



Butler County Commission

Butler County, Alabama

October 1, 2020 through September 30, 2021

Filed: September 26, 2025

ALABAMA DEPARTMENT OF
EXAMINERS of Public Accounts

Rachel Laurie Riddle, Chief Examiner | 334-777-0500 | www.alexaminers.gov



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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 Butler County Commission, Butler County, Alabama, for the period October 1, 2020 through September 30, 2021. 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,

David A. Quick
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

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

The Butler County Commission (the “Commission”) is governed by a five- member body elected by the citizens of Butler County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 14. 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 Butler 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, 2021.

Financial statements for the fiscal year ending September 30, 2021, were not prepared by management until October 25, 2024. The Commission’s failure to prepare timely financial statements may impact the relevance of the financial information presented to users of the financial statements.

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

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference. Individuals in attendance were Diane Kilpatrick, Administrator (retired); and Commissioner Darrell Sanders. Representing the Department of Examiners of Public Accounts were Miranda Bonner, Audit Manager and David Quick, Examiner.

Independent Auditor's Report

Independent Auditor's Report

Members of Butler County Commission and County Administrator
Greenville, 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 Butler County Commission, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Butler 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 Butler County Commission, as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 13 to the financial statements, the Butler County Commission's financial statements for the year ended September 30, 2021, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement Number 84, ***Fiduciary Activities***. The Butler County Commission implemented the requirements of GASB Statement Number 84 during the fiscal year. Our opinion on the basic financial statements is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Butler 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 Butler 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 Butler 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, Schedule of the Employer's Contributions – Pension and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 13), 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 September 11, 2025, on our consideration of the Butler 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 Butler 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 Butler County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

September 11, 2025

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Basic Financial Statements

Statement of Net Position

September 30, 2021

| | Governmental Activities |
|----------------------------------------------------|------------------------------------|
| <u>Assets</u> | |
| Cash and Cash Equivalents | \$ 10,361,695.36 |
| Receivables (Note 4) | 738,034.94 |
| Ad Valorem Taxes Receivable | 2,573,259.82 |
| Inventories | 128,421.57 |
| Capital Assets (Note 5): | |
| Nondepreciable | 1,041,348.57 |
| Depreciable - Net | 8,658,260.91 |
| Total Assets | <u>23,501,021.17</u> |
| <u>Deferred Outflows of Resources</u> | |
| Employer Pension Contribution | 248,845.43 |
| Deferred Outflows Related to Net Pension Liability | <u>411,398.00</u> |
| Total Deferred Outflows of Resources | <u>660,243.43</u> |
| <u>Liabilities</u> | |
| Accounts Payable | 395,389.42 |
| Unearned Revenue | 1,909,398.41 |
| Accrued Wages Payable | 123,263.74 |
| Accrued Interest Payable | 31,977.09 |
| Other Current Liabilities | 31,672.80 |
| Long-Term Liabilities: | |
| Portion Due or Payable Within One Year: | |
| Notes from Direct Borrowing | 382,852.89 |
| Estimated Liability for Compensated Absences | 12,231.35 |
| Warrants Payable | 150,000.00 |
| Portion Due or Payable After One Year: | |
| Notes from Direct Borrowing | 769,499.58 |
| Estimated Liability for Compensated Absences | 110,082.11 |
| Warrants Payable | 2,970,000.00 |
| Net Pension Liability | <u>2,730,438.00</u> |
| Total Liabilities | <u>9,616,805.39</u> |
| <u>Deferred Inflows of Resources</u> | |
| Unavailable Revenue - Property Taxes | 2,573,259.82 |
| Deferred Inflows Related to Net Pension Liability | 109,536.00 |
| Total Deferred Inflows of Resources | <u>\$ 2,682,795.82</u> |

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

| Governmental Activities | |
|------------------------------------|--------------------------------|
| <u>Net Position</u> | |
| Net Investment in Capital Assets | \$ 5,427,257.01 |
| Restricted for: | |
| Capital Projects | 2,304,758.07 |
| Highways and Roads | 1,733,830.75 |
| Public Safety | 150,300.09 |
| Other Purposes | 24,370.68 |
| Unrestricted | <u>2,221,146.79</u> |
| Total Net Position | <u><u>\$ 11,861,663.39</u></u> |

Statement of Activities
For the Year Ended September 30, 2021

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position |
|---------------------------------------------------------------|-----------------|----------------------|------------------------------------|----------------------------------|-----------------------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary Government Governmental Activities: | | | | | |
| General Government | \$ 2,071,351.75 | \$ 939,200.51 | \$ 308,403.29 | \$ | \$ (823,747.95) |
| Public Safety | 2,355,705.87 | 152,704.87 | 1,097,475.61 | | (1,105,525.39) |
| Highways and Roads | 4,327,848.01 | 25,243.34 | 3,264,802.00 | | (1,037,802.67) |
| Sanitation | 12,996.00 | | 888.57 | | (12,107.43) |
| Health | 157,615.01 | | 12,471.30 | | (145,143.71) |
| Welfare | 10,000.00 | 0.63 | 698.16 | | (9,301.21) |
| Culture and Recreation | 53,500.00 | | 3,681.21 | | (49,818.79) |
| Education | 50,995.00 | | 3,554.27 | | (47,440.73) |
| Interest and Fiscal Charges | 103,641.21 | | | | (103,641.21) |
| Total Governmental Activities | \$ 9,143,652.85 | \$ 1,117,149.35 | \$ 4,691,974.41 | \$ | \$ (3,334,529.09) |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Property Taxes for General Purposes | | | | | 2,809,489.72 |
| Property Taxes for Specific Purposes | | | | | 157,680.15 |
| Sales and Use Tax - General Purposes | | | | | 1,194,524.19 |
| Other County Sales and Use Taxes | | | | | 20,440.16 |
| Miscellaneous Taxes | | | | | 120,007.66 |
| Grants and Contributions Not Restricted for Specific Programs | | | | | 786,274.87 |
| Interest Earned | | | | | 23,996.25 |
| Gain on Sale of Capital Assets | | | | | 118,701.15 |
| Miscellaneous | | | | | 477,233.27 |
| Total General Revenues | | | | | <u>5,708,347.42</u> |
| Change in Net Position | | | | | 2,373,818.33 |
| Net Position - Beginning of Year | | | | | <u>9,487,845.06</u> |
| Net Position - End of Year | | | | \$ | <u>11,861,663.39</u> |

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

Balance Sheet
Governmental Funds
September 30, 2021

| | General Fund | Gasoline Tax Fund | Coronavirus Rescue Act Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------------------------------------|------------------------|----------------------|-----------------------------|--------------------------|--------------------------|
| Assets | | | | | |
| Cash and Cash Equivalents | \$ 4,247,456.24 | \$ 169,554.43 | \$ 1,890,091.96 | \$ 4,054,592.73 | \$ 10,361,695.36 |
| Receivables (Note 4) | 479,374.91 | 75,495.74 | | 183,164.29 | 738,034.94 |
| Ad Valorem Taxes Receivable | 2,357,673.79 | | | 215,586.03 | 2,573,259.82 |
| Inventories | | 128,421.57 | | | 128,421.57 |
| Total Assets | <u>7,084,504.94</u> | <u>373,471.74</u> | <u>1,890,091.96</u> | <u>4,453,343.05</u> | <u>13,801,411.69</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts Payable | 239,679.36 | 98,390.25 | | 57,319.81 | 395,389.42 |
| Unearned Revenue | | | 1,890,091.96 | 19,306.45 | 1,909,398.41 |
| Accrued Wages Payable | 95,528.17 | 26,214.68 | | 1,520.89 | 123,263.74 |
| Other Liabilities | 31,672.80 | | | | 31,672.80 |
| Total Liabilities | <u>366,880.33</u> | <u>124,604.93</u> | <u>1,890,091.96</u> | <u>78,147.15</u> | <u>2,459,724.37</u> |
| Deferred Inflows of Resources | | | | | |
| Unavailable Revenue - Property Taxes | | 2,357,673.79 | | 215,586.03 | 2,573,259.82 |
| Fund Balances | | | | | |
| Nonspendable: | | | 128,421.57 | | 128,421.57 |
| Inventories | | | | | |
| Restricted for: | | | | | |
| Capital Projects | | | | 2,304,758.07 | 2,304,758.07 |
| Highway and Roads | | | | 1,733,830.75 | 1,733,830.75 |
| Public Safety | | | | 150,300.09 | 150,300.09 |
| Other Purposes | | | | 24,370.68 | 24,370.68 |
| Assigned: | | | 120,445.24 | | 120,445.24 |
| Highway and Roads | | | | | |
| Unassigned | 4,359,950.82 | | (53,649.72) | | 4,306,301.10 |
| Total Fund Balances | 4,359,950.82 | 248,866.81 | | 4,159,609.87 | 8,768,427.50 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 7,084,504.94</u> | <u>\$ 373,471.74</u> | <u>\$ 1,890,091.96</u> | <u>\$ 4,453,343.05</u> | <u>\$ 13,801,411.69</u> |

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

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 8,768,427.50

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds (See Note 5). 9,699,609.48

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. 550,707.43

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

| | Amounts Due or Payable Within One Year | Amounts Due or Payable After One Year |
|-----------------------------------------------------------------|----------------------------------------------|---------------------------------------------|
| Accrued Interest Payable | \$ 31,977.09 | \$ |
| Notes from Direct Borrowing | 382,852.89 | 769,499.58 |
| Warrants Payable | 150,000.00 | 2,970,000.00 |
| Estimated Liability for Compensated Absences | 12,231.35 | 110,082.11 |
| Net Pension Liability | | 2,730,438.00 |
| Total Long-Term Liabilities | \$ 577,061.33 | \$ 6,580,019.69 |
| | | (7,157,081.02) |
| Total Net Position - Governmental Activities (Exhibit 1) | | \$ 11,861,663.39 |

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2021

| | General Fund | Gasoline Tax Fund | Coronavirus Rescue Act Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------------------|------------------------|-----------------------|-----------------------------|--------------------------|--------------------------|
| Revenues | | | | | |
| Taxes | \$ 4,101,394.66 | \$ 40,880.01 | \$ 1,482,220.50 | \$ 200,747.22 | \$ 4,302,141.88 |
| Licenses and Permits | | | | 134,970.71 | 175,850.72 |
| Intergovernmental | 1,326,716.71 | | | 2,680,682.71 | 5,489,619.92 |
| Charges for Services | 545,756.18 | | | 358,605.97 | 904,362.15 |
| Miscellaneous | 52,772.22 | 418,268.82 | 213.02 | 55,541.30 | 526,795.36 |
| Total Revenues | <u>6,067,519.78</u> | <u>1,900,489.32</u> | <u>213.02</u> | <u>3,430,547.91</u> | <u>11,398,770.03</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 1,842,885.92 | | 213.02 | 211,922.57 | 2,055,021.51 |
| Public Safety | 1,923,628.82 | | | 185,466.37 | 2,109,095.19 |
| Highways and Roads | 7,809.45 | 2,418,713.87 | | 1,471,832.05 | 3,898,355.37 |
| Sanitation | 12,996.00 | | | | 12,996.00 |
| Health | 127,507.13 | | | | 127,507.13 |
| Welfare | 10,000.00 | | | | 10,000.00 |
| Culture and Recreation | 53,500.00 | | | | 53,500.00 |
| Education | 50,995.00 | | | | 50,995.00 |
| Capital Outlay | 250,601.46 | 1,058,762.81 | | 562,316.89 | 1,871,681.16 |
| Debt Service: | | | | | |
| Principal Retirement | | 807,027.32 | | 150,000.00 | 957,027.32 |
| Interest and Fiscal Charges | | 24,677.31 | | 83,897.50 | 108,574.81 |
| Total Expenditures | <u>4,279,923.78</u> | <u>4,309,181.31</u> | <u>213.02</u> | <u>2,665,435.38</u> | <u>11,254,753.49</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>1,787,596.00</u> | <u>(2,408,691.99)</u> | | <u>765,112.53</u> | <u>144,016.54</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | | 920,000.00 | | 351,247.50 | 1,271,247.50 |
| Sale of Capital Assets | | 690,697.24 | | | 690,697.24 |
| Long-Term Debt Issued | | 936,367.32 | | | 936,367.32 |
| Transfers Out | (920,000.00) | | (351,247.50) | | (1,271,247.50) |
| Total Other Financing Sources (Uses) | <u>(920,000.00)</u> | <u>2,547,064.56</u> | | | <u>1,627,064.56</u> |
| Net Change in Fund Balances | <u>867,596.00</u> | <u>138,372.57</u> | | <u>765,112.53</u> | <u>1,771,081.10</u> |
| Fund Balances - Beginning of Year | <u>3,492,354.82</u> | <u>110,494.24</u> | | <u>3,394,497.34</u> | <u>6,997,346.40</u> |
| Fund Balances - End of Year | <u>\$ 4,359,950.82</u> | <u>\$ 248,866.81</u> | <u>\$ 213.02</u> | <u>\$ 4,159,609.87</u> | <u>\$ 8,768,427.50</u> |

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2021

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 1,771,081.10

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

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

| | |
|-----------------------------|-------------------|
| Capital Outlay Expenditures | \$ 1,871,681.16 |
| Depreciation Expense | <u>717,691.92</u> |
| Total | 1,153,989.24 |

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 this amount.

| | |
|-------------------------------------------|-------------------|
| Proceeds from Sale of Capital Assets | \$ (690,697.24) |
| Net Gain on Disposition of Capital Assets | <u>118,701.15</u> |
| | (571,996.09) |

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 957,027.32

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

| | |
|-----------------------------|--------------|
| Notes from Direct Borrowing | (936,367.32) |
|-----------------------------|--------------|

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

| | |
|------------------------------------------------------------|------------------|
| Net Change in Accrued Interest Payable | \$ (4,933.60) |
| Net Change in Estimated Liability for Compensated Absences | (5,152.06) |
| Net Change in Pension Expense | <u>10,001.58</u> |
| Total | 84.08 |

| | |
|---------------------------------------------------------------|-----------------|
| Change in Net Position of Governmental Activities (Exhibit 2) | \$ 2,373,818.33 |
|---------------------------------------------------------------|-----------------|

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

Statement of Fiduciary Net Position
September 30, 2021

| | Custodial Funds |
|----------------------------------|----------------------------|
| <u>Assets</u> | |
| Cash and Cash Equivalents | \$ 741,267.72 |
| Due from External Parties | 28,538.27 |
| Noncurrent Assets: | |
| Capital Assets, Net | 2,389.36 |
| Total Assets | <u>772,195.35</u> |
| <u>Liabilities</u> | |
| Accounts Payable | 3.67 |
| Due to External Parties | 57,548.45 |
| Total Liabilities | <u>57,552.12</u> |
| <u>Net Position</u> | |
| Held in Trust for Other Purposes | 714,643.23 |
| Total Net Position | <u>\$ 714,643.23</u> |

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

***Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2021***

| | Custodial Funds |
|---------------------------------------------------------|----------------------------|
| Additions | |
| Contributions from: | |
| Taxes and Licenses Collected for Other Agencies | \$ 11,217,913.29 |
| Fees | 448,343.50 |
| Grants | 8,275.17 |
| Miscellaneous | 232,770.71 |
| Interest | 342.15 |
| Total Additions | <u>11,907,644.82</u> |
| Deductions | |
| Taxes and Licenses Disbursements to Other Agencies | 11,215,702.55 |
| General Government | 259,326.46 |
| Public Safety | 185,935.68 |
| Total Deductions | <u>11,660,964.69</u> |
| Changes in Net Position | 246,680.13 |
| Net Position - Beginning of Year, as Restated (Note 13) | <u>467,963.10</u> |
| Net Position - End of Year | <u>\$ 714,643.23</u> |

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 1 – Summary of Significant Accounting Policies

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

Fund Financial Statements

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. 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 and for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges, and rights-of-way.
- ◆ **Coronavirus Rescue Act 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 government services to the extent of the reduction in revenue experienced due to the COVID-19 public health emergency.

Governmental Fund Types

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

The Commission reports the following fiduciary fund type:

Fiduciary Fund Type

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

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

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 and demand deposits.

2. Receivables

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

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

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

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

3. Inventories

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

4. Capital Assets

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

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 as follows:

| | Capitalization Threshold | Estimated Useful Life |
|-------------------------------|--------------------------|-----------------------|
| Exhaustible Land Improvements | \$ 50,000 | 20 years |
| Buildings and Improvements | \$ 50,000 | 20 – 40 years |
| Roads | \$250,000 | 20 years |
| Bridges | \$ 50,000 | 40 years |
| Equipment and Furniture | \$ 5,000 | 5 – 10 years |
| Construction Equipment | \$ 5,000 | 10 years |
| Motor Vehicles | \$ 5,000 | 5 years |

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

5. Deferred Outflows of Resources

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

6. Long-Term Obligations

In the government-wide financial statements, 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 face amount of debt issued as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

7. Compensated Absences

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

Annual Leave

Office personnel who work 32-hour weeks receive 32 hours per year for 1 to 5 years of service, 64 hours per year for 6 to 10 years of service, 96 hours per year for 11 to 15 years of service and 128 hours per year for 16 to 25 years of service. A maximum of 64 hours can be carried forward to the next year. Road department and law enforcement personnel who work 40-hour weeks receive 40 hours per year for 1 to 5 years of service, 80 hours per year for 6 to 10 years of service, 120 hours per year for 11 to 15 years of service and 160 hours per year for 16 to 25 years of service. A maximum of 80 hours can be carried forward to the next year. The Commission has established a policy that employees cannot carry over leave beyond the maximum allowed from one calendar year to the next and that annual leave must be taken as days off prior to separation from service with the exception of involuntary separation due to termination or disability, in which case a lump sum will be paid for the accrued annual leave.

Sick Leave

Sick leave accrues to permanent full-time employees at the rate of 12 days per year. A maximum of 90 days of sick leave may be accumulated. Upon separation from county employment by retiring or reaching retirement age, an employee may be paid the lesser of 45 days or one-half the accumulated and unused sick leave.

Compensatory Leave

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. Generally, employees must take all compensatory time within the quarter earned or they will be paid for it.

Notes to the Financial Statements

For the Year Ended September 30, 2021

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.

The Commission uses 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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2021

- ◆ **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.

Fund balance is reported in the fund financial statements under the following five categories:

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

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

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopts project-length budgets and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year-end.

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

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

B. Deficit Fund Balances/Net Position of Individual Funds

At September 30, 2021, the following governmental fund had a deficit fund balance:

| | |
|-----------------------------------|-------------------|
| Courthouse Elevator/Bathroom Fund | <hr/> \$53,649.72 |
|-----------------------------------|-------------------|

This deficit reflects outstanding amounts payable at fiscal year-end. The Commission plans to transfer funds from the Court Fee Fund to cover the deficit.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 3 – Deposits

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

Note 4 – Receivables

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

| Governmental Funds | General Fund | Gasoline Tax Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------|---------------------|--------------------|--------------------------|--------------------------|
| Receivables: | | | | |
| Accounts Receivable | \$ 31,131.20 | \$ 792.70 | \$ 32,016.14 | \$ 63,940.04 |
| Intergovernmental | 448,243.71 | 74,703.04 | 151,148.15 | 674,094.90 |
| Total Receivables | \$479,374.91 | \$75,495.74 | \$183,164.29 | \$738,034.94 |

Governmental funds report unearned revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At September 30, 2021, the Commission reported the following unearned revenue.

| | Unearned |
|----------------------------------------------------------------|----------------|
| Grant Funds Received Prior to Meeting Eligibility Requirements | \$1,909,398.41 |

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 5 – Capital Assets

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

| | Balance 10/01/2020 | Additions/ Reclassifications | Retirements/ Reclassifications | Balance 09/30/2021 |
|----------------------------------------------------|------------------------|---------------------------------|-----------------------------------|------------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 490,236.90 | \$ | \$ | \$ 490,236.90 |
| Construction in Process | 37,991.78 | 513,119.89 | | 551,111.67 |
| Total Capital Assets, Not Being Depreciated | 528,228.68 | 513,119.89 | | 1,041,348.57 |
| Capital Assets Being Depreciated: | | | | |
| Land Improvements – Exhaustible | 140,989.19 | 11,150.00 | | 152,139.19 |
| Infrastructure | 1,950,634.06 | | | 1,950,634.06 |
| Buildings | 7,909,753.10 | | | 7,909,753.10 |
| Building Improvements | 215,361.88 | 49,197.00 | | 264,558.88 |
| Equipment and Furniture | 982,305.14 | 92,647.16 | (16,000.00) | 1,058,952.30 |
| Construction Equipment | 2,841,678.76 | 90,653.49 | (69,160.61) | 2,863,171.64 |
| Motor Vehicles | 1,201,235.34 | 178,546.30 | (181,977.34) | 1,197,804.30 |
| Equipment Under Notes from Direct Borrowing | 1,402,376.00 | 936,367.32 | (720,856.83) | 1,617,886.49 |
| Total Capital Assets Being Depreciated | 16,644,333.47 | 1,358,561.27 | (987,994.78) | 17,014,899.96 |
| Less Accumulated Depreciation for: | | | | |
| Land Improvements – Exhaustible | (135,626.69) | (553.75) | | (136,180.44) |
| Infrastructure | (664,920.33) | (43,795.15) | | (708,715.48) |
| Buildings | (2,966,398.71) | (180,193.53) | | (3,146,592.24) |
| Building Improvements | (177,673.43) | (11,998.02) | | (189,671.45) |
| Equipment and Furniture | (749,444.13) | (29,944.69) | 16,000.00 | (763,388.82) |
| Construction Equipment | (2,025,623.22) | (191,001.49) | (157,465.05) | (2,374,089.76) |
| Motor Vehicles | (871,883.11) | (115,377.61) | 181,977.34 | (805,283.38) |
| Equipment Under Notes from Direct Borrowing | (463,376.20) | (144,827.68) | 375,486.40 | (232,717.48) |
| Total Accumulated Depreciation | (8,054,945.82) | (717,691.92) | 415,998.69 | (8,356,639.05) |
| Total Capital Assets Being Depreciated, Net | 8,589,387.65 | 640,869.35 | (571,996.09) | 8,658,260.91 |
| Total Governmental Activities | | | | |
| Capital Assets, Net | \$ 9,117,616.33 | \$1,153,989.24 | \$ (571,996.09) | \$ 9,699,609.48 |

| | Balance 10/01/2020 | Additions/ Reclassifications | Retirements/ Reclassifications | Balance 09/30/2021 |
|-------------------------------------------------------|-----------------------|---------------------------------|-----------------------------------|-----------------------|
| Fiduciary Activities: | | | | |
| Capital Assets Being Depreciated: | | | | |
| Equipment and Furniture | \$ 7,964.55 | \$ | \$ | \$ 7,964.55 |
| Total Capital Assets Being Depreciated | 7,964.55 | | | 7,964.55 |
| Less Accumulated Depreciation for: | | | | |
| Equipment and Furniture | (3,982.28) | (1,592.91) | | (5,575.19) |
| Total Accumulated Depreciation | (3,982.28) | (1,592.91) | | (5,575.19) |
| Total Capital Assets Being Depreciated, Net | 3,982.27 | (1,592.91) | | 2,389.36 |
| Total Fiduciary Activities Capital Assets, Net | \$ 3,982.27 | \$(1,592.91) | \$ | \$ 2,389.36 |

Notes to the Financial Statements

For the Year Ended September 30, 2021

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

| Governmental Activities | Current Year Depreciation Expense |
|------------------------------------------------------|-----------------------------------------|
| General Government | \$ 10,619.61 |
| Public Safety | 243,607.96 |
| Highway and Roads | 433,413.42 |
| Health | 30,050.93 |
| Total Depreciation Expense – Governmental Activities | <u>\$717,691.92</u> |

| Fiduciary Activities | Current Year Depreciation Expense |
|---------------------------------------------------|-----------------------------------------|
| General Government | \$1,592.91 |
| Total Depreciation Expense – Fiduciary Activities | <u>\$1,592.91</u> |

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

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

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

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.

Notes to the Financial Statements

For the Year Ended September 30, 2021

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.

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

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

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

Contributions

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2021, the Commission's active employee contribution rate was 5.42% of covered employee payroll, and the County's average contribution rate to fund the normal and accrued liability costs was 7.79% of pensionable payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2021 was 8.80% of pensionable pay for Tier 1 employees, and 6.42% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2018, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$248,845.43 for the year ended September 30, 2021.

Notes to the Financial Statements

For the Year Ended September 30, 2021

B. Net Pension Liability

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

| | Total Pension Liability Roll-Forward | | |
|---------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------|------------------------------|
| | Expected | Actual Before Act 2019-132 | Actual After Act 2019-132 |
| (a) Total Pension Liability as of September 30, 2019 | \$10,379,712 | \$10,442,476 | \$10,442,476 |
| (b) Discount Rate | 7.70% | 7.70% | 7.70% |
| (c) Entry Age Normal Cost for the period October 1, 2019 through September 30, 2020 | 237,120 | 237,120 | 237,120 |
| (d) Transfers Among Employers: | | (169,080) | (169,080) |
| (e) Actual Benefit Payments and Refunds for the period October 1, 2019 through September 30, 2020 | (615,211) | (615,211) | (615,211) |
| (f) Total Pension Liability as of September 30, 2020 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))] | \$10,777,173 | \$10,675,690 | \$10,675,690 |
| (g) Difference between Expected and Actual | | \$ (101,483) | |
| (h) Less Liability Transferred for Immediate Recognition | | <u>(169,080)</u> | |
| (i) Difference between Expected and Actual – Experience (Gain)/Loss | | \$ 67,597 | |
| (j) Difference between Actual TPL Before and After Act 2019-132 – Benefit Change (Gain)/Loss | | | \$ |

Actuarial Assumptions

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

| | |
|--------------------------------------------|------------|
| Inflation | 2.75% |
| Salary Increases | 3.25-5.00% |
| Investment Rate of Return (*) | 7.70% |
| (*) Net of pension plan investment expense | |

Notes to the Financial Statements

For the Year Ended September 30, 2021

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

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

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

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

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

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

Discount Rate

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

C. Changes in Net Pension Liability

| | Increase/(Decrease) | | |
|------------------------------------------------------------------|--------------------------------------|------------------------------------------|----------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balances at September 30, 2019 | \$10,379,712 | \$7,880,660 | \$2,499,052 |
| Changes for the Year: | | | |
| Service cost | 237,120 | | 237,120 |
| Interest | 775,552 | | 775,552 |
| Differences between expected and actual experience | 67,597 | | 67,597 |
| Contributions – employer | | 247,552 | (247,552) |
| Contributions – employee | | 161,721 | (161,721) |
| Net investment income | | 439,610 | (439,610) |
| Benefit payments, including refunds of employee contributions | (615,211) | (615,211) | |
| Transfers among employers | (169,080) | (169,080) | |
| Net Changes | <u>295,978</u> | <u>64,592</u> | <u>231,386</u> |
| Balances at September 30, 2020 | <u>\$10,675,690</u> | <u>\$7,945,252</u> | <u>\$2,730,438</u> |

Notes to the Financial Statements

For the Year Ended September 30, 2021

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

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

| | 1% Decrease (6.70%) | Current Rate (7.70%) | 1% Increase (8.70%) |
|------------------------------------|------------------------|-------------------------|------------------------|
| Commission's Net Pension Liability | \$3,851,760 | \$2,730,438 | \$1,768,432 |

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the Commission recognized pension expense of \$248,822. At September 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$111,776 | \$109,536 |
| Changes of assumptions | 47,697 | |
| Net difference between projected and actual earnings on pension plan investments | 251,925 | |
| Employer contributions subsequent to the measurement date | 248,845 | |
| Total | \$660,243 | \$109,536 |

Notes to the Financial Statements

For the Year Ended September 30, 2021

The \$248,845 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

| Year Ending: | |
|--------------------|-----------|
| September 30, 2021 | \$ 33,254 |
| 2022 | \$120,005 |
| 2023 | \$113,965 |
| 2024 | \$ 33,311 |
| 2025 | \$ 1,327 |
| Thereafter | \$ 0 |

Note 7 – Long-Term Debt

In February 2016, the Commission issued General Obligation Refunding Warrants, Series 2016 to provide funds to advance refund General Obligation Warrants, Series 2008; to currently refund General Obligation Warrants, Series, 2005; and to finance various capital projects of the County.

In November 2017, the Commission entered into a note from direct borrowing of \$176,304.17 for the purchase of a 2017 John Deere Excavator from Community Neighbor Bank with an interest rate of 1.93% for a period of four years.

In May 2018, the Commission entered into a note from direct borrowing of \$172,676.00 for the purchase of a Caterpillar 930M Loader from Community Neighbor Bank with an interest rate of 2.36% for a period of four years.

On March 1, 2019, the Commission financed \$175,422.00 at 3.67% with Community Neighbor Bank for the purchase of one (1) 2019 Boom Axe Mower.

On April 20, 2020, the Commission financed \$123,097.00 at 2.10% with Trustmark Bank for the purchase of a 2020 Mack Lowboy for a period of four years.

On June 30, 2020, the Commission financed \$34,020.00 at 2.10% with Trustmark Bank for the purchase of a 2020 Mack Lowboy Trailer for a period of four years.

On February 28, 2020, the Commission financed \$597,148.00 at 2.10% with Trustmark Bank for the purchase of four (4) 2020 Mack Dump Trucks for a period of four years. The trucks were sold during fiscal year 2021 and the debt was paid in full.

Notes to the Financial Statements

For the Year Ended September 30, 2021

On March 22, 2021, the Commission entered into a note from direct borrowing of \$615,568.00 for the purchase of four (4) 2021 Mack Dump Trucks from Trustmark Bank with an interest rate of 2.61% for a period of four years.

On March 16, 2021, the Commission entered into a note from direct borrowing of \$320,799.32 for the purchase of three (3) John Deere 6120M tractors and three (3) Bushwhacker mowers from Trustmark Bank with an interest rate of 2.26% for a period of four years.

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

| | Debt Outstanding 10/01/2020 | Issued/ Increased | Repaid/ Decreased | Debt Outstanding 09/30/2021 | Amounts Due Within One Year |
|---------------------------------|-----------------------------------|----------------------|----------------------|-----------------------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| Warrants Payable | \$3,270,000.00 | \$ | \$(150,000.00) | \$3,120,000.00 | \$150,000.00 |
| Other Liabilities: | | | | | |
| Notes from Direct Borrowing | 1,023,012.47 | 936,367.32 | (807,027.32) | 1,152,352.47 | 382,852.89 |
| Compensated Absences | 127,465.52 | | (5,152.06) | 122,313.46 | 12,231.35 |
| Net Pension Liability | 2,499,052.00 | 231,386.00 | | 2,730,438.00 | |
| Total Governmental Activities | | | | | |
| Long-Term Liabilities | \$6,919,529.99 | \$1,167,753.32 | \$(962,179.38) | \$7,125,103.93 | \$545,084.24 |

Payments on the general obligation warrants are made by the debt service fund from the Court Fee Fund. Payments on the notes from direct borrowing and warrants for heavy equipment are paid by the Gasoline Tax Fund.

The compensated absences liability will be liquidated by several of the Commission's governmental funds. Approximately 50% was paid by the General Fund, 45% by the Gasoline Tax fund, and the remainder by the other governmental funds.

The Commission's outstanding note from direct borrowing, originally issued at \$172,676.00, is secured by a Caterpillar 930 Wheel Loader. The outstanding note from direct borrowing contains a provision that in the event of default, the bank may (1) declare the unpaid principal components of the installment payments immediately due and payable, (2) proceed to appropriate court action to enforce the Commission's performance of the applicable covenants of the agreement or to recover the breach thereof, (3) require the Commission to pay over any balance remaining in the project fund to be applied against outstanding required payments in any manner the bank deems appropriate, and/or (4) avail itself of all available remedies under the agreement and recover of attorneys' fees and other expenses.

Notes to the Financial Statements

For the Year Ended September 30, 2021

The Commission's outstanding note from direct borrowing, originally issued at \$176,304.17, is secured by a 2017 John Deere Excavator and Tilt Trailer. The outstanding note from direct borrowing contains a provision that in the event of default, the bank may (1) declare the unpaid principal components of the installment payments immediately due and payable (2) proceed to appropriate court action to enforce the Commission's performance of the applicable covenants of the agreement or to recover the breach thereof, (3) require the Commission to pay over any balance remaining in the project fund to be applied against outstanding required payments in any manner the bank deems appropriate, and/or (4) avail itself of all available remedies under the agreement and recover of attorneys' fees and other expenses.

The Commission's outstanding note from direct borrowing, originally issued at \$175,422.00, is secured by a 2019 Boom Axe Mower. The outstanding note from direct borrowing contains a provision that in the event of default, the lender may (1) declare the entire indebtedness, including any prepayment penalty, immediately due and payable, without notice, (2) require delivery of any portion of the collateral and any and all certificates of title and other documents relating to the collateral, (3) sell, lease, transfer, or otherwise deal with collateral or proceeds thereof, (4) appoint a receiver to take possession of all or any part of the collateral, (5) collect payments, rents, income, and revenues from the collateral either by itself or through a receiver, and/or (6) obtain a judgment against the Commission for any deficiency remaining on the indebtedness due to lender after application of all amounts received from the exercise of the rights.

The Commission's outstanding note from direct borrowing, originally issued at \$123,097.00, is secured by a 2020 Mack Lowboy. The outstanding note from direct borrowing contains a provision that in the event of default, the lender may (1) declare the indebtedness immediately due and payable, (2) require, at the Commission's expense, prompt return of the collateral and any and all certificates of title and other documents relating to the collateral, (3) sell, lease, transfer, or otherwise deal with collateral or proceeds thereof, and (4) obtain a judgment against the Commission for any deficiency remaining on the indebtedness due to lender after application of all amounts received from the exercise of the rights.

The Commission's outstanding note from direct borrowing, originally issued at \$34,020.00, is secured by a 2020 Mack Lowboy Trailer. The outstanding note from direct borrowing contains a provision that in the event of default, the lender may (1) declare the indebtedness immediately due and payable, (2) require, at the Commission's expense, prompt return of the collateral and any and all certificates of title and other documents relating to the collateral, (3) sell, lease, transfer, or otherwise deal with collateral or proceeds thereof, and (4) obtain a judgment against the Commission for any deficiency remaining on the indebtedness due to lender after application of all amounts received from the exercise of the rights.

Notes to the Financial Statements

For the Year Ended September 30, 2021

The Commission's outstanding note from direct borrowing, originally issued at \$615,568.00, is secured by four (4) 2021 Mack Dump Trucks. The outstanding note from direct borrowing contains a provision that in the event of default, the lender may (1) declare the indebtedness immediately due and payable, (2) require, at the Commission's expense, prompt return of the collateral and any and all certificates of title and other documents relating to the collateral, (3) sell, lease, transfer, or otherwise deal with collateral of proceeds thereof, and (4) obtain a judgment against the Commission for any deficiency remaining on the indebtedness due to lender after application of all amounts received from the exercise of the rights.

The Commission's outstanding note from direct borrowing, originally issued at \$320,799.32, is secured by three (3) John Deere 6120 Tractors and three (3) Bushwhacker Mowers. The outstanding note from direct borrowing contains a provision that in the event of default, the lender may (1) declare the indebtedness immediately due and payable, (2) require, at the Commission's expense, prompt return of the collateral and any and all certificates of title and other documents relating to the collateral, (3) sell, lease, transfer, or otherwise deal with collateral of proceeds thereof, and (4) obtain a judgment against the Commission for any deficiency remaining on the indebtedness due to lender after application of all amounts received from the exercise of the rights.

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

| Fiscal Year Ending | General Obligation Warrants | | Notes from Direct Borrowing | | Total Principal and Interest Requirements to Maturity |
|--------------------|-----------------------------|---------------------|-----------------------------|--------------------|-------------------------------------------------------|
| | Principal | Interest | Principal | Interest | |
| September 30, 2022 | \$ 150,000.00 | \$ 81,197.50 | \$ 382,852.89 | \$14,136.95 | \$ 628,187.34 |
| 2023 | 155,000.00 | 78,497.50 | 296,377.90 | 8,302.77 | 538,178.17 |
| 2024 | 160,000.00 | 75,397.50 | 276,151.81 | 4,722.09 | 516,271.40 |
| 2025 | 160,000.00 | 72,197.50 | 196,969.87 | 1,748.06 | 430,915.43 |
| 2026 | 165,000.00 | 68,757.50 | | | 233,757.50 |
| 2027-2031 | 880,000.00 | 283,990.00 | | | 1,163,990.00 |
| 2032-2036 | 1,005,000.00 | 160,373.50 | | | 1,165,373.50 |
| 2037-2038 | 445,000.00 | 21,105.00 | | | 466,105.00 |
| Totals | \$3,120,000.00 | \$841,516.00 | \$1,152,352.47 | \$28,909.87 | \$5,142,778.34 |

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 8 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium contribution 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 in aggregate. Defense costs are included in the limits of the coverage. Employment practices liability coverage provides up to \$1,000,000 per occurrence with a \$5,000 deductible for loss only. Defense costs are included in the limits of the coverage. Equitable Defense coverage per incident is limited to \$225,000.

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 contribution 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 premium contribution of the Fund. Premiums are then based on a rate per \$100 of remuneration for each class of employee, which is adjusted by an experience modifier for the individual county. At year-end, pool participants are eligible to receive refunds of unused premiums and the related investment earnings. The Commission may qualify for additional discounts based on losses and premium size.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 9 – Interfund Transfers

Interfund transfers during the fiscal year ending September 30, 2021, were as follows:

| | Transfers Out | | |
|--------------------------|---------------------|--------------------------|-----------------------|
| | General Fund | Other Governmental Funds | Totals |
| Transfers In: | | | |
| Gasoline Tax Fund | \$920,000.00 | \$ 351,247.50 | \$ 920,000.00 |
| Other Governmental Funds | | | 351,247.50 |
| Totals | \$920,000.00 | \$351,247.50 | \$1,271,247.50 |

The Commission typically used transfers to fund ongoing operating subsidies.

Note 10 – Subsequent Events

At its April 12, 2022 meeting, the Commission approved the issuance of Series 2022 General Obligation Warrants in the amount of \$5,930,000.00 with an interest rate of 3% per annum through 2030 and an interest rate of 4% thereafter to finance various road resurfacing improvements for the County and paying the issuance costs.

On May 5, 2022, the Commission financed \$635,144.00 at 2.17% with Trustmark Bank for the purchase of four (4) Mack GR64F Triaxle Dump Trucks and one (1) Mack P164T Lowboy truck.

On March 20, 2024, the Commission financed \$938,125.00 at 3.99% interest with First Citizens Bank for the purchase of five (5) 2024 Mack triaxle dump trucks.

On July 25, 2025, the Commission financed \$253,232.64 at 4.54% interest with Trustmark Bank for the purchase of three (3) tractors and mowers.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 11 – Tax Abatement

The Butler County Commission is subject to tax abatement agreements granted by the Industrial Development Authority of Butler County, the Industrial Development Board of the City of Greenville and the City of Greenville. These governments entered into property tax abatements with local businesses under the State Tax Incentive Reform Act of 1992, ***Code of Alabama 1975***, Section 40-9B-1(-13). Under the Act, localities may grant property tax abatements for all state and local 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 Butler County. These programs have the stated purpose of increasing business activity and employment in the County.

For fiscal year ended September 30, 2021, total property taxes abated were \$277,177.37, including the following tax abatement agreements:

| Granting Jurisdiction | Type | Property Tax |
|----------------------------------------------------|-------------------------------------------------|--------------|
| Industrial Development Authority of Butler County | Sawmill and Plywood Manufacturing | \$ 62,088.04 |
| City of Greenville | Automotive Parts Manufacturing | 147,997.87 |
| Industrial Development Board of City of Greenville | Automotive Parts Manufacturing | 26,296.13 |
| City of Greenville | Automotive Parts Manufacturing | 20,966.80 |
| City of Greenville | Automotive Parts Manufacturing | 4,009.82 |
| City of Greenville | Asphalt Production | 1,009.93 |
| City of Greenville | Dry Powder Blending Manufacturing | 14,670.32 |
| City of Greenville | Manufacturing of Aluminum Electrical Connectors | 138.46 |
| Total | | \$277,177.37 |

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

- ◆ A 77 percent property tax abatement to a Sawmill and Plywood Manufacturing business for increasing the size of its facilities and increasing employment. The abatement amounted to \$62,088.04.
- ◆ A 42 percent property tax abatement to an automotive manufacturing business for increasing the size of its facilities and increasing employment. The abatement amounted to \$147,997.87.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 12 – Construction Commitments

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

| Contract Description | Contract Amount | Remaining Balance |
|---------------------------------------------|-----------------------|---------------------|
| New Sheriff's Office Building | \$ 639,354.00 | \$346,345.96 |
| Courthouse Renovation and Elevator Addition | 542,500.00 | 284,574.50 |
| Total | \$1,181,854.00 | \$630,920.46 |

Note 13 – Restatement

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

| | Private-Purpose Trust Funds | Custodial Funds |
|--------------------------------------------------------------|-----------------------------|-----------------|
| Net Position September 30, 2020, as Previously Reported | \$ 251,004.48 | \$ |
| Restatement Due to the Adoption of GASB Statement Number 84: | | |
| Former Agency Funds Restated | | 216,958.62 |
| Private-Purpose Trust Funds Reclassified | (251,004.48) | 251,004.48 |
| Net Position September 30, 2020, as Restated | \$ | \$467,963.10 |

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Required Supplementary Information

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

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|----------------------------------------------------------------------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Total Pension Liability | | | | | | | |
| Service cost | \$ 237,120 | \$ 248,722 | \$ 222,543 | \$ 223,193 | \$ 225,095 | \$ 229,100 | \$ 222,481 |
| Interest | 775,552 | 726,154 | 679,865 | 660,656 | 669,749 | 650,181 | 635,893 |
| Difference between expected and actual experience | 67,597 | (85,444) | 135,748 | (14,408) | (469,786) | (51,291) | |
| Changes of assumptions | | | 45,779 | | 264,400 | | |
| Benefit payments, including refunds of employee contributions | (615,211) | (645,229) | (579,742) | (551,779) | (485,873) | (680,904) | (678,647) |
| Transfers among employers | (169,080) | 382,325 | 186,667 | (55,820) | (17,898) | | |
| Net change in total pension liability | 295,978 | 626,528 | 690,860 | 261,842 | 185,687 | 147,086 | 179,727 |
| Total pension liability - beginning | 10,379,712 | 9,753,184 | 9,062,324 | 8,800,482 | 8,614,795 | 8,467,709 | 8,287,982 |
| Total pension liability - ending (a) | \$ 10,675,690 | \$ 10,379,712 | \$ 9,753,184 | \$ 9,062,324 | \$ 8,800,482 | \$ 8,614,795 | \$ 8,467,709 |
| Plan fiduciary net position | | | | | | | |
| Contributions - employer | \$ 247,552 | \$ 247,407 | \$ 218,891 | \$ 231,755 | \$ 255,254 | \$ 274,298 | \$ 248,289 |
| Contributions - employee | 161,721 | 155,211 | 148,784 | 143,673 | 139,186 | 134,794 | 133,782 |
| Net investment income | 439,610 | 195,545 | 640,230 | 799,845 | 593,165 | 71,342 | 681,828 |
| Benefit payments, including refunds of employee contributions | (615,211) | (645,229) | (579,742) | (551,779) | (485,873) | (680,904) | (678,647) |
| Other (Transfers among employers) | (169,080) | 382,325 | 186,667 | (55,820) | (17,898) | (139,500) | 5,804 |
| Net change in plan fiduciary net position | 64,592 | 335,259 | 614,830 | 567,674 | 483,834 | (339,970) | 391,056 |
| Plan fiduciary net positions - beginning | 7,880,660 | 7,545,401 | 6,930,571 | 6,362,897 | 5,879,063 | 6,219,033 | 5,827,977 |
| Plan fiduciary net positions - ending (b) | \$ 7,945,252 | \$ 7,880,660 | \$ 7,545,401 | \$ 6,930,571 | \$ 6,362,897 | \$ 5,879,063 | \$ 6,219,033 |
| Commission's net pension liability - ending (a) - (b) | \$ 2,730,438 | \$ 2,499,052 | \$ 2,207,783 | \$ 2,131,753 | \$ 2,437,585 | \$ 2,735,732 | \$ 2,248,676 |
| Plan fiduciary net position as a percentage of the total pension liability | 74.42% | 75.92% | 77.36% | 76.48% | 72.30% | 68.24% | 73.44% |
| Covered payroll | \$ 2,987,223 | \$ 2,968,196 | \$ 2,804,916 | \$ 2,685,293 | \$ 2,614,881 | \$ 2,549,323 | \$ 2,554,484 |
| Commission's net pension liability as a percentage of covered payroll | 91.40% | 84.19% | 78.71% | 79.39% | 93.22% | 107.31% | 88.03% |

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

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

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|----------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution (*) | \$ 248,845 | \$ 247,552 | \$ 247,407 | \$ 218,891 | \$ 231,755 | \$ 255,254 | \$ 274,298 | \$ 248,289 |
| Contributions in relation to the actuarially determined contribution | \$ 248,845 | \$ 247,552 | \$ 247,407 | \$ 218,891 | \$ 231,755 | \$ 255,254 | \$ 274,298 | \$ 248,289 |
| Contribution deficiency (excess) | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Covered payroll (**) | \$ 3,193,142 | \$ 2,987,223 | \$ 2,968,196 | \$ 2,804,916 | \$ 2,685,293 | \$ 2,614,881 | \$ 2,549,323 | \$ 2,554,484 |
| Contributions as a percentage of covered payroll | 7.79% | 8.29% | 8.34% | 7.80% | 8.63% | 9.76% | 10.76% | 9.72% |

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

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

Notes to Schedule

Valuation Date:

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

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--------------------------------------------------------------------|
| Actuarial cost method | Entry Age |
| Amortization method | Level percent closed |
| Remaining amortization period | 28.7 years |
| Asset valuation method | Five year smoothed market |
| Inflation | 2.75% |
| Salary increases | 3.25 - 5.00%, including inflation |
| Investment rate of return | 7.70%, net of pension plan investment expense, including inflation |

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

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

| | Budgeted Amounts | | Actual Amounts | | Budget to GAAP Differences | Actual Amounts | |
|---------------------------------------------------|-----------------------|-----------------------|------------------------|---------------------|-------------------------------|------------------------|--|
| | Original | Final | Budgetary Basis | | | GAAP Basis | |
| Revenues | | | | | | | |
| Taxes | \$ 2,739,136.00 | \$ 2,739,136.00 | \$ 3,092,771.29 | (1) \$ 1,008,623.37 | \$ 4,101,394.66 | | |
| Licenses and Permits | 35,000.00 | 35,000.00 | 40,880.01 | | 40,880.01 | | |
| Intergovernmental | 783,832.00 | 783,832.00 | 1,326,716.71 | | 1,326,716.71 | | |
| Charges for Services | 486,958.00 | 486,958.00 | 545,756.18 | | 545,756.18 | | |
| Miscellaneous | 22,500.00 | 22,500.00 | 40,375.17 | (1) 12,397.05 | 52,772.22 | | |
| Total Revenues | <u>4,067,426.00</u> | <u>4,067,426.00</u> | <u>5,046,499.36</u> | | <u>1,021,020.42</u> | <u>6,067,519.78</u> | |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General Government | 2,370,447.00 | 2,370,447.00 | 1,824,474.14 | (2) | 18,411.78 | 1,842,885.92 | |
| Public Safety | 2,310,232.00 | 2,310,232.00 | 1,923,628.82 | | 1,923,628.82 | | |
| Highways and Roads | 300,000.00 | 300,000.00 | 7,809.45 | | 7,809.45 | | |
| Sanitation | 8,000.00 | 8,000.00 | 12,996.00 | | 12,996.00 | | |
| Health | 154,490.00 | 154,490.00 | 127,507.13 | | 127,507.13 | | |
| Welfare | 15,300.00 | 15,300.00 | 10,000.00 | | 10,000.00 | | |
| Culture and Recreation | 54,700.00 | 54,700.00 | 53,500.00 | | 53,500.00 | | |
| Education | 50,995.00 | 50,995.00 | 50,995.00 | | 50,995.00 | | |
| Capital Outlay | 265,600.00 | 265,600.00 | 250,601.46 | | 250,601.46 | | |
| Total Expenditures | <u>5,529,764.00</u> | <u>5,529,764.00</u> | <u>4,261,512.00</u> | | <u>18,411.78</u> | <u>4,279,923.78</u> | |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(1,462,338.00)</u> | <u>(1,462,338.00)</u> | <u>784,987.36</u> | | <u>1,002,608.64</u> | <u>1,787,596.00</u> | |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers In | 950,000.00 | 950,000.00 | 950,000.00 | (3) | (950,000.00) | | |
| Sale of Capital Assets | | | | | | | |
| Transfers Out | (920,000.00) | (920,000.00) | (920,000.00) | | (920,000.00) | | |
| Total Other Financing Sources (Uses) | <u>30,000.00</u> | <u>30,000.00</u> | <u>30,000.00</u> | | <u>(950,000.00)</u> | <u>(920,000.00)</u> | |
| Net Change in Fund Balances | <u>(1,432,338.00)</u> | <u>(1,432,338.00)</u> | <u>814,987.36</u> | | <u>52,608.64</u> | <u>867,596.00</u> | |
| Fund Balances - Beginning of Year | <u>2,420,221.14</u> | <u>2,420,221.14</u> | <u>2,580,756.40</u> | (4) | <u>911,598.42</u> | <u>3,492,354.82</u> | |
| Fund Balances - End of Year | <u>\$ 987,883.14</u> | <u>\$ 987,883.14</u> | <u>\$ 3,395,743.76</u> | | <u>\$ 964,207.06</u> | <u>\$ 4,359,950.82</u> | |

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

Explanation of differences:

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

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------------------|
| (1) Revenues | | |
| Public Buildings, Road and Bridges Fund | | \$ 1,021,020.42 |
| (2) Expenditures | | |
| Public Buildings, Road and Bridges Fund | | (18,411.78) |
| (3) Other Financing Sources/(Uses), Net | | |
| Public Buildings, Road and Bridges Fund | | <u>(950,000.00)</u> |
| Net Change in Fund Balance - Budget to GAAP | | <u>\$ 52,608.64</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 effect of transactions such as those described above. | | |

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

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Budget to GAAP Differences | Actual Amounts GAAP Basis |
|---------------------------------------------------|------------------|-----------------|-----------------------------------|-------------------------------|------------------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Intergovernmental | \$ 1,318,630.00 | \$ 1,318,630.00 | \$ 1,482,220.50 | \$ | \$ 1,482,220.50 |
| Charges for Services | 100.00 | 100.00 | | | |
| Miscellaneous | 627,000.00 | 627,000.00 | 418,268.82 | | 418,268.82 |
| Total Revenues | 1,945,730.00 | 1,945,730.00 | 1,900,489.32 | | 1,900,489.32 |
| Expenditures | | | | | |
| Current: | | | | | |
| Highways and Roads | 2,413,879.00 | 2,413,879.00 | 2,418,713.87 | | 2,418,713.87 |
| Capital Outlay | 986,154.00 | 986,154.00 | 1,058,762.81 | | 1,058,762.81 |
| Debt Service: | | | | | |
| Principal Retirement | 766,000.00 | 766,000.00 | 807,027.32 | | 807,027.32 |
| Interest and Fiscal Charges | 23,000.00 | 23,000.00 | 24,677.31 | | 24,677.31 |
| Total Expenditures | 4,189,033.00 | 4,189,033.00 | 4,309,181.31 | | 4,309,181.31 |
| Excess (Deficiency) of Revenues Over Expenditures | (2,243,303.00) | (2,243,303.00) | (2,408,691.99) | | (2,408,691.99) |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 920,000.00 | 920,000.00 | 920,000.00 | | 920,000.00 |
| Sale of Capital Assets | 690,000.00 | 690,000.00 | 690,697.24 | | 690,697.24 |
| Long-Term Debt Issued | 800,000.00 | 800,000.00 | 936,367.32 | | 936,367.32 |
| Total Other Financing Sources (Uses) | 2,410,000.00 | 2,410,000.00 | 2,547,064.56 | | 2,547,064.56 |
| Net Change in Fund Balances | 166,697.00 | 166,697.00 | 138,372.57 | | 138,372.57 |
| Fund Balances - Beginning of Year | 25,250.18 | 25,250.18 | 110,494.24 | | 110,494.24 |
| Fund Balances - End of Year | \$ 191,947.18 | \$ 191,947.18 | \$ 248,866.81 | \$ | \$ 248,866.81 |

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

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Budget to GAAP Differences | Actual Amounts GAAP Basis |
|-----------------------------------|---------------------|---------------------|-----------------------------------|-------------------------------|------------------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Intergovernmental | \$ 1,888,773.00 | \$ 1,888,773.00 | \$ 213.02 | \$ 213.02 | |
| Miscellaneous | | | | | |
| Total Revenues | <u>1,888,773.00</u> | <u>1,888,773.00</u> | <u>213.02</u> | | <u>213.02</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 213.00 | 213.00 | 213.02 | | 213.02 |
| Total Expenditures | <u>213.00</u> | <u>213.00</u> | <u>213.02</u> | | <u>213.02</u> |
| Net Change in Fund Balances | 1,888,560.00 | 1,888,560.00 | | | |
| Fund Balances - Beginning of Year | | | | | |
| Fund Balances - End of Year | \$ 1,888,560.00 | \$ 1,888,560.00 | \$ | \$ | |

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Additional Information

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

| <u>Commission Members</u> | | <u>Term Expires</u> |
|----------------------------------|--------------|----------------------------|
| Hon. Darrell Sanders | Chairman (*) | 2028 |
| Hon. Joey Peavy | Member | 2028 |
| Hon. Jesse F. McWilliams, III | Member | 2026 |
| Hon. Frank A. Hickman | Member | 2020 |
| Hon. Rebecca Butts | Member | 2026 |
| Hon. Allin Whittle | Member | 2028 |

| <u>Administrative Personnel</u> | | |
|----------------------------------------|---------------|-----------------------|
| Diane Kilpatrick | Administrator | Retired 12/31/2021 |

(*) The position of Chairman is rotated for terms of equal length among the Commissioners who wish to serve as Chairman.

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

Independent Auditor's Report

Members of the Butler County Commission and County Administrator
Greenville, 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 Butler County Commission, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Butler County Commission's basic financial statements, and have issued our report thereon dated September 11, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

September 11, 2025