

Cherokee County Commission

Cherokee County, Alabama

October 1, 2023 through September 30, 2024

Filed: October 10, 2025

ALABAMA DEPARTMENT OF
EXAMINERS of Public Accounts

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



Rachel Laurie Riddle
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
Telephone (334) 777-0500
FAX (334) 242-1775

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

Dear Madam:

An audit was conducted on the Cherokee County Commission, Cherokee County, Alabama, for the period October 1, 2023 through September 30, 2024, by Examiners Nicholas Johnson, Rayley Simmons and JaCorey Carter. I, Nicholas Johnson, served as Examiner-in-Charge on the engagement, and under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Nicholas W. Johnson
Examiner of Public Accounts

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Department of **Examiners of Public Accounts**

SUMMARY

Cherokee County Commission October 1, 2023 through September 30, 2024

The Cherokee County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Cherokee County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 18. 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 Cherokee County.

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

An unmodified opinion was issued on the financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2024.

An Alternative Compliance Examination Engagement on the Commission’s Coronavirus State and Local Fiscal Recovery Fund Program for the year ended September 30, 2024, was issued by the Department on June 6, 2025.

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 18, were invited to discuss the results of this report at an exit conference. Individuals in attendance were Daniel Steele, County Administrator; Tim Burgess, Chairman; and County Commissioners Randy L. Jones, Roger Nichols, Ronald C. Shaw and Carlton Teague. Also in attendance were the following representatives from the Department of Examiners of Public Accounts: Samantha Pearson, Audit Manager; and Nicholas Johnson, Examiner.

Independent Auditor's Report

Independent Auditor's Report

Members of the Cherokee County Commission and County Administrator
Centre, 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 Cherokee County Commission, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Cherokee County Commission 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 Cherokee County Commission, as of September 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States (***Government Auditing Standards***). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cherokee 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.

Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cherokee 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 misstatements, 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 Cherokee 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 Cherokee County Commission's ability to continue as a going concern for a reasonable period of time.

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

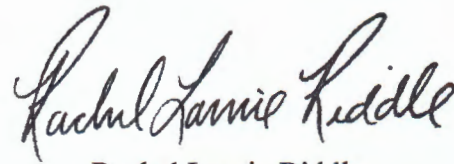
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Employer's Net Pension Liability, the Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual (Exhibits 9 through 17), 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 assurance 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 19, 2025, on our consideration of the Cherokee 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 on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cherokee 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 Cherokee County Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Rachel Laurie Riddle". The signature is written in a cursive style with a large, stylized "R" at the beginning.

Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

September 19, 2025

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Basic Financial Statements

Statement of Net Position ***September 30, 2024***

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 26,004,884.51
Investments	1,022,189.04
Ad Valorem Taxes Receivable	4,139,508.47
Receivables (Note 4)	545,604.98
Capital Assets (Note 5):	
Nondepreciable	4,176,136.37
Depreciable, Net	10,980,997.42
Total Assets	<u>46,869,320.79</u>
<u>Deferred Outflows of Resources</u>	
Employer Pension Contributions	773,485.27
Deferred Outflows Related to Net Pension Liability	1,873,691.00
Deferred Outflows Related to Other Postemployment Benefits (OPEB)	507,450.00
Total Deferred Outflows of Resources	<u>3,154,626.27</u>
<u>Liabilities</u>	
Payables (Note 8)	1,764,471.28
Unearned Revenue	199,666.06
Salaries and Benefits Payable	347,980.41
Long-Term Liabilities:	
Portion Payable Within One Year:	
Notes from Direct Borrowing	386,105.89
Warrants Payable	331,612.52
Funding Agreement Payable	90,000.00
Compensated Absences	103,888.00
Portion Payable After One Year:	
Notes from Direct Borrowing	685,239.87
Warrants Payable	1,235,514.91
Funding Agreement Payable	17,355,000.00
Compensated Absences	934,991.97
Net Pension Liability	9,060,291.00
Other Postemployment Benefits (OPEB) Liability	3,822,526.00
Total Liabilities	<u>\$ 36,317,287.91</u>

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

	Governmental Activities
<hr/>	
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	\$ 4,139,508.47
Deferred Inflows Related to Net Pension Liability	317,352.00
Deferred Inflows Related to Other Postemployment Benefits (OPEB)	697,815.00
Total Deferred Inflows of Resources	<u>5,154,675.47</u>
<u>Net Position</u>	
Net Investment in Capital Assets	10,435,864.85
Restricted for:	
Road Projects	1,835,367.70
Debt Service	2,631.62
Capital Projects	332,149.79
Law Enforcement	1,097,762.67
Other Purposes	20,112.05
Unrestricted	<u>(5,171,905.00)</u>
Total Net Position	<u><u>\$ 8,551,983.68</u></u>

Statement of Activities
For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Primary Government					
<u>Governmental Activities</u>					
General Government	\$ 5,995,626.64	\$ 1,241,542.21	\$ 2,507,763.80	\$ 283,439.47	\$ (1,962,881.16)
Public Safety	8,532,536.77	2,309,998.37	200,754.68		(6,021,783.72)
Highways and Roads	5,875,459.10	481,045.83	3,457,305.25		(1,937,108.02)
Health	274,964.27				(274,964.27)
Welfare	272,155.60				(272,155.60)
Education	281,390.06				(281,390.06)
Intergovernmental	137,561.68				(137,561.68)
Interest on Long-Term Debt	154,819.50				(154,819.50)
Total Governmental Activities	<u>\$ 21,524,513.62</u>	<u>\$ 4,032,586.41</u>	<u>\$ 6,165,823.73</u>	<u>\$ 283,439.47</u>	<u>(11,042,664.01)</u>
<u>General Revenues:</u>					
Taxes:					
Property Taxes for General Purposes					2,781,601.05
Property Taxes for Specific Purposes					1,691,421.22
County Sales and Use Tax					6,863,394.67
Miscellaneous Taxes					158,721.23
Gain/(Loss) on Sale of Capital Assets					54,249.00
Interest Earned					89,945.87
Miscellaneous					306,773.61
Total General Revenues					<u>11,946,106.65</u>
Changes in Net Position					903,442.64
Net Position - Beginning of Year					<u>7,648,541.04</u>
Net Position - End of Year					<u>\$ 8,551,983.68</u>

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

Balance Sheet
Governmental Funds
September 30, 2024

	General Fund	Gasoline Tax Fund	1.5 Cent Sales Tax Fund	Revenue Commissioner's Operational Fund	Reappraisal Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>								
Cash and Cash Equivalents	\$ 3,901,069.95	\$1,805,629.55	\$ 3,881,501.95	\$ 121.37	\$ 40,525.18	\$13,940,076.82	\$ 2,435,959.69	\$26,004,884.51
Investments	1,022,189.04							1,022,189.04
Ad Valorem Taxes Receivable	2,243,155.02			1,016,878.63	879,474.82			4,139,508.47
Receivables (Note 4)	220,251.01	167,619.25	14,426.61				143,308.11	545,604.98
Total Assets	<u>7,386,665.02</u>	<u>1,973,248.80</u>	<u>3,895,928.56</u>	<u>1,017,000.00</u>	<u>920,000.00</u>	<u>13,940,076.82</u>	<u>2,579,267.80</u>	<u>31,712,187.00</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>								
<u>Liabilities</u>								
Payables (Note 8)	430,822.70	780,119.56	391,293.53	1,790.00	1,673.09		158,772.40	1,764,471.28
Unearned Revenue					20,684.22		178,981.84	199,666.06
Salaries and Benefits Payable	229,880.58	69,685.62		25,140.25	18,167.87		5,106.09	347,980.41
Total Liabilities	<u>660,703.28</u>	<u>849,805.18</u>	<u>391,293.53</u>	<u>26,930.25</u>	<u>40,525.18</u>		<u>342,860.33</u>	<u>2,312,117.75</u>
<u>Deferred Inflows of Resources</u>								
Unavailable Revenue - Property Taxes	2,243,155.02			1,016,878.63	879,474.82			4,139,508.47
Total Deferred Inflows of Resources	<u>2,243,155.02</u>			<u>1,016,878.63</u>	<u>879,474.82</u>			<u>4,139,508.47</u>
<u>Fund Balances</u>								
Restricted for:								
Highways and Roads		1,123,443.62					711,924.08	1,835,367.70
Construction Projects						13,940,076.82	332,149.79	14,272,226.61
Law Enforcement							1,097,762.67	1,097,762.67
Debt Service							2,631.62	2,631.62
Other Purposes							20,112.05	20,112.05
Committed for:								
Highways and Roads			3,504,635.03					3,504,635.03
Other Purposes	65,299.87						47,388.81	112,688.68
Assigned for:								
Welfare							24,438.45	24,438.45
Unassigned	4,417,506.85			(26,808.88)				4,390,697.97
Total Fund Balances	<u>4,482,806.72</u>	<u>1,123,443.62</u>	<u>3,504,635.03</u>	<u>(26,808.88)</u>		<u>13,940,076.82</u>	<u>2,236,407.47</u>	<u>25,260,560.78</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,386,665.02</u>	<u>\$1,973,248.80</u>	<u>\$ 3,895,928.56</u>	<u>\$ 1,017,000.00</u>	<u>\$ 920,000.00</u>	<u>\$13,940,076.82</u>	<u>\$ 2,579,267.80</u>	<u>\$31,712,187.00</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, 2024***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 25,260,560.78

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.

Nondepreciable	\$	4,176,136.37	
Depreciable, Net		10,980,997.42	
			15,157,133.79

Deferred outflows and inflows of resources related to pensions are applicable to future
periods and, therefore, are not reported in the governmental funds. 2,329,824.27

Deferred outflows and inflows of resources related to Other Postemployment Benefits
Liability are applicable to future periods and, therefore, are not reported
in the governmental funds. (190,365.00)

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

	Due or Payable Within One Year	Due or Payable After One Year	
Notes from Direct Borrowing	\$ 386,105.89	\$ 685,239.87	
Warrants Payable	331,612.52	1,235,514.91	
Funding Agreement	90,000.00	17,355,000.00	
Other Postemployment Benefits Liability		3,822,526.00	
Compensated Absences	103,888.00	934,991.97	
Pension Liability		9,060,291.00	
Total Liabilities	\$ 911,606.41	\$ 33,093,563.75	(34,005,170.16)

Total Net Position - Governmental Activities (Exhibit 1) \$ 8,551,983.68

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, 2024

	General Fund	Gasoline Tax Fund	1.5 Cent Sales Tax Fund	Revenue Commissioner's Operational Fund	Reappraisal Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 5,932,729.02	\$	\$ 2,997,006.44	\$ 854,886.01	\$ 836,535.21	\$	\$	\$ 10,621,156.68
Licenses and Permits	48,639.48							48,639.48
Intergovernmental	2,522,935.16	2,422,466.70					3,060,582.02	8,005,983.88
Charges for Services	1,109,734.38	481,045.83					1,613,782.43	3,204,562.64
Miscellaneous	248,104.23	30,170.87	4,451.64	1,762.00		65,109.44	143,766.40	493,364.58
Total Revenues	9,862,142.27	2,933,683.40	3,001,458.08	856,648.01	836,535.21	65,109.44	4,818,130.85	22,373,707.26
Expenditures								
Current:								
General Government	1,815,710.38			941,998.77	836,535.21		1,648,559.90	5,242,804.26
Public Safety	6,021,490.27						1,704,666.93	7,726,157.20
Highways and Roads		3,452,081.10	622,513.39				1,013,823.03	5,088,417.52
Health	265,036.27							265,036.27
Welfare	81,581.78						184,443.82	266,025.60
Culture and Recreation	264,340.06						14,100.00	278,440.06
Education	47,561.68						90,000.00	137,561.68
Capital Outlay	801,530.86		300,623.90			3,227,201.37	353,305.00	4,682,661.13
Debt Service:								
Principal Retirement	87,886.42		453,274.03				425,000.00	966,160.45
Interest and Fiscal Charges	15,388.99		40,749.43				98,681.08	154,819.50
Issuance Cost						342,831.25		342,831.25
Total Expenditures	9,400,526.71	3,452,081.10	1,417,160.75	941,998.77	836,535.21	3,570,032.62	5,532,579.76	25,150,914.92
Excess (Deficiency) of Revenues over Expenditures	461,615.56	(518,397.70)	1,584,297.33	(85,350.76)		(3,504,923.18)	(714,448.91)	(2,777,207.66)
Other Financing Sources (Uses)								
Proceeds from Issuance of Debt			300,623.90			17,445,000.00		17,745,623.90
Proceeds from Sale of Capital Assets							263,936.87	263,936.87
Transfers In	740,630.00	848,080.89					631,122.11	2,219,833.00
Transfers Out	(522,050.57)		(1,664,801.54)				(32,980.89)	(2,219,833.00)
Total Other Financing Sources (Uses)	218,579.43	848,080.89	(1,364,177.64)			17,445,000.00	862,078.09	18,009,560.77
Net Change in Fund Balances	680,194.99	329,683.19	220,119.69	(85,350.76)		13,940,076.82	147,629.18	15,232,353.11
Fund Balances - Beginning of Year	3,802,611.73	793,760.43	3,284,515.34	58,541.88			2,088,778.29	10,028,207.67
Fund Balances - End of Year	\$ 4,482,806.72	\$ 1,123,443.62	\$ 3,504,635.03	\$ (26,808.88)	\$	\$ 13,940,076.82	\$ 2,236,407.47	\$ 25,260,560.78

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, 2024***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 15,232,353.11

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

Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 3,316,044.13

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. Thus the changes in net position differs from the change in fund balance by the book value of the capital assets sold. (209,687.87)

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

Debt Issued:

Notes from Direct Borrowing	\$ (300,623.90)
Funding Agreement	(17,445,000.00)

Repayments:

Notes from Direct Borrowing	453,274.03
Warrants Payable	<u>512,886.42</u>

(16,779,463.45)

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.

Net Increase in Compensated Absences	\$ (79,351.56)
Net Increase in Pension Expense	(539,936.72)
Net Increase in OPEB Expense	<u>(36,515.00)</u>

(655,803.28)

Change in Net Position of Governmental Activities (Exhibit 2)	<u><u>\$ 903,442.64</u></u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Fiduciary Net Position
September 30, 2024

	Custodial Funds
<hr/>	
<u>Assets</u>	
Cash	\$ 1,429,478.02
Investments	234,334.51
Receivables (Note 4)	65,033.50
Total Assets	<u>1,728,846.03</u>
<u>Liabilities</u>	
Payables (Note 8)	<u>1,313,954.52</u>
Total Liabilities	<u>1,313,954.52</u>
<u>Net Position</u>	
Held for Individuals and Other Governments	414,891.51
Total Net Position	<u><u>\$ 414,891.51</u></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, 2024

	Custodial Funds
<u>Additions</u>	
Contributions from:	
Taxes	\$ 15,645,931.44
Charges for Services	4,726,375.41
Miscellaneous	13,238.71
Total Additions	<u>20,385,545.56</u>
<u>Deductions</u>	
General Administrative Expenses	4,603,496.44
Revenue Commissioner Payments to Other Governments	11,108,477.10
Judge of Probate Payments to Other Governments	4,644,982.02
Total Deductions	<u>20,356,955.56</u>
Changes in Net Position	28,590.00
Net Position - Beginning of Year	<u>386,301.51</u>
Net Position - End of Year	<u><u>\$ 414,891.51</u></u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2024

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Blended Component Unit – Blended component units are legally separate entities that exist solely to provide services (usually financing) exclusively to the County. The Cherokee County Public Building Authority is considered a blended component unit 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, 2024

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. This fund is also used to account for the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of gasoline taxes for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges, and rights-of-way.
- ◆ **1.5 Cent Sales Tax Fund** – This fund is used to account for the expenditures of two-thirds of the 1.5 cent sales tax. Monies may be expended for road construction and maintenance, excluding salary expense.
- ◆ **Revenue Commissioner's Operational Fund** – This fund is used to account for the expenditures of property taxes for the operation of the Revenue Commissioner's office.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures of property taxes related to the county's reappraisal program.
- ◆ **Construction Fund** – This fund is used to account for the expenditure of financing agreement proceeds to be used for the construction of a new courthouse.

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

Governmental Fund Types

- ◆ **Special Revenue Funds** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Notes to the Financial Statements

For the Year Ended September 30, 2024

- ◆ **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 expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The Commission reports the following fiduciary fund type:

Fiduciary Fund Type

- ◆ **Custodial Funds** – These funds are used to report fiduciary activities 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 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 is reported as other financing sources.

Notes to the Financial Statements

For the Year Ended September 30, 2024

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

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

1. Deposits and Investments

Cash includes cash on hand and in demand deposits.

State statutes authorize the County Commission to invest in obligations of the U. S. Treasury and securities of federal agencies and certificates of deposit.

2. Receivables

Sales tax receivables are based on the amounts collected within 60 days after year-end.

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 at the first regular meeting of the Commission in February of each year. 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.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs, amounts due from municipalities for housing municipal prisoners, and taxes and fees collected by state and local officials in September.

3. Restricted Assets

Certain general obligation and recovery zone economic development warrants and funding agreement proceeds, as well as certain resources set aside for their repayment, are classified as cash and cash equivalents on the balance sheet and are considered restricted because they are maintained in separate bank accounts, and their use is limited by applicable bond covenants.

Notes to the Financial Statements

For the Year Ended September 30, 2024

4. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental 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 are as follows:

	Capitalization Threshold	Estimated Useful Life
Land	\$ 1	Not Depreciable
Inexhaustible Land Improvements	\$ 1	Not Depreciable
Exhaustible Land Improvements	\$ 10,000	10 - 20 years
Buildings	\$ 50,000	40 years
Building Improvements	\$ 20,000	20 years
Furniture and Equipment	\$ 5,000	5 - 10 years
Construction in Progress	\$ 1	Not Depreciable
Infrastructure in Progress – Bridges	\$ 50,000	Not Depreciable
Bridges	\$ 50,000	40 years
Roads	\$250,000	20 years

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

5. Deferred Outflows of Resources

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

Notes to the Financial Statements

For the Year Ended September 30, 2024

6. Long-Term Obligations

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

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

7. Compensated Absences

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

Annual Leave

Newly hired Commission employees and those who resign with 12 months of employment accrue ten hours of vacation per month of service or portion thereof during the first calendar year of employment up to 100 hours. In January, all full-time employees with greater than one year and less than ten years of service are awarded 100 hours of vacation entitlement. Employees with more than ten years are awarded an additional fifty hours of vacation entitlement each January with a maximum accrual of 150 hours.

Employees are expected to either take annual leave within the year earned or exercise the option to be paid for the vacation days on the first payroll in June or the first payroll in November. Employees may, at the approval of their immediate supervisor, carry over no more than 50 hours to the next calendar year.

Upon separation from County service, an employee (except those who have been terminated) will be paid for all unused accrued annual leave at their current rate of pay. Terminated employees will be paid one day per month of service for vacation time that would have accrued during the calendar year of termination. All other accrued leave will be forfeited.

In lieu of the observance of certain state allocated holidays, the Commission awards each full-time employee 40 hours of “floating holiday” time the first workday of each January. Employees who retire or resign shall be paid for unused floating holidays.

Notes to the Financial Statements

For the Year Ended September 30, 2024

Sick Leave

Sick leave accrues at the rate of ten hours per calendar month. Accruals are subject to the condition that employees are regular, full-time employees. An employee meeting these conditions may accrue a maximum of 800 hours of sick leave. Employees may be paid for unused sick leave upon retirement.

The Commission uses the vesting method to accrue its sick leave liability. Under this method, an accrual for the sick leave liability is based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

8. Deferred Inflows of Resources

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

9. Net Position/Fund Balances

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2024

Fund balance is reported in the fund financial statements. A resolution by the Commission was taken the 9th day of July, 2012 to establish committed fund balance. The Commission also has a policy to authorize amounts for a specific purpose as assigned fund balance. Fund balance measures the net financial resources available to finance expenditures of future periods. Fund balance is reported in governmental funds in the fund financial statements under the following five categories:

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2024

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 to be of fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

F. Postemployment Benefits Other Than Pensions (OPEB)

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

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopts project-length budgets. 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.

Notes to the Financial Statements

For the Year Ended September 30, 2024

Note 3 – Deposits and Investments

Deposits

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

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

Note 4 – Receivables

On September 30, 2024, receivables for the Commission's individual major funds and other governmental in the aggregate are as follows:

	Sales Tax	Accounts	Intergovernmental	Total
General Fund	\$103,546.65	\$	\$116,704.36	\$220,251.01
Gasoline Tax Fund			167,619.25	167,619.25
1.5 Cent Sales Tax Fund			14,426.61	14,426.61
Other Governmental Funds		14,407.92	128,900.19	143,308.11
Total Receivables	<u>\$103,546.65</u>	<u>\$14,407.92</u>	<u>\$427,650.41</u>	<u>\$545,604.98</u>
Fiduciary Funds			<u>\$ 65,033.50</u>	<u>\$ 65,033.50</u>

Notes to the Financial Statements

For the Year Ended September 30, 2024

Governmental funds defer revenue recognition in connection with resources that have been received but not yet earned. At September 30, 2024, the components of unearned revenue in the governmental funds were as follows:

Unexpended Reappraisal Funds	\$ 20,684.22
Unexpended ARPA Funds	178,981.84
Total Unearned Revenues	<u>\$199,666.06</u>

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2024, was as follows:

	Balance 10/01/2023	Additions	Reductions	Balance 09/30/2024
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 672,651.00	\$	\$	\$ 672,651.00
Construction in Progress		3,503,485.37		3,503,485.37
Total Capital Assets, Not Being Depreciated	<u>672,651.00</u>	<u>3,503,485.37</u>		<u>4,176,136.37</u>
Capital Assets Being Depreciated:				
Infrastructure	5,271,842.00			5,271,842.00
Buildings and Improvements	10,151,234.00	77,021.00		10,228,255.00
Equipment and Furniture	12,520,108.59	1,102,154.76	(1,362,881.59)	12,259,381.76
Total Capital Assets Being Depreciated	<u>27,943,184.59</u>	<u>1,179,175.76</u>	<u>(1,362,881.59)</u>	<u>27,759,478.76</u>
Less Accumulated Depreciation for:				
Infrastructure	(1,723,324.00)	(110,818.00)		(1,834,142.00)
Buildings and Improvements	(5,892,969.00)	(232,774.00)		(6,125,743.00)
Equipment and Furniture	(8,948,765.06)	(1,023,025.00)	1,153,193.72	(8,818,596.34)
Total Accumulated Depreciation	<u>(16,565,058.06)</u>	<u>(1,366,617.00)</u>	<u>1,153,193.72</u>	<u>(16,778,481.34)</u>
Total Capital Assets Being Depreciated, Net	<u>11,378,126.53</u>	<u>(187,441.24)</u>	<u>(209,687.87)</u>	<u>10,980,997.42</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 12,050,777.53</u>	<u>\$ 3,316,044.13</u>	<u>\$ (209,687.87)</u>	<u>\$ 15,157,133.79</u>

Notes to the Financial Statements

For the Year Ended September 30, 2024

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 138,489.00
Public Safety	614,229.00
Highway and Roads	594,891.00
Health	9,928.00
Welfare	6,130.00
Culture and Recreation	2,950.00
Total Depreciation Expense - Governmental Activities	<u>\$1,366,617.00</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 public employee retirement plan (the "Plan"), was established October 1, 1945, pursuant to the ***Code of Alabama 1975***, Section 36-27 (Act Number 515, Acts of Alabama 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Act Number 2021-390, Acts of Alabama, created two additional representatives to the ERS Board of Control effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Notes to the Financial Statements

For the Year Ended September 30, 2024

The ERS Board of Control consists of 15 trustees as follows:

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

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.

Notes to the Financial Statements

For the Year Ended September 30, 2024

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 formula method. 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 up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

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

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 members of 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 618 employers adopted Act Number 2019-132, Acts of Alabama, as of September 30, 2023.

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

Notes to the Financial Statements

For the Year Ended September 30, 2024

The ERS serves approximately 884 local participating employers. The ERS membership includes approximately 113,079 participants. As of September 30, 2023, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	31,481
Terminated Employees Entitled to but not Yet Receiving Benefits	2,350
Terminated Employees Not Entitled to a Benefit	20,556
Active Members	58,659
Post-Drop Participants who are Still in Active Service	33
Total	<u>113,079</u>

The Commission membership includes approximately 284 participants. As of September 30, 2023, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	84
Vested Inactive Members	4
Non-Vested Inactive Members	46
Active Members	150
Post-Drop Participants who are Still in Active Service	0
Total	<u>284</u>

Contributions

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

Notes to the Financial Statements

For the Year Ended September 30, 2024

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 certified law enforcement, correctional officers, and firefighters 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, 2024, the County's active employee contribution rate was 5.93 percent of covered employee payroll, and the County's average contribution rate to fund the normal and accrued liability costs was 10.94 percent of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2024 was 13.18% of pensionable pay for Tier 1 employees, and 11.58% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2021, 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 \$773,485.27 for the year ended September 30, 2024.

Notes to the Financial Statements

For the Year Ended September 30, 2024

B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2022 rolled forward to September 30, 2023 using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward		
	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) Total Pension Liability as of September 30, 2022	\$24,158,949	\$24,918,705	\$24,918,705
(b) Discount Rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2022 through September 30, 2023	541,161	541,161	541,161
(d) Transfers Among Employers:		355,651	355,651
(e) Actual Benefit Payments and Refunds for the period October 1, 2022 through September 30, 2023	(1,693,957)	(1,693,957)	(1,693,957)
(f) Total Pension Liability as of September 30, 2023 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	\$24,742,895	\$25,914,904	\$25,914,904
(g) Difference between Expected and Actual:		\$ 1,172,009	
(h) Less Liability Transferred for Immediate Recognition:		355,651	
(i) Difference between Expected and Actual - Experience (Gain)/Loss		\$ 816,358	
(j) Difference between Actual TPL Before and After Plan Changes – Benefit Change (Gain)/Loss			\$

Actuarial Assumptions

The total pension liability as of September 30, 2023, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2022. The key actuarial assumptions are summarized below:

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

Notes to the Financial Statements

For the Year Ended September 30, 2024

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

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

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

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	15.00%	2.80%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	
(*) Includes assumed rate of inflation of 2.00%.		

Notes to the Financial Statements

For the Year Ended September 30, 2024

Discount Rate

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

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, 2022	\$24,158,949	\$15,113,943	\$ 9,045,006
Changes for the Year:			
Service cost	541,161		541,161
Interest	1,736,742		1,736,742
Differences between expected and actual experience	816,358		816,358
Contributions – employer		725,456	(725,456)
Contributions – employee		404,863	(404,863)
Net investment income		1,948,657	(1,948,657)
Benefit payments, including refunds of employee contributions	(1,693,957)	(1,693,957)	
Transfers among employers	335,651	335,651	
Net Changes	1,755,955	1,740,670	15,285
Balances at September 30, 2023	\$25,914,904	\$16,854,613	\$9,060,291

Notes to the Financial Statements

For the Year Ended September 30, 2024

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

The following table presents the Commission's net pension liability calculated using the discount rate of 7.45%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increases (8.45%)
Commission's Net Pension Liability	\$12,101,956	\$9,060,291	\$6,505,421

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2023. The auditor's report 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, 2024, the Commission recognized pension expense of \$1,317,575. At September 30, 2024, 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	\$ 796,411.00	\$317,352.00
Changes of assumptions	408,237.00	
Net difference between projected and actual earnings on pension plan investments	669,043.00	
Employer contributions subsequent to the measurement date	773,485.27	
Total	\$2,647,176.27	\$317,352.00

Notes to the Financial Statements

For the Year Ended September 30, 2024

The \$773,485.27 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, 2025. 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, 2025	\$400,093
2026	\$368,520
2027	\$743,150
2028	\$ (42,892)
2029	\$ 87,468
Thereafter	\$ 0

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Commission provides a single-employer defined benefit medical and dental plan for eligible retirees and their spouses. The medical insurance plan covers both active and retired members. The *Code of Alabama 1975*, Sections 11-91-1 through 11-91-8, gives authority to the Commission to establish and amend benefit provisions. The plan does not issue a stand-alone financial report. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52, *Postemployment Benefits Other Than Pensions – Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria – Defined Benefit*.

Benefits Provided

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

Notes to the Financial Statements

For the Year Ended September 30, 2024

Employees Covered by Benefit Terms

At September 30, 2024, the following employees were covered by the benefit terms:

Status	Total
Inactive Employees Receiving Benefits	66
Active Employees Eligible for Benefits	126
Total	192

Funding Policy

The Commission provided health and dental insurance for retired employees who had 25 years of full-time county service and were under age 65 at the time of retirement. The Commission will pay 100% of health and dental coverage for the employee until the employee reaches age 65. If the employee wishes to continue family coverage, he or she must pay the full amount of the insurance. For the fiscal year ended September 30, 2024, the Commission contributed \$194,868 for retiree health and dental coverage.

B. Net OPEB Liability

The Commission's Net OPEB liability was measured as of September 30, 2024 and the Total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of this date.

The standard sets the method for determining the County's Total OPEB liability and Net OPEB liability. The Net OPEB liability is the difference between the Total OPEB liability and the Plan Fiduciary Net Position. The Plan Fiduciary Net Position is zero for plans with no dedicated plan assets. To be included as assets of the plan the asset must be held in an irrevocable trust for the exclusive purpose of providing post-retirement benefits. Changes in benefit terms are recognized immediately. Changes in assumptions and experience gains/losses are amortized over the average remaining service of active employees and inactive participants. Investment gains/losses are amortized over 5 years.

Notes to the Financial Statements

For the Year Ended September 30, 2024

Actuarial Assumptions

The total OPEB liability in the September 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.50%
Discount Rate	4.06% (1.56% real rate of return plus 2.50% inflation)
Healthcare Cost Trend Rate	Level 4.50%

The mortality assumption for this valuation was updated using the RPH-2014 mortality table with projection MP-2021.

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Total OPEB Liability October 1, 2023	\$3,875,735.00	\$	\$3,875,735.00
Service Cost	82,254.00		82,254.00
Interest Cost	183,128.00		183,128.00
Differences Between Expected and Actual Experience	(342,004.00)		(342,004.00)
Change in Assumptions	261,061.00		261,061.00
Benefit Payments	(237,648.00)		(237,648.00)
Net Change in Total OPEB Liability	(53,209.00)		(53,209.00)
Total OPEB Liability September 30, 2024	\$3,822,526.00	\$	\$3,822,526.00

Notes to the Financial Statements

For the Year Ended September 30, 2024

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

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

	1% Decrease (3.06%)	Current Discount (4.06%)	1% Increase (5.06%)
Total OPEB Liability	\$4,238,704	\$3,822,526	\$3,462,249

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (3.50%) or 1-percentage point higher (5.50%) than the current healthcare trend rates:

	1% Decrease (3.50%)	Current Trend (4.50%)	1% Increase (5.50%)
Total OPEB Liability	\$3,420,894	\$3,822,526	\$4,302,980

For the year ended September 30, 2024, the Commission recognized OPEB expense of \$274,173. At September 30, 2024, the Commission reported deferred inflows and outflows of resources as follows related to OPEB.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$267,322	\$271,877
Changes of assumptions/inputs	240,128	425,938
Total	<u>\$507,450</u>	<u>\$697,815</u>

Notes to the Financial Statements

For the Year Ended September 30, 2024

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

Fiscal Year	Net Outflows (Inflows)
September 30, 2025	\$(75,471)
2026	\$(88,032)
2027	\$(18,027)
2028	\$ (8,835)
2029	\$ 0
2030+	\$ 0

Note 8 – Payables

On September 30, 2024, payables for the Commission's individual major funds and nonmajor and fiduciary funds in the aggregate are as follows:

	Accounts Payable	Due to Other Governments	Agency	Total
<u>Governmental Funds:</u>				
General Fund	\$ 147,955.59	\$	\$282,867.11	\$ 430,822.70
Gasoline Tax Fund	780,119.56			780,119.56
Revenue Commissioner's Operational Fund	1,790.00			1,790.00
Reappraisal Fund	1,673.09			1,673.09
1.5 Cent Sales Tax Fund	391,293.53			391,293.53
Other Governmental Funds	158,772.40			158,772.40
Total Governmental Funds	1,481,604.17		282,867.11	1,764,471.28
<u>Fiduciary Funds:</u>				
Custodial Funds		1,313,954.53		1,313,954.53
Total	\$	\$1,313,954.53	\$	\$1,313,954.53

Notes to the Financial Statements

For the Year Ended September 30, 2024

Note 9 – Long-Term Debt

The Commission issues General Obligation Warrants to provide funds for the acquisition and construction of major capital facilities.

In May 2007, General Obligation Warrants, Series 2007, in the amount of \$1,303,340.28 were issued to construct a multi-use facility with Gadsden State Community College.

In June of 2010, Recovery Zone Economic Development Warrants, Series 2010-A, in the amount of \$1,880,000 were issued for the economic development of the Rock Village Recreational Park, County Roads and Bridges.

On July 14, 2014, the Commission authorized the issuance of General Obligation Warrants, Series 2014-A, in the amount of \$3,000,000.00 for ATRIP projects (\$1,700,000) and refunding of 2005 Warrants (\$1,300,000).

In July 2024 the Commission entered into a funding agreement with Cherokee County Public Building Authority in the amount of \$17,445,000.00. The purpose of the agreement was to construct a new County Courthouse. In the event of default, (1) all remaining payments may become immediately due and payable, (2) the project may be leased to someone else without officially terminating the original agreement, (3) the agreement may be terminated, or (4) necessary legal proceedings may be taken to enforce any obligation.

Payments on the warrants payable are made by the General Fund and Debt Service Funds. The payments on notes are made by the 1.5 Cent Sales Tax Fund.

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

The Commission has several notes from direct borrowing to finance equipment purchases.

Notes to the Financial Statements

For the Year Ended September 30, 2024

The following is a summary of long-term obligations for the Commission for the year ended September 30, 2024.

	Debt Outstanding 10/01/2023	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2024	Amounts Due Within One Year
Governmental Activities:					
2007 General Obligation Warrants	\$ 275,013.85	\$	\$ (87,886.42)	\$ 187,127.43	\$ 91,612.52
2010-A Recovery Zone Economic Development Warrants	1,325,000.00		(90,000.00)	1,235,000.00	95,000.00
2014-A General Obligation Warrants	480,000.00		(335,000.00)	145,000.00	145,000.00
2024 Funding Agreement Payable		17,445,000.00		17,445,000.00	90,000.00
Total Warrants and Funding Agreement	2,080,013.85	17,445,000.00	(512,886.42)	19,012,127.43	421,612.52
Notes from Direct Borrowing	1,223,995.89	300,623.90	(453,274.03)	1,071,345.76	386,105.89
Estimated Liability for Compensated Absences	959,528.41	79,351.56		1,038,879.97	103,888.00
Other Postemployment Benefits Liability	3,875,735.00		(53,209.00)	3,822,526.00	
Net Pension Liability	9,045,006.00	15,285.00		9,060,291.00	
Total Other Liabilities	15,104,265.30	395,260.46	(506,483.03)	14,993,042.73	489,993.89
Total Governmental Activities	\$17,184,279.15	\$17,840,260.46	\$(1,019,369.45)	\$34,005,170.16	\$911,606.41

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

Fiscal Year Ending	Governmental Activities				Total Principal and Interest Requirements to Maturity
	Funding Agreement and Warrants		Notes from Direct Borrowing		
	Principal	Interest	Principal	Interest	
September 30, 2025	\$ 421,612.52	\$ 797,476.65	\$ 386,105.89	\$ 48,558.82	\$ 1,653,753.88
2026	230,514.91	834,199.48	342,233.24	31,168.63	1,438,116.26
2027	245,000.00	822,451.34	261,037.74	39,324.75	1,367,813.83
2028	255,000.00	811,775.00	81,968.89	5,208.88	1,153,952.77
2029	265,000.00	800,349.68			1,065,349.68
2030-2034	1,480,000.00	3,767,002.82			5,247,002.82
2035-2039	2,895,000.00	3,286,756.58			6,181,756.58
2040-2044	3,855,000.00	2,564,575.00			6,419,575.00
2045-2049	4,745,000.00	1,680,437.54			6,425,437.54
2050-2054	4,620,000.00	531,000.00			5,151,000.00
Total	\$19,012,127.43	\$15,896,024.09	\$1,071,345.76	\$124,261.08	\$36,103,758.36

Notes to the Financial Statements

For the Year Ended September 30, 2024

Note 10 – Risk Management

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2024

Note 11 – Interfund Transactions

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2024, were as follows:

	Transfers In			
	General Fund	Gasoline Tax Fund	Other Governmental Funds	Totals
Transfers Out:				
General Fund	\$	\$233,900.00	\$288,150.57	\$ 522,050.57
1.5 Cent Sales Tax Fund	740,630.00	581,200.00	342,971.54	1,664,801.54
Other Governmental Funds		32,980.89		32,980.89
Total Governmental Funds	\$740,630.00	\$848,080.89	\$631,122.11	\$2,219,833.00

Note 12 – Related Organization

A majority of the members of the Boards of the Cherokee County Communications District, the Cherokee County Water and Sewer Authority, the Cherokee County Health Care Authority, the Cherokee County Library Board, the Cherokee County Parks and Recreation Board, and the Cherokee County Decentralized Waste Water System Authority are appointed by the Cherokee County Commission. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship for the agencies and the agencies are not considered part of the Commission's financial reporting entity. The agencies are considered related organizations of the County Commission.

Note 13 – Construction and Other Significant Commitments

As of September 30, 2024, the Commission was obligated under the following significant construction contract:

	Contract Amount	Remaining Balance
Courthouse Construction	\$16,129,000.00	\$12,817,944.49

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Required Supplementary Information

Schedule of Changes in the Employer's Net Pension Liability
For the Year Ended September 30, 2024

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 541,161	\$ 503,548	\$ 441,150	\$ 386,359	\$ 387,289	\$ 377,729	\$ 381,963	\$ 343,416	\$ 358,039	\$ 344,016
Interest	1,736,742	1,707,227	1,671,408	1,574,000	1,531,675	1,520,626	1,431,162	1,388,043	1,351,623	1,288,228
Changes of benefit terms		17,423		282,849						
Differences between expected and actual experience	816,358	(278,744)	(160,045)	377,495	(115,857)	(380,098)	819,859	103,165	9,970	
Changes of assumptions			777,902			107,803		580,980		
Benefit payments, including refunds of employee contributions	(1,693,957)	(1,449,373)	(1,361,565)	(1,331,226)	(1,274,045)	(1,441,550)	(1,211,680)	(1,646,212)	(882,575)	(797,034)
Transfers among employers	355,651	18,388	(115,748)	(9,271)	49,209	2,635	(152,000)	129,422		
Net change in total pension liability	1,755,955	518,469	1,253,102	1,280,206	578,271	187,145	1,269,304	898,814	837,057	835,210
Total pension liability - beginning	24,158,949	23,640,480	22,387,378	21,107,172	20,528,901	20,341,756	19,072,452	18,173,638	17,336,581	16,501,371
Total pension liability - ending (a)	\$ 25,914,904	\$ 24,158,949	\$ 23,640,480	\$ 22,387,378	\$ 21,107,172	\$ 20,528,901	\$ 20,341,756	\$ 19,072,452	\$ 18,173,638	\$ 17,336,581
Plan Fiduciary Net Position										
Contributions - employer	\$ 725,456	\$ 662,573	\$ 584,527	\$ 557,186	\$ 595,039	\$ 522,372	\$ 481,754	\$ 546,548	\$ 504,208	\$ 503,231
Contributions - employee	404,863	356,837	328,018	283,603	274,850	274,716	252,820	252,347	248,893	229,427
Net investment income	1,948,657	(2,246,539)	3,280,731	827,346	373,174	1,273,254	1,633,746	1,241,598	148,752	1,362,093
Benefit payments, including refunds of employee contributions	(1,693,957)	(1,449,373)	(1,361,565)	(1,331,226)	(1,274,045)	(1,441,550)	(1,211,680)	(1,646,212)	(882,575)	(797,034)
Transfers among employers	355,651	18,388	(115,748)	(9,271)	49,209	2,635	(152,000)	129,422	(143,809)	(14,054)
Net change in plan fiduciary net position	1,740,670	(2,658,114)	2,715,963	327,638	18,227	631,427	1,004,640	523,703	(124,531)	1,283,663
Plan fiduciary net position - beginning	15,113,943	17,772,057	15,056,094	14,728,456	14,710,229	14,078,802	13,074,162	12,550,459	12,674,990	11,391,327
Plan fiduciary net position - ending (b)	\$ 16,854,613	\$ 15,113,943	\$ 17,772,057	\$ 15,056,094	\$ 14,728,456	\$ 14,710,229	\$ 14,078,802	\$ 13,074,162	\$ 12,550,459	\$ 12,674,990
Commission's net pension liability - ending (a) - (b)	\$ 9,060,291	\$ 9,045,006	\$ 5,868,423	\$ 7,331,284	\$ 6,378,716	\$ 5,818,672	\$ 6,262,954	\$ 5,998,290	\$ 5,623,179	\$ 4,661,591
Plan fiduciary net position as a percentage of the total pension liability	65.04%	62.56%	75.18%	67.25%	69.78%	71.66%	69.21%	68.55%	69.06%	73.11%
Covered payroll (*)	\$ 7,052,530	\$ 5,611,643	\$ 5,126,759	\$ 5,055,588	\$ 4,863,167	\$ 4,830,959	\$ 4,711,955	\$ 4,725,592	\$ 4,238,924	\$ 4,411,266
Commission's net pension liability as a percentage of covered payroll	128.47%	161.18%	114.47%	145.01%	131.16%	120.45%	132.92%	126.93%	132.66%	105.67%

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2024, the measurement period is October 1, 2022 through September 30, 2023. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll for fiscal year 2017.

Schedule of the Employer's Contributions - Pension
For the Year Ended September 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 773,485	\$ 725,456	\$ 662,573	\$ 584,527	\$ 557,186	\$ 595,039	\$ 522,372	\$ 481,754	\$ 546,548	\$ 504,208	\$ 503,231
Contributions in relation to the actuarially determined contribution (*)	\$ 773,485	\$ 725,456	\$ 662,573	\$ 584,527	\$ 557,186	\$ 595,039	\$ 522,372	\$ 481,754	\$ 546,548	\$ 504,208	\$ 503,231
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 7,070,940	\$ 7,052,530	\$ 5,611,643	\$ 5,126,759	\$ 5,055,588	\$ 4,863,167	\$ 4,830,959	\$ 4,711,955	\$ 4,725,592	\$ 4,238,294	\$ 4,411,266
Contributions as a percentage of covered payroll	10.94%	10.29%	11.81%	11.40%	11.02%	12.24%	10.81%	10.22%	11.57%	11.90%	11.41%

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

(**) Employer's covered payroll for fiscal year 2024 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2024 were based on the September 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	21.5 years
Asset valuation method	Five year smoothed market
Inflation	2.50%
Salary increases	3.25 - 6.00%, including inflation
Investment rate of return	7.45%, net of pension plan investment expense, including inflation

Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability
For the Year Ended September 30, 2024

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	\$ 82,254	\$ 82,254	\$ 129,451	\$ 129,451	\$ 83,228	\$ 83,228	\$ 79,981
Interest cost	183,128	182,781	97,965	97,824	147,254	141,249	141,799
Benefit payments	(237,648)	(277,865)	(277,865)	(164,221)	(164,221)	(155,351)	(155,351)
Difference between expected and actual experience	(342,004)		715,351		(117,978)		
Changes of assumptions	261,061		(1,139,800)		726,290		
Net change in total OPEB liability	(53,209)	(12,830)	(474,898)	63,054	674,573	69,126	66,429
Total OPEB Liability - Beginning	3,875,735	3,888,565	4,363,463	4,300,409	3,625,836	3,556,710	3,490,281
Total OPEB Liability - Ending	<u>\$ 3,822,526</u>	<u>\$ 3,875,735</u>	<u>\$ 3,888,565</u>	<u>\$ 4,363,463</u>	<u>\$ 4,300,409</u>	<u>\$ 3,625,836</u>	<u>\$ 3,556,710</u>
Covered-employee payroll	\$ 5,549,694	\$ 5,102,025	\$ 5,102,025	\$ 4,803,723	\$ 4,803,723	\$ 4,643,257	\$ 4,643,257
OPEB liability as a percentage of covered-employee payroll	68.88%	75.96%	76.22%	90.84%	89.52%	78.09%	76.60%

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

Schedule of the Employer's Contributions - Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2024

	2024	2023	2022	2021	2020	2019	2018
Contractually required contributions (*)	\$ 194,868	\$ 230,329	\$ 209,962	\$ 144,987	\$ 117,641	\$ 122,067	\$ 88,107
Contributions in relation to the contractually required contributions	\$ 194,868	\$ 230,329	\$ 209,962	\$ 144,987	\$ 117,641	\$ 122,067	\$ 88,107
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
Covered-employee payroll	\$ 5,549,694	\$ 5,102,025	\$ 5,102,025	\$ 4,803,723	\$ 4,803,723	\$ 4,643,257	\$ 4,643,257
Contributions as a percentage of covered payroll	3.51%	4.51%	4.12%	3.02%	2.45%	2.63%	1.90%

(*) Per Actuary Report, there were no actuarially determined contributions (ADC) because no amounts are accumulated in a trust.
However, premiums charged to the employer by the Plan are shown here.

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, 2024

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
Taxes	\$ 5,200,947.00	\$ 4,570,050.00	\$ 4,914,021.44	(1)	\$ 1,018,707.58	\$ 5,932,729.02
Licenses and Permits	36,500.00	36,500.00	48,639.48			48,639.48
Intergovernmental	1,767,030.00	2,407,777.00	2,520,020.88	(1)	2,914.28	2,522,935.16
Charges for Services	840,500.00	840,650.00	1,106,661.38	(1)	3,073.00	1,109,734.38
Miscellaneous	1,015,508.00	1,015,508.00	210,839.30	(1)	37,264.93	248,104.23
Total Revenues	8,860,485.00	8,870,485.00	8,800,182.48		1,061,959.79	9,862,142.27
Expenditures						
Current:						
General Government	1,879,592.00	1,884,262.00	1,815,710.38			1,815,710.38
Public Safety	7,476,368.00	7,467,371.00	6,021,490.27			6,021,490.27
Sanitation	11,500.00	11,500.00				
Health	248,031.00	248,031.00	264,399.27	(2)	637.00	265,036.27
Welfare		18,500.00	10,312.46	(2)	71,269.32	81,581.78
Culture and Recreation	275,624.00	275,624.00	264,340.06			264,340.06
Education	66,200.00	47,700.00	47,561.68			47,561.68
Capital Outlay			801,530.86			801,530.86
Debt Service:						
Principal Retirement	100,000.00	100,000.00	87,886.42			87,886.42
Interest and Fiscal Charges	2,400.00	2,400.00	15,388.99			15,388.99
Total Expenditures	10,059,715.00	10,055,388.00	9,328,620.39		71,906.32	9,400,526.71
Excess (Deficiency) of Revenues Over Expenditures	(1,199,230.00)	(1,184,903.00)	(528,437.91)		990,053.47	461,615.56
Other Financing Sources (Uses)						
Transfers In	2,030,783.00	2,030,783.00	1,485,630.00	(3)	(745,000.00)	740,630.00
Transfers Out	(831,553.00)	(831,553.00)	(1,353,150.57)	(3)	831,100.00	(522,050.57)
Total Other Financing Sources (Uses)	1,199,230.00	1,199,230.00	132,479.43		86,100.00	218,579.43
Net Change in Fund Balances		14,327.00	(395,958.48)		1,076,153.47	680,194.99
Fund Balances - Beginning of Year			3,373,444.45	(4)	429,167.28	3,802,611.73
Fund Balances - End of Year	\$	\$ 14,327.00	\$ 2,977,485.97		\$ 1,505,320.75	\$ 4,482,806.72

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2024

Explanation of Differences:

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

(1) Revenues		
Public Buildings, Roads and Bridges	\$ 1,025,155.15	
Public Transportation Fund	2,992.60	
Animal Shelter	8,550.00	
CDs	22,189.04	
Motor Vehicle Registration Fund	2,400.00	
Manufactured Home Fund	673.00	
		\$ 1,061,959.79
(2) Expenditures		
Public Transportation Fund	\$ (71,269.32)	
Animal Shelter	(637.00)	(71,906.32)
(3) The Commission transfers money within certain funds, rather than recording revenues in accordance with GASB Statement Number 54.		
Public Buildings, Roads and Bridges	\$ (978,900.00)	
Public Transportation Fund	65,000.00	
CDs	1,000,000.00	86,100.00
Net Increase in Fund Balance - Budget to GAAP		\$ 1,076,153.47
(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, 2024

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
<u>Revenues</u>						
Intergovernmental	\$ 933,000.00	\$ 933,000.00	\$ 946,885.34	(1)	\$ 1,475,581.36	\$ 2,422,466.70
Charges for Services			481,045.83			481,045.83
Miscellaneous	41,000.00	41,000.00	30,128.73	(1)	42.14	30,170.87
Total Revenues	974,000.00	974,000.00	1,458,059.90		1,475,623.50	2,933,683.40
<u>Expenditures</u>						
Current:						
Highways and Roads	2,002,100.00	2,002,100.00	2,552,993.16	(2)	899,087.94	3,452,081.10
Total Expenditures	2,002,100.00	2,002,100.00	2,552,993.16		899,087.94	3,452,081.10
Excess (Deficiency) of Revenues Over Expenditures	(1,028,100.00)	(1,028,100.00)	(1,094,933.26)		576,535.56	(518,397.70)
<u>Other Financing Sources (Uses)</u>						
Proceeds from Sale of Capital Assets						
Transfers In	1,028,100.00	1,028,100.00	995,080.89	(3)	(147,000.00)	848,080.89
Total Other Financing Sources (Uses)	1,028,100.00	1,028,100.00	995,080.89		(147,000.00)	848,080.89
Net Change in Fund Balances			(99,852.37)		429,535.56	329,683.19
Fund Balances - Beginning of Year			34,685.62	(4)	759,074.81	793,760.43
Fund Balances - End of Year	\$	\$	\$ (65,166.75)		\$ 1,188,610.37	\$ 1,123,443.62

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2024

Explanation of Differences:

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

(1) Revenues			
Public Highway and Traffic	\$	165,439.13	
Construction Equipment Fund		42.14	
Rebuild Alabama		910,142.23	
Federal Exchange		400,000.00	
			\$ 1,475,623.50
(2) Expenditures			
Rebuild Alabama	\$	(643,412.06)	
Federal Exchange		(255,675.88)	
			(899,087.94)
(3) The Commission transfers money within certain funds, rather than recording revenues in accordance with GASB Statement Number 54.			
Public Highway and Traffic	\$	(147,000.00)	
			(147,000.00)
Net Change in Fund Balance - Budget to GAAP			\$ 429,535.56
(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 - 1.5 Cent Sales Tax Fund
For the Year Ended September 30, 2024

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
<u>Revenues</u>					
Taxes	\$ 2,700,000.00	\$ 2,700,000.00	\$ 2,997,006.44	\$	\$ 2,997,006.44
Miscellaneous			4,451.64		4,451.64
Total Revenues	2,700,000.00	2,700,000.00	3,001,458.08		3,001,458.08
<u>Expenditures</u>					
Current:					
Highways and Roads	430,500.00	430,500.00	622,513.39		622,513.39
Capital Outlay			300,623.90		300,623.90
Debt Service:					
Principal Retirement	451,707.00	451,707.00	453,274.03		453,274.03
Interest and Fiscal Charges	120,333.00	120,333.00	40,749.43		40,749.43
Total Expenditures	1,002,540.00	1,002,540.00	1,417,160.75		1,417,160.75
Excess (Deficiency) of Revenues Over Expenditures	1,697,460.00	1,697,460.00	1,584,297.33		1,584,297.33
<u>Other Financing Sources (Uses)</u>					
Issuance of Long-Term Debt			300,623.90		300,623.90
Transfers Out	(1,697,460.00)	(1,697,460.00)	(1,664,801.54)		(1,664,801.56)
Total Other Financing Sources (Uses)	(1,697,460.00)	(1,697,460.00)	(1,364,177.64)		(1,364,177.66)
Net Change in Fund Balances			220,119.69		220,119.69
Fund Balances - Beginning of Year			3,284,515.34		3,284,515.34
Fund Balances - End of Year	\$	\$	\$ 3,504,635.03	\$	\$ 3,504,635.03

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Revenue Commissioner's Operational Fund
For the Year Ended September 30, 2024

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
Revenues					
Taxes	\$ 946,850.00	\$ 946,850.00	\$ 854,886.01	\$	\$ 854,886.01
Miscellaneous			1,762.00		1,762.00
Total Revenues	946,850.00	946,850.00	856,648.01		856,648.01
Expenditures					
Current:					
General Government	946,850.00	946,850.00	941,998.77		941,998.77
Total Expenditures	946,850.00	946,850.00	941,998.77		941,998.77
Excess (Deficiency) of Revenues Over Expenditures			(85,350.76)		(85,350.76)
Fund Balances - Beginning of Year			58,541.88		58,541.88
Fund Balances - End of Year	\$	\$	\$ (26,808.88)	\$	\$ (26,808.88)

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2024

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
<u>Revenues</u>					
Taxes	\$ 877,000.00	\$ 877,000.00	\$ 836,535.21	\$	\$ 836,535.21
Total Revenues	877,000.00	877,000.00	836,535.21		836,535.21
<u>Expenditures</u>					
Current:					
General Government	877,000.00	877,000.00	836,535.21		836,535.21
Total Expenditures	877,000.00	877,000.00	836,535.21		836,535.21
Excess (Deficiency) of Revenues Over Expenditures					
Fund Balances - Beginning of Year					
Fund Balances - End of Year	\$	\$	\$	\$	\$

Additional Information

Commission Members and Administrative Personnel
October 1, 2023 through September 30, 2024

Commission Members		Term Expires
Hon. Tim Burgess	Ex-Officio Chairman	January 2031
Hon. Randy L. Jones	District 1 Commissioner	November 2028
Hon. Roger Nichols	District 2 Commissioner	November 2026
Hon. Ronald C. Shaw	District 3 Commissioner	November 2028
Hon. Carlton Teague	District 4 Commissioner	November 2026

Administrative Personnel

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

Independent Auditor's Report

Members of the Cherokee County Commission and County Administrator
Centre, 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 Cherokee County Commission as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Cherokee County Commission's basic financial statements, and have issued our report thereon dated September 19, 2025.

Report on Internal Control Over Financial Reporting

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

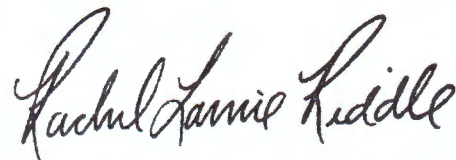
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cherokee County Commission's financial statements are free of 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 19, 2025