event of default, the lender may (1) declare all contract payments and other amounts payable by Commission to the end of the then current budget year to be immediately due and payable; (2) require the Commission, at the Commission's expense, to redeliver any or all of the equipment and any additional collateral and charge the Commission for costs incurred and the Commission shall be obligated to pay the remaining contract payments due until the end of the current term; (3) take whatever action at law or in equity that may appear necessary or desirable to enforce its rights. The Commission shall be liable for all costs incurred by lender in the enforcement of its rights under the contract including, but not limited to, reasonable attorney fees.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

The following is a summary of long-term obligations for the Commission for the year ended September 30, 2023:

	Debt Outstanding 10/01/2022	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2023	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Warrants and Notes Payable:					
2018-A General Obligation Refunding Warrants	\$ 2,320,000.00	\$	(435,000.00)	\$ 1,885,000.00	\$ 450,000.00
2018-B General Obligation Refunding Warrants	1,540,000.00		(200,000.00)	1,340,000.00	205,000.00
2020 General Obligation Warrants	15,740,000.00		(390,000.00)	15,350,000.00	400,000.00
2021 General Obligation Warrants	2,475,000.00		(155,000.00)	2,320,000.00	160,000.00
2018 Hospital Note from Direct Borrowing	515,747.79		(104,388.94)	411,358.85	108,711.30
2023 Hospital Note from Direct Borrowing		6,000,000.00		6,000,000.00	147,581.36
Notes from Direct Borrowing		170,853.00	(37,351.83)	133,501.17	30,118.48
Total Warrants and Notes from Direct Borrowing	<u>22,590,747.79</u>	<u>6,170,853.00</u>	<u>(1,321,740.77)</u>	<u>27,439,860.02</u>	<u>1,501,411.14</u>
Other Liabilities:					
Compensated Absences	779,314.90		(114,093.78)	665,221.12	66,522.11
Net Pension Liability	3,563,569.00	2,147,549.00		5,711,118.00	
Total Other Liabilities	<u>4,342,883.90</u>	<u>2,147,549.00</u>	<u>(114,093.78)</u>	<u>6,376,339.12</u>	<u>66,522.11</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$26,933,631.69</u>	<u>\$8,318,402.00</u>	<u>\$(1,435,834.55)</u>	<u>\$33,816,199.14</u>	<u>\$1,567,933.25</u>

Payments on the warrants payables and notes from direct borrowing are made from the Debt Service Funds with funds transferred from the General Fund, RRR Gasoline Tax Fund and Hospital Tax Fund. The compensated absences liability attributable to the governmental activities will be liquidated by the General Fund (68%), Gasoline Tax Fund (29%), and Other Governmental Funds (3%).

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2023**

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

Fiscal Year Ending	Governmental Activities			
	2018-A General Obligation Warrants		2018-B General Obligation Warrants	
	Principal	Interest	Principal	Interest
September 30, 2024	\$ 450,000.00	\$ 49,800.00	\$ 205,000.00	\$ 46,403.13
2025	465,000.00	36,075.00	210,000.00	39,268.76
2026	480,000.00	21,900.00	220,000.00	31,468.76
2027	490,000.00	7,350.00	225,000.00	23,125.01
2028			235,000.00	14,353.13
2029-2033			245,000.00	4,900.00
2034-2038				
2039-2043				
2044-2048				
2049				
Total	<u>\$1,885,000.00</u>	<u>\$115,125.00</u>	<u>\$1,340,000.00</u>	<u>\$159,518.79</u>

Fiscal Year Ending	Governmental Activities			
	Hospital Note Payable		2023 Hospital Loan	
	Principal	Interest	Principal	Interest
September 30, 2024	\$108,711.30	\$15,044.70	\$ 147,581.36	\$ 240,950.00
2025	113,348.53	10,407.47	304,737.77	231,374.95
2026	118,139.25	5,616.75	317,064.29	219,048.43
2027	71,159.77	985.70	329,889.41	206,223.31
2028			4,900,727.17	193,398.53
2029-2033				
2034-2038				
2039-2043				
2044-2048				
2049				
Total	<u>\$411,358.85</u>	<u>\$32,054.62</u>	<u>\$6,000,000.00</u>	<u>\$1,090,995.22</u>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2023**

Governmental Activities				
2020 General		2021 General		
Obligation Warrants		Obligation Warrants		
Principal	Interest	Principal	Interest	
\$ 400,000.00	\$ 472,888.00	\$ 160,000.00	\$ 44,800.00	
410,000.00	464,888.00	160,000.00	41,600.00	
415,000.00	456,688.00	165,000.00	38,350.00	
425,000.00	447,350.00	165,000.00	35,050.00	
435,000.00	437,788.00	170,000.00	31,700.00	
2,355,000.00	2,012,638.00	910,000.00	105,200.00	
2,835,000.00	1,529,550.00	590,000.00	17,800.00	
3,350,000.00	1,016,250.00			
3,880,000.00	482,700.00			
845,000.00	25,350.00			
<b>\$15,350,000.00</b>	<b>\$7,346,090.00</b>	<b>\$2,320,000.00</b>	<b>\$314,500.00</b>	

Governmental Activities		Total Principal and Interest Requirements to Maturity
Sheriff's Truck Lease		
Principal	Interest	
\$ 30,118.48	\$ 9,194.52	\$ 2,380,491.49
32,192.81	7,120.19	2,526,013.48
34,410.00	4,903.00	2,527,588.48
36,779.88	2,533.12	2,465,446.20
		6,417,966.83
		5,632,738.00
		4,972,350.00
		4,366,250.00
		4,362,700.00
		870,350.00
<b>\$133,501.17</b>	<b>\$23,750.83</b>	<b>\$36,521,894.48</b>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **Deferred Outflows on Refunding**

The Commission has a deferred outflow on refunding as a result of a loss on early extinguishment of debt in connection with the issuance of its Series 2018-A General Obligation Warrants. The deferred outflow on refunding is being amortized using the straight-line method over a period of twelve years.

	Deferred Loss on Refunding
Total Deferred Loss on Refunding	\$ 492,961.41
Amount Amortized Prior Years	<u>(205,400.60)</u>
Remaining Amount	287,560.81
Current Amount Amortized	<u>(41,080.12)</u>
Balance September 30, 2023	<u><u>\$ 246,480.69</u></u>

#### **Note 11 – 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

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

#### **Note 12 – Interfund Transfers**

The amounts of interfund transfers at September 30, 2023, were as follows:

	Transfers In		
	Gasoline Tax Fund	Other Governmental Funds	Totals
<b>Transfers Out:</b>			
General Fund	\$1,336,685.77	\$ 510,163.51	\$1,846,849.28
Hospital Tax Fund		869,816.04	869,816.04
2021 Road Improvements Fund		133,128.35	133,128.35
Other Governmental Funds	100,000.00	207,649.15	307,649.15
<b>Totals</b>	<b>\$1,436,685.77</b>	<b>\$1,720,757.05</b>	<b>\$3,157,442.82</b>

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

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2023***

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#### **Note 13 – Related Organizations**

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

- ◆ South Marengo Water Authority
- ◆ Library Board
- ◆ Park and Recreation Board
- ◆ E911 Board
- ◆ Department of Human Resources
- ◆ Marengo County Economic Development Authority

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

#### **Note 14 – Restatements**

Beginning net position for governmental activities has been restated to include a bridge project that was not previously included in capital assets as Construction in Progress.

The impact of the restatement on the net position as previously reported is as follows:

Governmental Activities	
Net Position – Balance, September 30, 2022, as Previously Reported	\$(5,197,164.04)
<b>Restatements:</b>	
Capital Assets not Previously Reported	764,179.47
Net Position – Balance, September 30, 2022, as Restated	\$(4,432,984.57)

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2023***

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The Commission reevaluated fund roll-ups according to GASB Statement Number 54, ***Fund Balance Reporting and Governmental Fund Type Definitions***, during the fiscal year ended September 30, 2023. Beginning fund balances for the General Fund and Other Governmental Funds have been restated to reclassify a fund that no longer qualified as a special revenue fund. The impact of the restatement on fund balance as previously reported is as follows:

	General Fund	Other Governmental Funds
Fund Balance, September 30, 2022, as Previously Reported	\$5,078,770.45	\$5,491,249.64
<b><u>Fund Restatements:</u></b>		
Prior Period Reclassification of Fund	21,368.54	(21,368.54)
Fund Balance, September 30, 2022, as Restated	<u>\$5,100,138.99</u>	<u>\$5,469,881.10</u>

#### **Note 15 – Tax Abatements**

The Commission enters into property tax abatement agreements with local businesses under the State Tax Incentive Reform Act of 1992, ***Code of Alabama 1975***, Section 40-9B-1 through Section 40-9B-13. 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 Marengo County. These programs have the stated purpose of increasing business activity and employment in the County.

The County also is subject to tax abatements granted by the City of Demopolis Industrial Development Board. These programs have the stated purpose of increasing business activity and employment in the city.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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For fiscal year ended September 30, 2023, total property taxes abated were \$959,304.64, including the following tax abatement agreements.

Granting Jurisdiction	Type	Property Tax
IDB Demopolis	Hardwood Mill	\$ 230.40
IDB Demopolis	Poultry Farm	28,052.48
IDB Demopolis	Manufacturing	232,398.72
Marengo County Commission	Manufacturing	160,531.20
Marengo County Commission	Manufacturing	137,279.36
Marengo County Commission	Manufacturing	400,812.48
<b>Totals</b>		<b>\$959,304.64</b>

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

- ◆ A 46 percent property tax abatement to a manufacturing business for increasing the size of its facilities and increasing employment was granted in the amount of \$232,398.72.
- ◆ A 46 percent property tax abatement to a manufacturing business for increasing the size of its facilities and increasing employment was granted in the amount of \$160,531.20.
- ◆ A 46 percent property tax abatement to a manufacturing business for increasing the size of its facilities and increasing employment was granted in the amount of \$137,279.36.
- ◆ A 46 percent property tax abatement to a manufacturing business for increasing the size of its facilities and increasing employment was granted in the amount of \$400,812.48.

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*Required Supplementary Information*

**Schedule of Changes in the Net Pension Liability**  
**For the Year Ended September 30, 2023**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service Cost	\$ 269,056	\$ 252,482	\$ 248,323	\$ 238,577	\$ 229,324	\$ 227,295	\$ 226,327	\$ 246,109	\$ 242,835
Interest	1,150,469	1,102,323	1,059,340	1,047,325	1,024,632	961,546	916,007	888,697	857,137
Changes in Benefit terms	11,970	119,500							
Difference between expected and actual experience	(261,059)	168,122	150,844	(251,114)	(77,559)	542,136	224,070	47,934	
Changes of assumptions		473,971			69,450		374,804		
Benefit payments, including refunds of employee contribution	(1,019,663)	(963,607)	(839,049)	(894,410)	(854,550)	(864,981)	(870,356)	(812,366)	(598,580)
Transfers among employers	(73,786)	1,890	1,041	(12,011)	9,189	(57,195)	83,417		
Net Change in Total Pension Liability	76,987	1,154,681	620,499	128,367	400,486	808,801	954,269	370,374	501,392
Total Pension Liability - Beginning	15,952,371	14,797,690	14,177,191	14,048,824	13,648,338	12,839,537	11,885,268	11,514,894	11,013,502
Total Pension Liability - Ending (a)	\$ 16,029,358	\$ 15,952,371	\$ 14,797,690	\$ 14,177,191	\$ 14,048,824	\$ 13,648,338	\$ 12,839,537	\$ 11,885,268	\$ 11,514,894
<b>Plan Fiduciary Net Position</b>									
Contributions - employer	\$ 383,322	\$ 353,749	\$ 396,893	\$ 389,326	\$ 313,977	\$ 274,536	\$ 278,464	\$ 264,616	\$ 277,832
Contributions - employee	190,750	170,585	171,932	159,434	151,117	157,745	148,439	143,769	149,225
Net investment income	(1,551,185)	2,290,949	576,747	260,529	890,697	1,141,803	863,510	103,892	968,309
Benefit payments, including refunds of employee contributions	(1,019,663)	(963,607)	(839,049)	(894,410)	(854,550)	(864,981)	(870,356)	(812,366)	(598,580)
Other (Transfers among employers)	(73,786)	1,890	1,041	(12,011)	9,189	(57,195)	83,417		12,688
Net Change in Plan Fiduciary Net Position	(2,070,562)	1,853,566	307,564	(97,132)	510,430	651,908	503,474	(300,089)	809,474
Plan Fiduciary Net Position - Beginning	12,388,802	10,535,236	10,227,672	10,324,804	9,814,374	9,162,466	8,658,992	8,959,081	8,149,607
Plan Fiduciary Net Position - Ending (b)	\$ 10,318,240	\$ 12,388,802	\$ 10,535,236	\$ 10,227,672	\$ 10,324,804	\$ 9,814,374	\$ 9,162,466	\$ 8,658,992	\$ 8,959,081
Commission's Net Pension Liability - ending (a) - (b)	\$ 5,711,118	\$ 3,563,569	\$ 4,262,454	\$ 3,949,519	\$ 3,724,020	\$ 3,833,964	\$ 3,677,071	\$ 3,226,276	\$ 2,555,813
Plan Fiduciary Net Position as a percentage of the total pension liability	64.37%	77.66%	71.20%	72.14%	73.49%	71.91%	71.36%	72.85%	77.80%
Covered payroll (*)	\$ 3,226,398	\$ 2,713,171	\$ 3,027,495	\$ 2,953,164	\$ 2,810,324	\$ 2,718,363	\$ 2,653,141	\$ 2,564,175	\$ 2,805,982
Commission's Net Pension Liability as a percentage of covered payroll	177.01%	131.34%	140.79%	133.74%	132.51%	141.04%	138.59%	125.82%	91.08%

(\*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2023, the measurement period is October 1, 2021 through September 30, 2022. 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, 2023**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution (*)	\$ 405,625	\$ 353,749	\$ 353,749	\$ 396,893	\$ 389,326	\$ 313,977	\$ 274,536	\$ 278,464	\$ 264,616	\$ 277,832
Contributions in relation to the actuarially determined contribution	\$ 405,625	\$ 383,322	\$ 353,749	\$ 396,893	\$ 389,326	\$ 313,977	\$ 274,536	\$ 278,464	\$ 264,616	\$ 277,832
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 2,876,773	\$ 3,226,398	\$ 2,713,171	\$ 3,027,495	\$ 2,953,164	\$ 2,810,324	\$ 2,718,363	\$ 2,653,141	\$ 2,564,175	\$ 2,805,982
Contributions as a percentage of covered payroll	14.10%	10.96%	13.04%	13.11%	13.18%	11.17%	10.10%	10.50%	10.32%	9.90%

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

(\*\*) Employer's covered payroll for fiscal year 2023 is the total covered payroll for the 12 month period of the underlying financial statement.

**Notes to Schedule**

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2023 were based on the September 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2022 through September 30, 2023:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	21.6 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, 2023**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	
	Original	Final				
<b>Revenues</b>						
Taxes	\$ 4,242,510.00	\$ 4,242,510.00	\$ 4,577,611.12	(1) (2)	\$ 1,440,593.47	\$ 6,018,204.59
Licenses and Permits	10,500.00	10,500.00	15,458.35			15,458.35
Intergovernmental	834,920.00	834,920.00	1,083,847.19	(2)	40,072.14	1,123,919.33
Charges for Services	932,270.00	932,270.00	903,269.47	(2)	59,009.06	962,278.53
Miscellaneous	120,450.00	120,450.00	165,121.19	(2)	38,843.85	203,965.04
Total Revenues	<u>6,140,650.00</u>	<u>6,140,650.00</u>	<u>6,745,307.32</u>		<u>1,578,518.52</u>	<u>8,323,825.84</u>
<b>Expenditures</b>						
Current:						
General Government	2,195,828.56	2,195,828.56	2,268,711.54	(3)	(87,840.40)	2,180,871.14
Public Safety	2,267,222.38	2,267,303.53	2,556,079.40			2,556,079.40
Highways and Roads			2,200.00	(3)	(1,100.00)	1,100.00
Sanitation	37,856.20	37,856.20	25,392.76			25,392.76
Health	5,000.00	5,000.00	5,225.17			5,225.17
Welfare	31,748.03	33,010.73	23,478.51			23,478.51
Culture and Recreation	102,325.44	102,325.44	109,708.74	(3)	(1,823.04)	107,885.70
Capital Outlay	41,000.00	41,000.00	1,073,117.00	(3)	(425,900.00)	647,217.00
Debt Service:						
Principal Retirement			37,351.83			37,351.83
Interest and Fiscal Charges			1,961.17			1,961.17
Intergovernmental	20,000.00	20,000.00	20,000.00			20,000.00
Total Expenditures	<u>4,700,980.61</u>	<u>4,702,324.46</u>	<u>6,123,226.12</u>		<u>(516,663.44)</u>	<u>5,606,562.68</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,439,669.39</u>	<u>1,438,325.54</u>	<u>622,081.20</u>		<u>1,061,855.08</u>	<u>2,717,263.16</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds of Debt			170,853.00			170,853.00
Transfers Out	(680,000.00)	(680,000.00)	(703,163.51)	(4)	(1,143,685.77)	(1,846,849.28)
Total Other Financing Sources (Uses)	<u>(680,000.00)</u>	<u>(680,000.00)</u>	<u>(532,310.51)</u>		<u>(1,143,685.77)</u>	<u>(1,675,996.28)</u>
Net Change in Fund Balances	759,669.39	758,325.54	89,770.69		(81,830.69)	1,041,266.88
Fund Balances - Beginning of Year	<u>3,197,202.49</u>	<u>3,197,202.49</u>	<u>3,379,630.67</u>	(5)	<u>1,720,508.32</u>	<u>5,100,138.99</u>
Fund Balances - End of Year	<u>\$ 3,956,871.88</u>	<u>\$ 3,955,528.03</u>	<u>\$ 3,469,401.36</u>		<u>\$ 1,638,677.63</u>	<u>\$ 6,141,405.87</u>

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**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**For the Year Ended September 30, 2023**

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

(1) The Commission budgets for motor vehicle ad valorem taxes only to the extent they are expected to be received in the current fiscal period, rather than on the modified accrual basis (GAAP). \$ (6,970.51)

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

(2) Revenues			
General Special Fee Fund	\$	59,182.90	
General Obligation Depository Fund		4,676.00	
Chickasaw State Park Fund		2,008.90	
Pistol Permit Revenue Loss Fund		4,400.00	
Opioid Settlement Fund		31,401.98	
Public Buildings, Roads and Bridges Fund		1,483,690.53	
Emergency Agency Fund		<u>128.72</u>	1,585,489.03
(3) Expenditures			
General Special Fee Fund	\$	(87,840.40)	
Chickasaw State Park Fund		(1,823.04)	
Public Buildings, Roads and Bridges Fund		<u>(427,000.00)</u>	(516,663.44)
(4) Other Financing Sources			
General Obligation Depository Fund	\$	193,000.00	
Public Buildings, Roads and Bridges Fund		<u>(1,336,685.77)</u>	(1,143,685.77)
Net Decrease in Fund Balance - Budget to GAAP			<u>\$ (81,830.69)</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 Balances because of the cumulative effect of transactions such as those described above.

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Gasoline Tax Fund**  
**For the Year Ended September 30, 2023**

	Budgeted Amounts		Actual Amounts Budgetary Basis	(1)	Budget to GAAP Differences		Actual Amounts GAAP Basis
	Original	Final			(1) (3)	\$ 49,656.47	
<b>Revenues</b>							
License and Permits	\$ 1,127,000.00	\$ 1,135,201.92	\$ 847,139.79	(1)	\$ 193,784.20	\$ 49,656.47	\$ 1,040,923.99
Intergovernmental				(1)	59,009.03		59,009.03
Charges for Services				(1)			
Miscellaneous	23,665.00	23,665.00	114,067.74	(1)	159.28	114,227.02	
Total Revenues	<u>1,150,665.00</u>	<u>1,158,866.92</u>	<u>961,207.53</u>		<u>302,608.98</u>	<u>1,263,816.51</u>	
<b>Expenditures</b>							
Current:							
Highways and Roads	3,049,442.11	3,049,442.11	2,328,276.87			2,328,276.87	
Capital Outlay	180,000.00	180,000.00	240,770.00			240,770.00	
Total Expenditures	<u>3,229,442.11</u>	<u>3,229,442.11</u>	<u>2,569,046.87</u>			<u>2,569,046.87</u>	
Excess (Deficiency) of Revenues Over Expenditures	(2,078,777.11)	(2,070,575.19)	(1,607,839.34)			302,608.98	(1,305,230.36)
<b>Other Financing Sources (Uses)</b>							
Transfers In	2,035,000.00	2,035,000.00	1,666,015.83	(2) (3)	(229,330.06)	1,436,685.77	
Sale of Capital Assets			281,783.50			281,783.50	
Total Other Financing Sources (Uses)	<u>2,035,000.00</u>	<u>2,035,000.00</u>	<u>1,947,799.33</u>		<u>(229,330.06)</u>	<u>1,718,469.27</u>	
Net Change in Fund Balances	(43,777.11)	(35,575.19)	339,959.99			73,278.92	413,238.91
Fund Balances - Beginning of Year	212,154.09	212,154.09	(274,410.64)	(4)		322,721.25	48,310.61
Fund Balances - End of Year	<u>\$ 168,376.98</u>	<u>\$ 176,578.90</u>	<u>\$ 65,549.35</u>		<u>\$ 396,000.17</u>	<u>\$ 461,549.52</u>	

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**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Gasoline Tax Fund**  
**For the Year Ended September 30, 2023**

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

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

(1) Revenues			
Public Highway and Traffic Fund	\$ 114,160.06		
Gasoline Special Revenue Fund	<u>59,118.86</u>		
		\$ 173,278.92	
(2) Other Financing Sources			
Public Highway and Traffic Fund			(100,000.00)
(3) The Commission transfers money among certain funds rather than recording the revenue in accordance with GASB Statement Number 54.			(129,330.06)
			<u>129,330.06</u>
Net Increase in Fund Balance - Budget to GAAP			<u>\$ 73,278.92</u>
(4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.			

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Hospital Tax Fund**  
**For the Year Ended September 30, 2023**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Taxes	\$ 1,250,000.00	\$ 1,250,000.00	\$ 1,470,825.50	(1) \$ (3,328.80)	\$ 1,467,496.70
Miscellaneous	25.00	25.00	1,052.07		1,052.07
Total Revenues	<u>1,250,025.00</u>	<u>1,250,025.00</u>	<u>1,471,877.57</u>	<u>(3,328.80)</u>	<u>1,468,548.77</u>
<b>Expenditures</b>					
Current:					
Health		6,000,000.00	6,017,758.63		6,017,758.63
Debt Service:					
Interest and Fiscal Charges	2,000.00	2,000.00	121,816.66		121,816.66
Total Expenditures	<u>2,000.00</u>	<u>6,002,000.00</u>	<u>6,139,575.29</u>		<u>6,139,575.29</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,248,025.00</u>	<u>(4,751,975.00)</u>	<u>(4,667,697.72)</u>	<u>(3,328.80)</u>	<u>(4,671,026.52)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds of Debt		6,000,000.00	6,000,000.00		6,000,000.00
Transfers Out	(1,248,025.00)	(1,248,025.00)	(869,816.04)		(869,816.04)
Total Other Financing Sources (Uses)	<u>(1,248,025.00)</u>	<u>4,751,975.00</u>	<u>5,130,183.96</u>		<u>5,130,183.96</u>
Net Change in Fund Balances			462,486.24	(3,328.80)	459,157.44
Fund Balances - Beginning of Year			31,045.28	(2) (61,879.96)	(30,834.68)
Fund Balances - End of Year	\$	\$	\$ 493,531.52	\$ (65,208.76)	\$ 428,322.76

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

(1) The Commission budgets for motor vehicle ad valorem taxes only to the extent they are expected to be received in the current fiscal period, rather than on the modified accrual basis (GAAP).

\$ (3,328.80)

Net Decrease in Fund Balance - Budget to GAAP

\$ (3,328.80)

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

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - ARPA Revenue Reduction Fund**  
**For the Year Ended September 30, 2023**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Intergovernmental	\$ 3,429,585.75	\$ 3,429,585.75	\$ 1,579,403.67	\$ 1,579,403.67	
Miscellaneous	500.00	500.00	10,707.20	10,707.20	
Total Revenues	<u>3,430,085.75</u>	<u>3,430,085.75</u>	<u>1,590,110.87</u>		<u>1,590,110.87</u>
<b>Expenditures</b>					
Current:					
General Government	600,000.00	600,000.00	48,016.75	48,016.75	
Public Safety			4,632.96	4,632.96	
Capital Outlay	2,125,000.00	2,125,000.00	1,526,753.96	1,526,753.96	
Total Expenditures	<u>2,725,000.00</u>	<u>2,725,000.00</u>	<u>1,579,403.67</u>		<u>1,579,403.67</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>705,085.75</u>	<u>705,085.75</u>	<u>10,707.20</u>		<u>10,707.20</u>
Net Change in Fund Balances	<u>705,085.75</u>	<u>705,085.75</u>	<u>10,707.20</u>		<u>10,707.20</u>
Fund Balances - Beginning of Year			1,834.43	1,834.43	
Fund Balances - End of Year	<u>\$ 705,085.75</u>	<u>\$ 705,085.75</u>	<u>\$ 12,541.63</u>		<u>\$ 12,541.63</u>

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## *Additional Information*

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***Commission Members and Administrative Personnel***  
***October 1, 2022 through September 30, 2023***

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<b><u>Commission Members</u></b>		<b><u>Term Expires</u></b>
Hon. Patrick Champion	Chairman	2026
Hon. Freddie Armstead, Jr.	Member	2026
Hon. Jason Windham	Member	2028
Hon. John Crawford, Jr.	Member	2026
Hon. Terry Hinton, Sr.	Member	2022
Hon. Calvin Martin	Member	2028
Hon. Michael Thompson	Member	2022

**Administrative Personnel**

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

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## ***Independent Auditor's Report***

Members of the Marengo County Commission and County Administrator  
Linden, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States (***Government Auditing Standards***), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marengo County Commission, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Marengo County Commission's basic financial statements, and have issued our report thereon dated August 12, 2025.

## ***Report on Internal Control Over Financial Reporting***

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

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

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

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

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## **Report on Compliance and Other Matters**

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

## **Purpose of this Report**

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



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

August 12, 2025